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Merton Council

Cabinet

22 March 2021

Supplementary Agenda

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Cabinet

Date: 22 March 2021

Subject: Financial Report 2020/21 – Period 10 January 2021

Lead officer: Roger Kershaw

Lead member: Councillor Tobin Byers

Reasons for Urgency: The Chair has approved the submission of this report as a matter of urgency as the following Cabinet meeting would not fall until the new financial year.

Recommendations:

- A. That Cabinet note the financial reporting data for month 10, January 2021, relating to revenue budgetary control, showing a forecast net adverse variance at year-end of £2.6m.
- B. That CMT note the contents of section 4 of the report and approve the adjustments to the Capital Programme in Appendix 5b

That Cabinet note the contents of Section 4 and Appendix 5b of the report and approve the amendments to the Programme contained in the Table below:

	Budget 2020-21	Narrative
	£	
Corporate Services		
FM Works to Other Buildings - De-Carbonisation Scheme	497,240	Grant Funded Scheme
Environment and Regeneration		
Cycle Route Improvements - Cycle access/parking	40,000	TfL/Dft Grant
Total	537,240	

- C. That Cabinet approve a £1.386m transfer from non-staffing budgets to staffing budgets within the Children's Social Care and Youth Inclusion division of CSF for the financial year 2021/22. This will facilitate the smooth implementation of the restructure within this division.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 10 monitoring report for 2020/21 presented in line with the financial reporting timetable.

This financial monitoring report provides -

- The income and expenditure at period 10 and a full year forecast projection.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2020/21;
- Progress on the delivery of the 2020/21 revenue savings,

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process for 2020/21 focuses on the financial impact of Covid-19. The Council's services remain under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue. The detrimental impact of Covid-19 is being monitored closely as the situation evolves with restrictions imposed by the third lockdown and the financial impact on the Council.

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2019/20 was £12.7m and the

deficit is forecast to continue to increase in 2020/21, the cumulative deficit is now estimated to be £27.6m.

- 2.3 Chief Officers, together with budget managers and Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances; with the projected scale of the impact of the Covid-19 pandemic and the growing DSG deficit, in the absence of further funding, the call on reserves could use some of the general fund reserve.

3. 2020/21 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 10 to 31st January 2021, the year-end forecast is a net adverse variance of £2.6m when all incremental Covid costs are included, after applying the government emergency Covid-19 grant and the funding confirmed from the income compensation scheme. If the Covid pressures hadn't arisen, the numbers suggest that we would be reporting a favourable variance of almost £6.8m, however, there may be other impacts on services arising from Covid that are not apparent at this stage. This will be kept under review.

Summary Position as at 31st January 2021

	Current Budget 2020/21 £000s	Forecast Variance at year end (Jan) £000s	Forecast Variance at year end (Dec) £000s	Covid-19 Forecast £000s	Outturn variance 2019/20 £000s
Department					
Corporate Services	11,301	4,206	4,314	3,281	(490)
Children, Schools and Families	63,420	(2,165)	(1,562)	923	(241)
Community and Housing	69,003	(429)	(90)	2,901	(319)
Public Health	(0)	0	0	0	0
Environment & Regeneration	15,458	10,939	11,327	11,547	783
Overheads	0	0	0	0	120
NET SERVICE EXPENDITURE	159,181	12,552	13,990	18,652	(147)
Corporate Items					
Impact of Capital on revenue budget	11,190	(19)	(19)	0	(161)
Other Central budgets	(14,627)	(638)	(437)	0	(1,405)
Levies	962	0	0	0	(1)
TOTAL CORPORATE PROVISIONS	(2,476)	(657)	(456)	0	(1,567)
Covid-19	0	8,273	8,401	8,273	176
TOTAL GENERAL FUND	156,706	20,168	21,934	26,925	(1,714)
FUNDING					
Revenue Support Grant	(5,159)	0	0	0	0
Business Rates*	(35,586)	1,552	1,543	1,552	(50)
Other Grants*	(18,245)	0	0	0	0
Council Tax and Collection Fund*	(97,713)	2,260	2,240	2,260	50
COVID-19 emergency funding**	0	(14,467)	(14,467)	(14,467)	0
Income compensation for SFC		(6,957)	(6,957)	(6,957)	
FUNDING	(156,703)	(17,612)	(17,641)	(17,612)	0
NET	3	2,556	4,293	9,313	(1,714)

* The deficits on the Collection Fund relating to Business rates and Council Tax arising as a result of Covid-19 can be carried forward to the collection fund for accounting purposes over the next three year

** Total emergency funding received in four tranches of £14,643k. £176k utilised in 2019/20

The current level of GF balances is £13.778m and the minimum level reported to Council for this is £13.8m.

Covid-19 Financial Impact

The ongoing Covid-19 pandemic has had a profound impact on council finances. The Government announced emergency grant funding of £4.7 billion nationally to fund costs associated with the response to the COVID-19 pandemic. The Council's allocation is £14.6m in four tranches.

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This will involve a 5% deductible rate, whereby the Council will absorb up to 5% and the government compensation will cover 75p in every pound of relevant loss thereafter. The first two rounds claim covering the income loss of £6.97m is included in the period 10 forecast table. Further amounts expected from the income compensation scheme will be included in the forecast as and when they are confirmed, subject to clarification as to whether any excess grant may need to be repaid and confirmation of grant for Second Tranche currently being investigated by MHCLG.

The ongoing fast moving situation with high levels of uncertainty and change in restrictions from the tier system to the recent third lockdown makes forecasting very difficult.

Merton will receive funding from the Contain Outbreak Management Fund (COMF) based on the population.

Some of the government grant funding received in the current year will cover more than one year. This will result in a temporary increase in the level of reserves at the financial year end pending application of the grants in 2021/22 to fund the expenditure for which they are intended, currently forecast to be £11.5m.

At this time, the full financial impact of COVID-19 therefore continues to be uncertain, as does the extent to which the Government will mitigate the cost pressures on local government in this and many other areas. The effects will continue to be closely monitored and reported.

Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs such as PPE, food banks and the community hub.

Income shortfall

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

Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2020/21 as part of the budget setting process. The savings which are now under pressure due to Covid-19 are included in the forecast of the department.

COVID-19 COST SUMMARY	January 2020/21 £000s	December 2020/21 £000s
Department	-	-
Corporate Services	3281	3,320
Children, Schools and Families	923	923
Community and Housing	2901	2,889
Environment & Regeneration	11,547	11,366
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	18,652	18,498
Corporate Items - Covid costs	-	-
Corporate Services	717	800
Children, Schools and Families	400	400
Community and Housing	5404	5,417
Environment & Regeneration	1752	1,784
ADDITIONAL COVID EXPENDITURE	8,273	8,401
FUNDING	-	-
Business Rates	1,552	1,543
Council Tax	2,260	2,240
TOTAL FUNDING LOSS	3,812	3,783
GROSS COST OF COVID-19	30,737	30,682
Covid-19 Emergency funding received	-10,383	-10,383
Covid-19 Emergency funding - July 2020	-1,590	-1,590
Covid-19 Emergency funding - October 2020	-2,494	-2,494
Income compensation for sales, fees & charges	-6,957	-6,957
NET COST OF COVID-19	9,313	9,258

Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Council Tax and Business Rates collected will be less than budgeted for 2020/21 when the budget was approved by Council in March 2020. There is usually a small surplus or deficit which arises because the amount collected during the year will vary for different reasons such as new properties coming on stream during the year, or people and businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and will result in deficits in both Council Tax and Business Rates for the financial year 2020/21. However, as required by legislation any surplus/deficit on the Collection Fund would normally be funded in the following year of account so the expected deficit for 2020/21 would form part of the budget for 2021/22.

The Secretary of State for Local Government has introduced legislation which allows for the phasing of the deficit over three years. Officers are working on the Collection Fund account and this will be reported to the 22nd February Cabinet.

As at 31st January 2021, Merton's share of estimated Council Tax and Business Rates deficits 2020/21, which will feed into the overall Collection Fund position, are:-

Council Tax	£2,260k
Business Rates	£1,552k

The estimated deficit will have been incorporated into the MTFs in 2021/22 to 2023/24.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow which is likely to remain for the rest of the year. Through prudent treasury cash flow procedures, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

In light of Government relief announcements, the Council will see a reduction in income going forward. Therefore, in order to meet its commitments going forward the decision was made to keep the bulk of the Council's available funds in cash/MMFs to maintain liquidity. This meant that as fixed short and medium term deposits matured they were placed in MMFs which is immediately callable. The Council has now increased its MMFs investment limits and the number of MMFs. This enables us to earn the maximum interest income possible whilst maintaining liquidity.

Cash flow is monitored on a daily basis and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there remains a concern over the longer term in the context of the DSG deficit. However, if a cash shortfall occurs, the Council has the option to borrow from the market in order to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	2020/21 Current Budget £000	2020/21 Full year Forecast (Jan) £000	2020/21 Full Year Forecast Variance (Jan) £000	2020/21 Full Year Forecast Variance (Dec) £000	2020/21 Covid-19 Forecast Impact (Jan) £000	2019/20 Outturn Variance £000
Customers, Policy & Improvement	4,017	4,992	975	926	391	(169)
Infrastructure & Technology	12,602	12,753	151	210	305	(678)
Corporate Governance	2,206	2,129	(77)	(98)	66	(180)
Resources	5,733	7,851	2,118	2,203	1,934	95
Human Resources	2,133	2,287	154	157	0	187
Corporate Other	172	1,057	885	916	585	255
Total (Controllable)	26,863	31,069	4,206	4,314	3,281	(490)

Overview

At the end of period 10 (January) the Corporate Services (CS) department is forecasting an adverse variance of £4.206m at year end, of which £3.28m is due to the external impact of covid-19. The adverse forecast within CS has reduced by £108k compared with period 9.

Customers, Policy and Improvement - £975k adverse variance

The adverse variance in the division is mainly due to spend on the Customer Contact budget which is forecasting a £920k variance. This is made up of £172k for the cost of delays in light of the covid-19 pandemic and the remainder from the cost of contracts novated from the previous supplier which fall into the first months of 2020/21 and the estimated annual costs of the new systems.

The Registrars service is forecasting a £134k adverse variance and currently anticipating a 40% reduction in income compared to 2019/20. This reflects a significant impact on income due to the various restrictions which have been in place during this financial year and includes only a limited income forecast for the remainder of the year given the current lockdown and uncertainty around when it may be relaxed. Other adverse variances within the division due to covid-19 include the Translations service (£72k) due to a reduced number of interpretations being fulfilled following a fall in demand. The Press and PR budget is also forecasting an adverse variance (£194k) mainly due to the use of agency staff covering the Head of Communications post pending the completion of a restructure within the division. Cover for sick leave is also resulting in an adverse £23k variance forecast in the Policy and Strategy team. There is a further adverse variance of £7k on Blue Badges, mainly as the saving (2019-20 CS02) of £15k to introduce charging has not yet been implemented.

Partly offsetting the above are various favourable variances including £125k in the AD budget and £57k in Continuous Improvement due to vacancies, £22k on Voluntary Sector Co-ordination and £10k in Community Engagement due to uncovered maternity leave. Other forecast variances from less than budgeted running costs are in Merton Link (£22k favourable), Cash Collections (£89k favourable) and Marketing and Communications (£40k favourable).

The forecast adverse variance overall for the division has increased by £49k compared to period 9. This is mainly due to a reduction of £18k in the favourable forecast variance in Marketing and Communications and an increase in the adverse variance for the Registrars Service of £23k, reflecting essential maintenance costs and reduced income expected for the remainder of 2020/21.

Infrastructure & Technology - £151k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £184k on the Corporate Print Strategy, £42k on the Print and Post room and £138k on the PDC (Chaucer Centre). Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £164k adverse variance due to the lack of commissions being confirmed since the pandemic began. There is a variance on Corporate Contracts (£27k adverse) due to savings for reducing cleaning in corporate buildings being unachievable within the current circumstances. Adverse variances in the division which haven't been caused by covid-19 include £36k on Telecoms, partly due to requiring new handsets to replace the old contract, and £25k in Security Services as a result of the increase in London Living Wage, though this is offset with a budget held corporately for excess inflation.

A £50k favourable variance is forecast in the Business Systems Team mainly due to vacancies held in the team and the capitalisation of staffing costs related to work on capital projects which more than offsets the budget pressure on IT licenses, support and maintenance. Other favourable variances within the division includes £34k in Client Financial Affairs from less than budgeted staffing costs and

£101k in Safety Services on staffing and running costs, partly due to a vacancy held in the team. Over-achievement of rental income has resulted in favourable variances of £13k on the Civic Centre and £66k on Garth Road. IT Service delivery also has a favourable variance of £46k mainly from IT licences, whilst the Transactional Services team have a £64k favourable variance from vacancies forecast for part of the year as well as the recovery of overpayments to suppliers in prior years. There is a further £45k favourable variance on the Microsoft EA licences following a review by the supplier.

The forecast adverse variance in Infrastructure and Technology has reduced by £59k compared to period 9. This is due to various smaller amendments to forecasts across multiple services including IT Service delivery, Safety Services and the Print and Post room following a review of outstanding commitments for the remainder of the year and adjustments yet to be made to account for prepayments.

Corporate Governance – £77k favourable variance

A £32k shortfall on the saving to merge Democracy and Electoral Services is expected due to the restructuring coming in to effect mid-year following the retirement of the Head of Democracy Services. This is, however, offset by various vacant hours and running cost budgets within both teams and the receipt of IER grant, resulting in a total £91k favourable variance across both services.

The Corporate Governance AD budget is forecasting a £5k favourable variance due to various running costs whilst the Information Governance team also have a favourable £12k variance due to various vacant hours held during the year.

The South London Legal Partnership (SLLp) is currently forecasting a £450k surplus, with £94k to be retained by LBM. The surplus relates mainly to additional chargeable hours being fulfilled. The overall LBM position is a £4k adverse variance forecast for the shared legal service after factoring in the additional recharges to departments.

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

The Corporate Governance favourable forecast has reduced by £21k since period 9. This is mainly due to an adjustment required for VAT relating to historic legal invoices.

Resources - £2,118k adverse variance

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive's budget has a £134k adverse variance mainly due to an interim Head of Recovery being appointed as a result of the pandemic. The Bailiff Service ceased operations for the first 6 months of the year and is forecasting an adverse variance of £968k (including the shared service element). The Local Taxation Service is also showing an adverse variance of £776k mainly as a result of covid-19's impact on court cost income, with the first hearing date of the financial year having taken place in December 2020 and no news regarding a further one.

Other adverse variances within the division that are not covid-19 related include £37k in the Financial Information Systems (FIS) team due to salary budget pressure. A £129k adverse variance in Insurance is due to property valuation fees incurred in preparation for the re-tendering of insurance contracts and the new contracts not commencing until mid-2020/21 resulting in a saving being unachieved in year. The Budget Management team also have an adverse variance (£81k) as a result of the use of agency staff covering vacancies in the team due to difficulties in recruiting. Corporate Accountancy are forecasting a £203k adverse variance due to proposed increases in audit fees and the use of agency staff.

Favourable variances in the department include £45k and £14k on the Director of Corporate Services

and AD budgets respectively due to consultants and subscription budgets not required in year. Within Revenues and Benefits the Benefits Administration and Support Teams are forecasting favourable variances of £126k and £20k respectively due to various running costs, vacancies and DWP receipts for additional works.

The forecast adverse variance in the division has reduced by £85k compared to period 9. This is largely due to a reduced forecast in the FIS Team following a review of spend planned for various system works and an improved position in the Bailiff Service forecast reflecting an improvement in income during January 2021. These are offset in part by adverse movements in the Budget Management team's agency staff forecast and a reduced income forecast in Insurance from commercial clients following a recent review.

Human Resources – £154k adverse variance

The adverse variance in HR is mainly from the AD budget (£108k variance) as a result of the use of agency staff. Additionally, there is an adverse variance of £27k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. HR Business Partnerships are also forecasting an adverse variance (£15k) mainly as a result of staff cover required in the team.

The adverse forecast variance in HR has reduced by £3k since period 9.

Corporate Items - £885k adverse variance

The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £1,035k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2020/21 and is inclusive of the £500k saving built in to the budget this year for improvement of overpayment recovery and therefore reducing the bad debt provision budget which is now not expected to be achievable in light of covid-19. This saving will be removed from 2021/22 budgets and deferred to 2022/23 per the December 2020 Cabinet report.

There is also a one-off saving in 2020/21 for the recovery of old housing benefit debts which had previously been written off, due to new access to information from HMRC. There is a £85k adverse variance and shortfall on the saving as recovery has been significantly impacted by covid-19. On the Coroner's Court budget there is an adverse variance of £41k, of which £25k relates to an adjustment for 2019/20 quarter 4 costs.

Partly offsetting the above are favourable variances on the corporately funded items budget of £209k due to budget not expected to be required in year and £76k on the added years pension budget.

Compared to period 9, the Corporate Items adverse variance has reduced by £31k. This is mainly due to further corporately funded items budget being identified as not required in 2020/21.

Environment & Regeneration

Environment & Regeneration	2020/21 Current Budget	Full year Forecast (Jan)	Forecast Variance at year end (Jan)	Forecast Variance at year end (Dec)	2020/21 Covid-19 Forecast Impact (Jan)	2019/20 Outturn Variance
	£000	£000	£000	£000	£000	£000
Public Protection	(15,302)	(6,048)	9,254	9,198	9,208	1,286
Public Space	16,041	17,835	1,794	1,874	1,579	(364)
Senior Management	1,037	907	(130)	(98)	0	81
Sustainable Communities	8,436	8,457	21	352	760	(220)

Total (Controllable)	10,212	21,151	10,939	11,326	11,547	783
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Description	2020/21 Current Budget	Forecast Variance at year end (Jan)	Forecast Variance at year end (Dec)	2019/20 Variance at year end
	£000	£000	£000	£000
Regulatory Services	655	280	302	87
Parking Services	(17,003)	8,984	8,886	1,171
Safer Merton & CCTV	1,046	(10)	10	28
Total for Public Protection	(15,302)	9,254	9,198	1,286
Waste Services	14,393	547	582	72
Leisure & Culture	540	774	871	(334)
Greenspaces	1,811	577	540	(111)
Transport Services	(703)	(104)	(119)	9
Total for Public Space	16,041	1,794	1,874	(364)
Senior Management & Support	1,037	(130)	(98)	81
Total for Senior Management	1,037	(130)	(98)	81
Property Management	(2,640)	(325)	(80)	(251)
Building & Development Control	87	173	172	34
Future Merton	10,989	173	260	(3)
Total for Sustainable Communities	8,436	21	352	(220)
Total Excluding Overheads	10,212	10,939	11,326	783

Overview

The department is currently forecasting an adverse variance of £10.94m at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, and Property Management.

Public Protection

Regulatory Services adverse variance of £280k

The section has implemented agreed income savings of £210k over the last few financial years relating to potential commercial opportunities. However, the focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not yet been possible to achieve these savings targets. The IT transition Project is scheduled for completion by the end of the financial year at which point the section will be able to refocus their efforts on generating additional income, for example, through the provision of business advice.

In addition, Covid-19 has impacted on licensing income levels due to factors including street markets being closed and new Government guidelines being relaxed in areas such as pavement licences and a substantial reduction in temporary event notice income due to business restrictions within Tier 4 and the subsequent lockdowns. Current forecasts estimate an adverse variance against budget of £107k.

Parking Services adverse variance of £8,984k

Covid-19 has affected parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Work continues to fully understand the longer term impact of this but current

forecasts show an adverse variance on PCN, P&D, and permit income of £4,416k, £2,919k, and £1,494k respectively. These figures have been adversely affected by the lockdowns introduced during November 2020 and January 2021, which will be included within the third Income Compensation Claim form submission to Central Government.

Contributing to the PCN adverse variance is a 2020/21 saving (ENV1920-01) of £340k relating to an application to change Merton's PCN charge band from band B to band A, which is now not expected to be implemented until April 2021 at the earliest, and is subject to final sign off from the Secretary of State prior to implementation.

Covid-19 has also had an impact of other areas of income, namely skip licences, which is forecasting an adverse variance of £192k.

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. It is too early to tell exactly how behaviour has been affected, which is being compounded by the impact of Covid-19, but work continues to try and better understand this.

The section is also forecasting an adverse variance on Supplies & Services (£217k), mainly in relation to the planned placement of statutory notices around the borough on emissions based charging, and repairs and maintenance costs associated with P&D machines and ANPR cameras.

The adverse variance is being partially offset by favourable variances on employees (£245k) and RingGo convenience fees (£94k).

Public Space

Waste Services adverse variance of £547k

The section is forecasting an adverse variance on disposal costs of £141k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services.

Covid-19 has had a significant impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fixed Penalty Notices for littering which was temporarily suspended and the resource redeployed to support engagement and education in our Parks and Green spaces advising residents and visitors on Government guidelines on social distancing, resulting in a net adverse variance against budget of £150k.

An adverse variance of £155k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The section is currently working with both the SLWP and our service provider to mitigate these increased costs. There are currently no planned service changes and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

An adverse variance of £89k is being forecast in relation to its waste collection and street cleansing contract, as a result of agreed and necessary services being undertaken on our behalf by the service provider. The service continues to work with Veolia in finalising the annual review process and the additional impact of the unresolved commercial waste claim. As yet no agreement has been reached with regards to the commercial waste portfolio and impact this may have on the level of

guaranteed income.

A favourable variance on employee related spend of £50k is partially mitigating the adverse variance.

Leisure & Culture adverse variance of £774k

Due to the Covid 19 pandemic, on the 21st March 2020 the Authority's Leisure Centres closed following central Government instruction. Since this request, officers have been working with our service provider, GLL, to consider how best to support them, whilst still working to return their previous customer base to being fully paid members and bringing in new members to the Merton leisure centres.

However, it is clear from the continuous dialogue between the two parties that GLL needed financial support from the council if they were going to survive, and repayable grants of £575k were agreed and provided for centrally. This is consistent with the picture across London. Following conversations with the industry, it is estimated that leisure centres might not be able to return to normal working practices until, at the earliest, Spring 2021. The contract requires that we forego the income under a 'Relief Event' clause. This equates to about £830k for the current financial year.

The impact of these lockdowns and the trading position on re-opening may have a further impact on their need for increased financial support and relief from paying the management fee for a longer period. (This may change again depending on how the centres perform, when they are able to open, what leisure offer is allowed and the ability for them to remain open and/or operational without further lockdowns). Discussions are ongoing and any financial requests for further relief and financial support and the impacts will be brought forward as soon as possible. The section has just received notice that it was successful in its bid to Sport England as part of the National Leisure Recovery Fund (NLRFF) initiative, and have been awarded £390k. The section awaits the Funding Agreement detailing how exactly the grant can be utilised.

During closure of the leisure centres, the Authority incurs lower utility costs at these premises, leading to a forecast favourable variance of £217k.

Covid-19 also led to the temporary closure of the Wimbledon Sailing base from 20th March 2020. The site re-opened on the 15th June with much smaller programmes available, but due to the closure and social distancing measures a net adverse variance of £215k is being forecast, mainly as a result of reduced income.

Greenspaces adverse variance of £577k

The adverse variance is mainly as a result of most of this year's events in our parks and open spaces being cancelled due to Covid-19, which has led to a net variance of £357k.

In addition, an adverse variance of £105k is being forecasted in relation to the maintenance of the Authority's trees located on highways and in parks. This is due to the high number of trees requiring pollarding and maintenance and compliance with our management of public liability risk. We are now much clearer about the detailed maintenance regime and the costs.

Further adverse variances are being forecast in relation to rental income (£40k), and P&D within certain parks (£55k), whereby the original saving proposal to include charging on Saturdays was removed following consultation alongside a significant reduction in commuter (paid for) parking.

An adverse variance of £41k is being forecast in relation to the grounds maintenance contract, which assumes an expected contractual cemetery revenue share for 2018/19 and 2019/20 of £157k will be received. However, in tandem with the Phase C Waste Services (lot1) Annual Review

process, a similar process is ongoing regarding the Grounds Maintenance contract (lot 2), which requires further discussion as the proposed solution was predicated on assumptions with the revenue income, barring Merton & Sutton Joint Cemetery activity. In addition to the original issues and the position now so radically changed due to Covid-19, further discussions with our service provider will need to commence again to determine the final outcome. To note, there has been no requirement or indication by the service provider for any relief event under the PPN provision.

Sustainable Communities

Property Management favourable variance of £325k

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £401k, which includes £154k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements.

This is being partially offset by an overspend of £86k on supplies & services related expenditure, for example, on employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations.

Children Schools and Families

Children, Schools and Families (£000's)	2020/21 Current Budget	Full Year Forecast	Forecast Variance January	Forecast Variance December	2020/21 Covid Forecast Impact	2019-20 Year Variance
Education						
Education Budgets	£ 16,775	£ 15,787	-£ (988)	-£ (836)	-£ (363)	£ 63
Depreciation	£ 9,801	£ 9,801	£ -	£ -	£ -	£ -
Other Education Budgets	£ 84	£ 84	£ -	£ -	£ -	£ -
Education Services Grant	-£ (1,062)	-£ (1,062)	£ -	£ -	£ -	£ -
Education Sub-total	£ 25,598	£ 24,610	-£ (988)	-£ (836)	-£ (363)	£ 63
Other CSF						
Child Social Care & Youth Inclusion	£ 21,635	£ 21,238	-£ (397)	-£ (101)	-£ (560)	£ 416
Cross Department	£ 894	£ 669	-£ (225)	-£ (69)	£ -	-£ (47)
PFI Unitary Costs	£ 8,730	£ 8,174	-£ (556)	-£ (556)	£ -	-£ (251)
Pension and Redundancy Costs	£ 1,572	£ 1,572	£ -	£ -	£ -	-£ (422)
Other CSF Sub-total	£ 32,831	£ 31,653	-£ (1,178)	-£ (726)	-£ (560)	-£ (304)
Grand Total	£ 58,429	£ 56,263	-£ (2,166)	-£ (1,562)	-£ (923)	-£ (241)

Overview

At the end of January 2021, the Children Schools and Families directorate is forecasting a favourable £2.166m variance on local authority funded services, a favourable movement of £604k from last month.

£923k of Covid-19 cost pressure have been identified, including £734k relating to savings shortfalls. These have been included in the forecast position. The impact of the lockdown on children and families is emerging in increased numbers of children requiring social work intervention. Infection control measures, availability of community and partner services and hold ups in the family courts mean that some children's plans cannot be progressed. This has significantly increased the number of children with child in need and child protection plans open to the service, which is putting pressure on social worker's caseloads. Additional agency social workers have been sought to assist with this pressure which are incremental covid19 related costs and will be reflected within the corporate covid19 cost centre. An additional £189k covid19 related loss of income have also been identified.

It remains difficult to forecast the overall likely increase in families who will need the support of our family wellbeing service, children in need, children on a child protection plan or children who become

looked after as a result. We continue to monitor the situation closely.

The period 10 forecast favourable position is attributable to a number of factors including:

- The Schools PFI forecast of (£555k) favourable variance. This is caused by an overachievement of Schools Contribution Income, due to higher pupil numbers than budgeted for;
- Decrease in the MASH overspend forecast of (£110k) relating to improved agency cost forecast;
- Increased underspend forecast in Central Social Work teams of (£102k) following a detailed forecasting review;
- Decreased overspend of (£57k) for Children in Care;
- Underspend on the SEN transport budget of (£520k) arising from lower than expected costs when schools were closed;
- Other Education underspends across a number of areas including (£56k) in Departmental Business Support, (£258k) in Education Inclusion and (£115k) in Procurement and School Organisation;
- Underspend of (£225k) on Joint Commissioning and Partnerships relating to supplies and services;
- A variety of other variances totalling an underspend of (£168k).

Despite an increasing population and the pressures that covid19 has presented too many parts of the Children's Social Care system, Merton has managed to hold steady our number of children in care through a combination of actions, which are detailed in the management action section below.

Since period 1 (April 2020) we have seen an increase from 2032 EHCPs maintained by the Local Authority to 2252 EHCPs as of January 2021, this is an increase within the financial year of 230 EHCPs. As at December 2020 we had 167 EHC Needs assessments being undertaken at various weeks within the 20 week statutory timescale. It should be noted that since COVID we have seen a significant increase in the requirement to spot purchase therapy provision for those pupils who have therapy documented within Section F of the EHCP. This along with the growth in EHC Needs assessments continues to increase the cost pressure in the High Needs Block of the DSG.

The projected underspend of £2.166m includes PFI and the SEND taxi underspend which accounts for £1.075m. The PFI underspend is as a result of the income from schools increasing by formula following the rise in pupil numbers and not previously being reflected in a budget adjustment. This is being taken into account through the savings proposals for 2021/22. The underspend in SEND taxis is a direct result of partial school closure for approximately 2 terms of the financial year and, although EHCP children were still entitled to attend, far fewer taxi journeys. Once school attendance returns to normal, as occurred during the autumn term, so will expenditure.

Covid19 has resulted in a number of activities not occurring this financial year or at a significantly lower level including:

- Youth service provision
- Children Centre activities

It is to be determined how much of the current underspend will continue into the following year so caution is advised in forward projection.

The CSF department has received £3.847m growth for 2020/21. £1.756m has been allocated across Children's Social Care and £2.091m across Education.

As part of the budget setting process for Children's Social Care & Youth Inclusion it became clear that a number of transfers totalling £1.386m from non-staffing costs to staffing costs will be required in order to facilitate the smooth implementation of the up and coming restructure of this area. The overall budget will remain within the approved funding envelope for this area. This request is identified with Recommendation C of this report.

Local Authority Funded Services

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

Local Authority Funded Services (£000's)	Budget	January Variance	December Variance	2019/20 Outturn Variance
Child Social Care and Youth Inclusion				
Adolescent & Family Services	£ 1,702	-£ (147)	-£ (84)	£ 235
Asylum Seeker Costs (14+)	£ 275	-£ (17)	-£ (26)	-£ (3)
Asylum Seeker Costs (ART)	£ 981	-£ (637)	-£ (717)	-£ (80)
Children Cntrl Social Wrk Serv	£ 4,510	-£ (539)	-£ (437)	£ 538
Head of ChildSoclCare& YthIncl	£ 171	-£ (45)	-£ (39)	£ 202
Mash & Child Protection Serv	£ 2,355	£ 546	£ 656	-£ (241)
Safeguarding, Stndrds & Train	£ 1,268	-£ (58)	-£ (40)	-£ (98)
Senior Management	£ 288	-£ (103)	-£ (74)	-£ (24)
Children In Care and Resources	£ 10,085	£ 603	£ 661	£ 34
CSC & Youth Incl Total	21,635	-397	-101	563
Education				
Contracts, Proc & School Org	£ 916	-£ (116)	-£ (104)	-£ (376)
Early Years & Children Centres	£ 4,240	-£ (106)	-£ (60)	-£ (35)
Education - School Improvement	£ 52	-£ (1)	-£ (12)	-£ (314)
Education Inclusion	£ 1,740	-£ (258)	-£ (248)	-£ (84)
Schools Delegated Budget	£ -	£ -	£ -	-£ (350)
SEN & Disability Integrat Serv	£ 8,241	-£ (558)	-£ (318)	-£ (113)
Senior Management	£ 856	£ 44	-£ (11)	£ -
Policy, Planning & Performance	£ 522	£ 63	-£ (23)	£ 1,441
Departmental Business Support	£ 209	-£ (56)	-£ (60)	-£ (105)
Education Total	£ 16,775	-£ (988)	-£ (836)	£ 64

Children's Social Care and Youth Inclusion Division

Adolescent and Family Services

Forecast has moved favourably to an under spend of (£147k). This includes an interim Specialist Youth Offending Manager following the loss of the established Head of Service. This interim Manager is with the team till the end of the financial year to support a forthcoming inspection and to upskill existing staff.

Asylum Seekers ART

Decreased underspend in period 10 of £80k to (£637k), this movement is the result of increased certainty as the financial year end is approached.

Mash and Child Protection Service

This area continues to show a significant over spend against budget which is primarily due to the temporary relocation of a social work team into the service (pending a CSC reorganisation) and the need to engage agency social work staff which are more expensive than permanent staff. The favourable movement to in period 10 is the result of improved agency staff forecasting. It remains challenging to recruit permanent social workers into this service and this is consistent with many other London Boroughs. It remains a medium-long term issue. The Directorate is currently considering transferring some of the growth currently located in Children in Care to offset this pressure.

Central Social Work Services

The increase in this areas underspend of (£102k) to (£539k), this is the result of improved forecasting. The main elements of the forecast can be broken down as follows:

- Safeguarding and Care Teams: (£194k) underspend on staffing and agency, (£89k on section 17 payments, (£19k) CAMHS grant and £56k on other variances;
- Children with Disabilities: (£48k) on staffing, £252k on Direct Payments, (£236k) Home Care, (£20k) section 17 payments and £20k other variances;
- Social Work Intervention: £50k Agency, (£58k) Medical, (£217k) Counsel and Court costs, (£48k) section 17 payments and (£12k) other variances.

Safeguarding, Standards and Training

Small increase in the forecast underspend to (£58k).

Children in Care and Resources

Continued improvement in the over spend of £58k to an over spend of £603k, this is made up of a number of elements including:

- An increase in the cost of residential placements of £141k;
- Reduction in cost relating to In-House Fostering (£115k), Mother and Baby unit (£63k) and Adoption Allowances (£25k).

Education Division

Contracts, Procurement and School Organisation

Increase in the period 10 under spend to (£116k) from (£104k) following an increase in the estimated premises and contract salary costs. Efforts are currently underway to recruit to a position in this area.

Early Years and Children's Centres

The under spend here has increased by £46k in period 10 to (£106K). This is the result of a number of different movements, in summary this under spend can be linked to Covid19 where the general level of activity is lower than normal.

School Improvement

Small adverse move in period 10 to a (£1k) under spend forecast which is the result of improved forecasting.

Education Inclusion

Increase in the under spend of £10k to (£258k) in period 10 which is explained by 2 minor staffing movements in the Youth Service and Adventure Playgrounds

SEN & Disability Integrated Service

The SEN transport budget is forecasting (£558k) net underspend, the majority of this relates to an underspend on the SEN Taxi take-up of (£520k). This budget has become increasingly difficult to forecast given COVID-19, the variability of schools' wider opening and the impact of social distancing requirements on transport commissioning and now another lockdown with restrictions. This is our current best estimate based on the information available at the end of January. The current estimated cost includes COVID-19 relief for our existing suppliers and approx. 8-10% increase in our weekly cost based on pre-covid19 spend pattern. Buses are also still being used to transport young people, but this is difficult to forecast given the continued uncertainty.

Policy Planning and Performance

Movement in period 10 of £85k to an overspend position of £63k. This is primarily the result of a revised salary forecast.

Senior Management

Adverse movement of £55k in period 10 to an overspend position of £44k. This is the result of the addition of 50% of the interim DCS costs and one day a week of the Interim Head of Strategy and Partnerships from C&H.

Schools PFI

Schools PFI is forecasting a (£555k) favourable variance, no movement since period 9. This is due to an overachievement of Schools Contribution Income compared with the sums budgeted for. This forecast is considered stable for the rest of the financial year.

Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget	January Variance	December Variance	2019/20 Outturn Variance
<i>Education</i>				
Contracts, Proc & School Org	£ 283	£ 27	£ 11	-£ (38)
Early Years & Children Centres	£ 16,274	£ 64	£ 64	-£ (602)
Education - School Improvement	£ 1,051	£ 17	£ 10	-£ (164)
Education Inclusion	£ 1,421	£ 52	-£ (12)	£ 206
SEN & Disability Integrat Serv	£ 16,370	£ 13,032	£ 12,723	£ 10,373
Sub-total	£ 35,400	£ 13,192	£ 12,796	£ 9,775
<i>CSC & Youth Inclusion</i>				
Adolescent & Family Services	£ 44	-£ (3)	-£ (4)	-£ (33)
Sub-total	£ 44	-£ (3)	-£ (4)	-£ (33)
<i>Schools Delegated Budget</i>				
DSG Reserve	£ -	£ -	£ -	-£ (9,824)
Retained Schools Budgets	£ 2,985	-£ (104)	-£ (105)	-£ (470)
Schools Delegated Budget	-£ (38,741)	£ 2,236	£ 2,236	£ 552
Sub-total	-£ (35,755)	£ 2,132	£ 2,132	-£ (9,742)
DSG Total	£ (311)	£ 15,321	£ 14,924	£ -

Work is underway which will refresh the forecast and plan, with a focus on the detail of the High Needs Block.

DSG funded services are forecasting an adverse £15.321m variance. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The overspend in the current financial year will be adding to this balance, currently estimated at just over c£28m. There was a separate report on the DSG Deficit Recovery Plan to Cabinet in January 2020. The Department of Education (DfE) met with us on 11 February 2020 to discuss this recovery plan, and it was expected that they would return to assess our progress in November, before updating Cabinet further, but we are still waiting for the notification.

The main reason for the variance relates to a £10.1m adverse variance on Independent Day School provision. The reason for the significant overspend is due to the high number of placements and our legal duty to find suitable education provision.

Requests for EHCPs go through assessment and a decision about issuing a plan and the type of provision is made once all the professional advice is received and reviewed by the SEND Panel.

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect this cost to still increase towards year-end and the c£28m cumulative deficit to increase further.

Other adverse variances include EHCPs £2.381m to Merton primary, secondary and academy schools, £0.575k on post16 provision, other local authority pupils £2.057m

Since period 1 we have seen an increase from 2032 finalised EHCPs to 2252 EHCPs in period 10

which is an increase this financial year of 230 finalised EHCPs.

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. Latest guidance from the DfE on the Central Services School Block (CSSB) is a 20% reduction each year on funding against historical budgets to the LA for the non-historic budgets.

The Early Years block of the DSG is normally adjusted in the July following the end of the financial year as it is based on January census information. For 2019/20 this additional grant was £260k. It is anticipated for 2020/21 circa £200k-£400k however, due to Covid-19, this is currently being reviewed by the DfE with census collections and we wait for the published outcome. London local authorities are sharing business intelligence on early year's census and data collection due to COVID and impact upon local authorities.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2020/21 and beyond, some schools are also having trouble in setting balanced budgets with the funding provided to them through the funding formula. The Finance Service monitors this closely, and before any deficit budget is agreed, work is undertaken with the school to ensure they are maximising every opportunity to reduce costs and spend wisely. The number of schools setting deficit budgets has reduced from 13 in 2019/20 to 10 in 2020/21. There are various reasons for schools requiring to set deficit budgets, increased costs relating to children that require additional support but do not meet statutory thresholds for additional funding, reduction in pupil numbers, reduced levels of reserves that schools would previously have used to balance their budgets and loss of income due to Covid-19. Total school balances, including capital balances, did slightly increase last year.

Merton has been working in conjunction with Association of Directors for Children's Services (ADCS), Society for London Treasurers (SLT), London Councils and the Children's Commissioner to lobby Central Government for additional funding. All commissioned analysis shows that the funding shortfall is a national issue that requires additional grant funding.

Management Action

Staffing report

We continue to reduce the use of agency by imposing a three-month recruitment drag, where appropriate, for non-social work posts. We continue to prioritise meeting our statutory duties when determining whether recruitment drag may be applied to any vacant post. Children's Social Care and Youth Inclusion have reviewed the distribution of social work staffing to ensure workloads in the MASH and First Response Service are at a level that supports recruitment and retention of permanent staff and a proposed reorganisation is being finalised in readiness for a HR consultation

Significant caseload pressures with CSC&YI have developed as a result of the covid19 pandemic. An additional team of agency social workers and management posts have been recruited to for a fixed term period to directly address this pressure. These are being charged to the Corporate Covid cost centre.

CSC&YI are also making effective use of the grant-funded resource available through the Social Workers in Schools pilot in supporting the increased number of children within the system and reducing social worker's caseloads to safe and manageable levels.

Placements

We continue to use the Panel processes to ensure that spending on IFAs instead of in-house placements can be justified, as well as continuing our scrutiny on residential children's home placements.

Our aim is to slow down the increase in more expensive agency foster care. In addition, we are implementing actions to retain our experienced existing foster carers such as increasing the offer to them through the trauma based training and support to enable them to care for children with more challenging behaviours by implementing the Mockingbird Model. We continue to target our recruitment to increase our number of in-house parent and child foster placements.

Children with additional needs

We are working with colleagues in CCGs through our Tripartite Panel process in order to secure appropriate health contributions to funding for children with complex needs, particularly through continuing healthcare (CHC) funding. This is an area we are continuing to improve through closer working with the CCG and an agreed approach to determining funding contributions going forward. This will mainly affect the CWD budget within Children's Social Care as many of the children discussed within the Tripartite Panel process are living at home with shared packages of care. In addition the work being undertaken by the Tripartite Panel will impact on the DSG budget as it will ensure the appropriate split of funding for pupils across education, health and social care. Details of any arrangements made will be recorded and reflected in budget returns. Work is currently underway to identify the contribution that is health related and which should be supported by funding from CCGs and a plan is being produced which will set out the quantum of funding and the steps that will be taken to secure this funding.

We have tried to reduce costs associated with SEND transport through a number of strategies but this is a continuing challenge with the increasing numbers of children eligible for this service. Strategies introduced include: the introduction of a dynamic taxi purchasing system; the re-provisioning of taxi routes to ensure best value for money; the introduction of bus pick up points where appropriate; promotion of independent travel training and personal travel assistance budgets where this option is cheaper. Some cost-saving measures linked to consolidation of routes or shared travel arrangements may not be possible in the light of Covid-19 restrictions

We have a multi-agency SEND panel providing strategic oversight of the statutory assessment process to ensure that at both request-for-assessment stage and the agreement of a final EHCP, criteria and thresholds are met and the best use of resources is agreed. In addition SENDIS and the School Improvement team are working with senior leaders in education settings to review what is available at SEN Support and to outline the expectations within schools regarding how to support pupils with additional needs.

To limit further the increased costs to the DSG High Needs block of the increased number of children with EHCPs we have expanded existing specialist provision including the expansion of Cricket Green special school completed in early 2020, and the opening of an Additionally Resourced Provision (ARP) at Stanford Primary School. There is further expansion of provision in the capital programme, including the expansion of Melrose School (for children with Social, Emotional and Mental Health), which is currently at the statutory consultation and planning application stage. Additional local provision should also assist with minimising increases to transport costs.

New burdens

Following changes introduced through the Children & Social Work Act, local authorities took on new responsibilities in relation to children in care and care leavers. Local authorities are required to offer support from a Personal Adviser to all care leavers to age 25. There has been no on-going funding for the additional work required.

Other unfunded burdens include:

- The increase in the age range of EHCPs, particularly for those young people aged 18-25, due to legislation changes, which is causing cost pressures in both the general fund (in education psychology and SEN transport) and the DSG (High Needs Block costs relating to most EHCP services);
- New statutory duties in relation to children missing from education, which have increased the cases dealt with by the Education Welfare Service by 79% (from 290 in the 6 months from September to March 2016 to 519 in the same 6 months the following year and the level of referrals has remained at this level ever since).
- SEND tribunals will cover all elements of children's care packages, not solely education.
- New requirement of social work visits to children in residential schools and other provision.
- Provision of support and school places for children and families placed by the Home Office in temporary hotel accommodation in Merton
- Reception into care and age assessment of young people placed by the Home Office in temporary hotel accommodation in Merton

Community and Housing

Overview

Community and Housing is forecasting a favourable variance of £429k as at January 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.1m, and unfavourable variances in Housing of £480k, and Libraries of £233k. Public Health and Merton Adult Learning continue to forecast a breakeven position.

The overall position has improved due to net favourable movement in Housing of £144k and Adult Social Care of £198k due to a combination of leavers, reduction in forecast expenditure on the legal cost regarding St Helier, contribution from Children Services and revision of agency expenditure.

The forecast reflects the unusual circumstance of the year to date. Adult Social Care underspend includes the one off benefit of health picking up some of the costs of hospital discharge. We have been working with health to discharge people from this temporary health funded care, but a number remain in it and the process has been delayed by the second wave. ASC will start to pick up the costs of these people from 1st April 2021. As a worst case scenario the annual costs of this care would be £2.3m in 2021/22, although some are expected to continue to qualify for Continuing Health Care (CHC) or will be self-funders. We are working with health to ensure that the nursing assessment capacity is in place to facilitate the timely discharge of this cohort, but there will be a cost in 2021/22.

Community and Housing Summary Position

Community and Housing	2020/21 Current Budget	2020/21 Full Year Forecast Jan'21	2020/21 Full Year Forecast Variance Jan'21	2020/21 Full Year Forecast Variance Dec'20	2020/21 Covid- 19 Forecast Jan'21	2019/20 Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	59,923	58,781	(1,142)	(943)	2,633	(717)
Libraries and Heritage	2,448	2,681	233	230	193	70
Merton Adult Learning	(1)	(1)	0	0	0	0
Housing General Fund	2,147	2,627	480	623	75	328
Public Health	(157)	(157)	0	0	0	0
Total Favourable/Unfavourable	64,360	63,931	(429)	(90)	2,901	319

There was a cross department collaboration to undertake the Lateral Flow Testing programme in the borough as required by the Department of Health and Social Care (DHSC). However this was recently superseded by Operation Eagle which ended on the 17th of February.

The department's savings forecast as at January 2021 remains unchanged since December. The Department continues to work towards achieving the outstanding savings and to maintain a balanced budget in the current financial year but the current pandemic has affected the departments' ability to achieve its savings as a number of savings are placement or contract related.

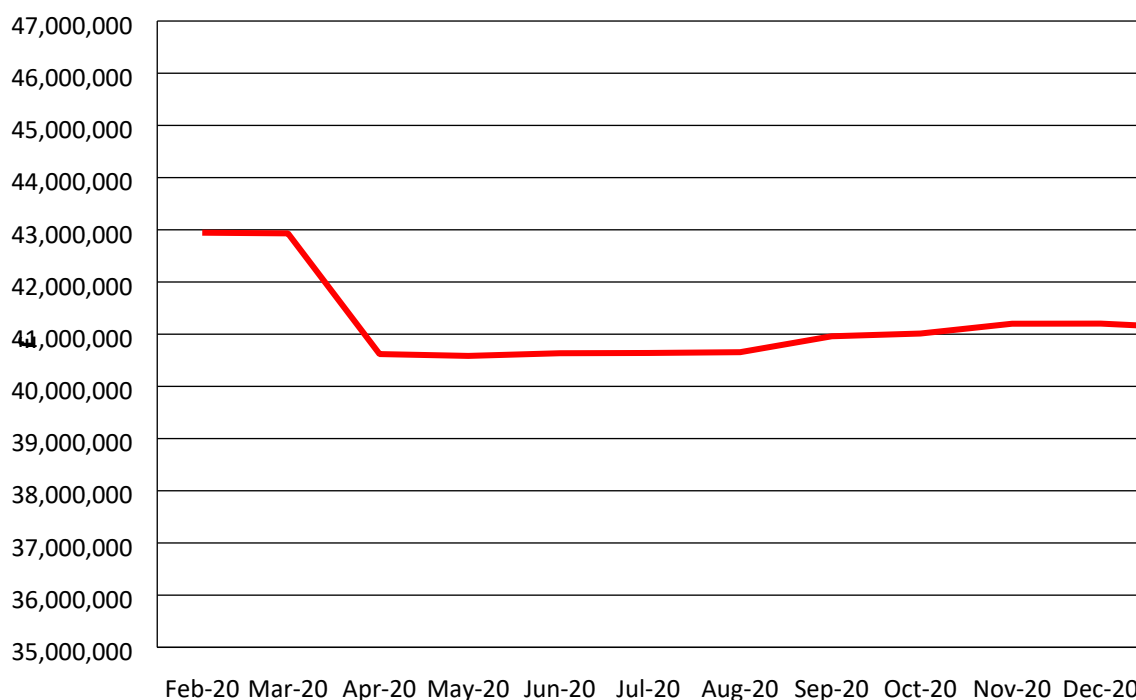
Adult Social Care

The placements budget remains relatively stable as at January. The service expects that from April 2021 that as well as taking over the health funded cohort described above, the service will see an influx of additional customers with a variety of covid-19 related conditions which will place pressure on its budgets.

Whilst there are some early encouraging signs in relation to the current wave of infections, the short term pressure of social care of hospital discharges has a 2-3 week lag and the longer implications for demand on social care is expected to place pressure on 2021/22 budgets.

The graph below shows gross placements forecasted expenditure over a number of years with little movement between December and January.

Gross Placements Forecast over rolling year - Feb 2020 to January 2021



The forecast allows for the likely transfer of costs of those currently paid for by health who will be eligible for social care funding. Work is ongoing to ensure that the packages of support are appropriate and for good value.

The department has reconvened its weekly 'Sit Rep' meetings to monitor activity in care homes, community hub, and infection rates in the borough. Thus keeping abreast of current development and changes in local/national infection rates. There is also a weekly Covid-19 meeting at which the Assistant Director of Adult Social Care discusses issues regarding the community hub and shielding issues.

Community Response Hub – before the new list of Shieled People – for Merton a further 4,589 people

(8 February to 14 February 2020)

- 47 Contacts
- 8 Emergency Food Parcels
- 3 Prescription Requests

The service has not had to make use of the Care Act easements enabled by emergency legislation and continues to act in accordance with the Care Act 2014. The focus has naturally been on supporting borough residents and the NHS, as well as contributing to the cross-council work on shielding, the community hub and the food hub.

Adult Social Care Internal Provision

Direct Provision remains in an overall favourable position with a projected underspend of £324k. Due to the pandemic many of the normal expenditure were not required due to the closure of the day centres. The current increase in forecasted underspend is due to less than expected spend on additional bank staff as the Day Services staff were used to support other services.

A lot of activities which should have taken place across Supported Living leading up to and over Christmas were cancelled due to lockdown so extra staff hours which would have been needed were not used.

A client at Haslemere had been receiving additional 1-1 support from October due to his health needs. He was sadly hospitalised in early December so this was no longer needed, but the service had been projected as additional expenditure.

Library & Heritage Service

This service is currently forecasting an unfavourable variance of £233k which is an increase of £3.4k net since December, which is mainly due to a further reduction in expected income as a result of the current lockdown. This is unlikely to recover this financial year and is likely to continue into the New Year.

Overall the current unfavourable forecast is due to a combination of issues relating to Covid-19 and the resulting lockdowns.

Lastly the service is currently piloting a laptop loaning scheme with 10 shielding residents with an expected launch date of the 8th of March.

Adult Learning

Adult Learning continues to forecasting a breakeven position. The service is fully funded externally by the GLA and ESFA. During the current lockdown all provision has either been moved online or is using distance learning methods to continue learning. A laptop loan scheme is also in place for those with limited or no ICT at home. The curriculum has been altered to reflect the changing skill needs of employers and residents.

Adult Learning has successfully bid for £540k of additional funding over two years from the GLA to expand the skills offer and to respond to changes in the job market to assist with reskilling residents. Part of the funding is aimed at improving access to IT for those without it so that they can both benefit from online learning and improve their IT skills.

Cabinet recently approved the award of the Main Services contract for Adult Learning that accounts for approximately 80% of the course provision in the borough. The new contract, starting on 1 August 2021, will ensure that residents continue to have access to high quality adult education whilst further developing the curriculum to address the skills needs of residents in a post Covid-19 economy.

Housing General Fund

This service is currently forecasting an unfavourable variance of £480k. This is a major improvement since December of £144k. This is due to additional Housing Benefit and grant income.

However during this period there has been some movement from temporary accommodation due to the availability of a limited number of Housing Association and private sector vacancies. Lastly evictions from temporary accommodation are not happening at the present time, except in the most exceptional of circumstances due to the Covid-19 restrictions.

The service continues its statutory duties to prevent homelessness wherever possible but where this is not achievable and if the household is considered to have a priority need for temporary accommodation then it must be provided until a suitable and sustainable housing solution can be achieved. The Corona virus Act 2020 has widened the definition of those who may be eligible for statutory support if homeless due to their vulnerabilities and this is reflected in the numbers of single person households seeking assistance under the current homelessness legislation. The main causes of homelessness episodes are currently family friend evictions and those who are either at risk of rough sleeping or are rough sleeping.

This contrasts significantly from the pre covid-19 when the biggest cause of homelessness in Merton was the ending of Assured Short hold tenancies by private Landlords. Such evictions are not occurring at the present time, only in the most exceptional of circumstances due to a ban which was recently extended to the end of March 2021. However it is suspected that once the ban is eased there will be an increase in homelessness due to tenant rent arrears as the rent debt crisis increases. Whilst the stay on evictions is to be welcomed this will not be a long term policy objective of the courts and during 2021/22 we are likely to see a surge of evictions from private sector tenancies with a corresponding demand upon the temporary accommodation budget.

The numbers of households living in temporary accommodation remain the lowest in London. As at the end of January there were 195 households accommodated under the homeless legislation. There are also 9700 families on the borough's waiting list to be rehoused.

The service continues to work towards eliminating the worst form of homelessness i.e. rough sleeping in partnership with the GLA and other statutory bodies including Adult Social Care and works closely with Faith Groups, and the private rented sector to find solutions.

During the winter months the service expects see an increased in the numbers of single person households being accommodated. The GLA announced the Severe Weather Emergency Protocol and the corresponding requirement to ensure that all individuals who remain rough sleeping or at risk of rough sleeping are accommodated. This requirement extends to those individuals' who have No recourse to Public Funds.

Analysis of Housing and Temporary Accommodation Expenditure

The table below shows the analysis of housing expenditure to January 2021

Housing	Budget 2020-21	Forecast (Jan'21)	Forecast Variances (Jan'21)	Forecast Variances (Dec'20)	Outturn Variances (March'20)
	£000	£'000	£'000	£000	£000
Temporary Accommodation- Expenditure	2,403	3,830	1,427	1,426	1,002
Temporary Accommodation- Client Contribution	(140)	(387)	(247)	(244)	(321)
Temporary Accommodation- Housing Benefit Income	(2,005)	(3,017)	(1,012)	(917)	(535)
Temporary Accommodation- Subsidy Shortfall	322	1,400	1,078	1,066	793

Temporary Accommodation-Grant	0	(831)	(831)	(833)	(766)
Subtotal Temporary Accommodation	580	995	415	498	173
Housing Other Budgets	1,567	1,632	65	125	155
Total Controllable (Favourable)/Adverse Variance	2,147	2,627	480	623	328

Table below shows number of households in Temporary Accommodation to January 2021.

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month	Previous Year
Mar'17	-	-	186	
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
			2020/21	2019/20
Apr'20	5	8	196	178
May'20	18	10	204	177
June'20	21	12	213	170
July'20	13	14	212	175
Aug'20	13	15	210	168
Sept'20	15	14	211	169
Oct'20	18	15	214	174
Nov'20	10	16	208	178
Dec'20	11	19	200	183
Jan'21	4	9	195	186

The above shows reducing numbers in temporary accommodation since November.

Public Health

Public continues to report a breakeven position.

Potential Cost pressures:-

- CLCH has indicated the children's contract is underfunded by c £800k – that is a risk that has been shared and is significant. Meetings are ongoing to; review the commissioned services, consider options and verify relevant finance data through an open book process ahead of the one year contract extension required. In this financial year the provider is also

asking for £295k (7.85%) Agenda for Change uplift to cover cumulative inflation for 3 years 2028/19, 2019/20 & 2020/21. This is higher than the official allocation received from the government by £144k. A similar percentage uplift has been requested for the Sexual Health contract which is shared between Merton, Richmond and Wandsworth. Commissioners have met and agreed to only pay the 2.9% current year inflationary increase which has been accepted by CLCH. However, ahead of the 2 year contract extension the provider requires an assurance of annual block payment of £892k in that period which is higher than PH offer of £651k. Discussions with CLCH are continuing.

The division is involved in a number of COVID – 19 government initiatives to contain the pandemic.

Additionally the team, together with public protection, is leading on LBM's outbreak control plan. A ring-fenced grant of £965k for Outbreak Control is fully committed. A second tranche £2.4m (£8/head of population allocation) was remitted with the onset of second national lock-down for further Covid-19 outbreak control measures. Other grants or reclaimable funding consists of Community Testing Funding, Outbreak Contain Management Grant, Lateral Floor Testing Sites and Surge Testing (Operation Eagle)

Corporate Items

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

Corporate Items	Current Budget 2020/21 £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	Outturn Variance 2019/20 £000s
Impact of Capital on revenue budget	11,190	11,171	(19)	(19)	(161)
Investment Income	(707)	(790)	(83)	(83)	(704)
Pension Fund	340	86	(254)	(254)	(104)
Pay and Price Inflation	250	50	(200)	(100)	(100)
Contingencies and provisions	18,573	18,473	(100)	0	(154)
Income Items	(1,963)	(1,963)	0	0	(343)
Appropriations/Transfers	(5,531)	(5,531)	0	0	0
Central Items	10,963	10,325	(638)	(437)	(1,405)
Levies	962	962	0	0	(1)
Depreciation and Impairment	(25,590)	(25,590)	0	0	0
TOTAL CORPORATE PROVISIONS	(2,476)	(3,133)	(657)	(456)	(1,567)
COVID-19 Emergency expenditure	0	8,273	8,273	8,401	176

Based on expenditure to 31 January 2021, a favourable variance of £0.656m is forecast for corporate items. This is an increased favourable variance of £0.200m since December which is due to:-

- The budget of £100k for Single Status/Equal Pay will not be used
- An underspend of £250k is expected in the revenue budget

- The latest debt management report has shown an increase in debt outstanding in all areas apart from Housing Benefits. The overspend against the budget provision in 2020/21 is expected to increase by £150k

The figures in the table above have also been adjusted to reflect the appropriation of £122k budget from corporate contingency to the OCPB Reserve for Transformation work in CSF.

4 Capital Programme 2020-24

4.1 The Table below shows the movement in the 2020/24 corporate capital programme since the last monitoring report:

Depts	Current Budget 20/21	Variance	Revised Budget 20/21	Current Budget 21/22	Variance	Revised Budget 21/22	Original Budget 2022-23	Variance	Revised Budget 22/23	Original Budget 2023-24	Variance	Revised Budget 23/24
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Services	3,711	497	4,208	11,205		11,205	4,942		4,942	15,374		15,374
Community & Housing	899		899	1,132		1,132	2,450		2,450	752		752
Children Schools & Families	2,750		2,750	9,050		9,050	1,900		1,900	1,900		1,900
Environment and Regeneration	14,001	40	14,041	19,408		19,408	8,427		8,427	7,516		7,516
TOTAL	21,361	537	21,898	40,795	0	40,795	17,719	0	17,719	25,542	0	25,542

4.2 The table below summarises the position in respect of the 2020/21 Capital Programme as at January 2021. The detail is shown in Appendix 5.

Capital Budget Monitoring - January 2021

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	1,490,642	3,106,272	(1,615,630)	4,207,890	4,170,029	(37,861)
Community and Housing	373,040	720,620	(347,580)	899,000	898,166	(834)
Children Schools & Families	1,335,200	1,332,350	2,850	2,750,230	2,644,640	(105,590)
Environment and Regeneration	7,288,704	9,010,705	(1,722,001)	14,040,770	13,177,027	(863,743)
Total	10,487,586	14,169,947	(3,682,361)	21,897,890	20,889,862	(1,008,028)

- a) Corporate Services – After adding the new capital scheme of £497k for the De-Carbonisation Scheme all Budget Managers are projecting full spend against budget apart from Invest to Save schemes which are showing a favourable variance of £39k, this budget is likely to be slipped into 2021-22.
- b) Community and Housing – All budgets are projected to be fully spend on their budgets except Library Enhancement Works which is showing a favourable variance of £1k.
- c) Children, Schools and Families – All budgets are projecting full spend apart from:
- West Wimbledon Primary School Capital Maintenance - is projecting a favourable variance of £35k, the budget to fund this scheme will be slipped into 2021-22.
 - Malmesbury Primary School Capital Maintenance - is projecting an adverse variance of £68k, this is where officers are likely to be able to progress a scheme budgeted for in 2021-22 over half term, the budget to fund this scheme will be drawn from budget available in 2021-22.
 - Raynes Park Secondary School Capital Maintenance - is projecting a favourable variance of £6k, the budget to fund this scheme will be slipped into 2021-22.
 - Richards Lodge Secondary School Capital Maintenance - is projecting a favourable variance of £6k, the budget to fund this scheme will be slipped into 2021-22.
 - Rutlish Secondary School Capital Maintenance - is projecting a favourable variance of £7k, the budget to fund this scheme will be slipped into 2021-22.
 - Harris Wimbledon Secondary School Capital Maintenance - is projecting a favourable variance of £50k, the budget to fund this scheme will be slipped into 2021-22.
 - Melrose School Expansion - is projecting a favourable variance of £60k, the budget to fund this scheme will be slipped into 2021-22.

- Perseid Capital Maintenance - is projecting a favourable variance of £10k where a scheme is now unlikely to be progressed in 2020-2, it is envisaged that this budget will be slipped into 2021-22.
- d) Environment and Regeneration – After adding £40k additional budget to Cycle Route Improvements all budgets are projecting full spend apart from:
- On Street Parking P&D Machines – is showing a favourable variance of £100k, the scheme is progressing but unlikely to be spent by 31-3-21, the budget will be slipped into 2021-22 to complete the scheme
 - Car Park Upgrades – is showing a favourable variance of £49.5k, the scheme is progressing but unlikely to be spent by 31-3-21, the budget will be slipped into 2021-22 to complete the scheme.
 - Fleet Vehicles – is showing a favourable variance to £299k, four buses have been ordered but will now not be delivered until late April/early May 2021, the budget will be slipped into 2021-22 to complete this purchase.
 - Alley Gating – is showing a favourable variance of £16k, any unspent budget will be relinquished
 - Street Lighting Wimbledon – is showing a favourable variance of £100k, the scheme is progressing but unlikely to be spent by 31-3-21, the budget will be slipped into 2021-22 to complete the scheme.
 - Rowan Park Community Facility Match Funding – is showing a favourable variance of £150k, the budget will be slipped into 2021-22 to complete the scheme.
 - Wimbledon Park Public Realm Implementation – is showing a favourable variance of £100k, the budget will be slipped into 2021-22 to complete the scheme.
 - Morden Town Centre Regeneration Match Funding – is showing a favourable variance of £50k, the budget will be slipped into 2021-22 to complete the scheme.

4.3 The table below summarises the movement in the Capital Programme for 2020/21 since its approval in March 2020 (£000s):

Depts.	Original Budget 20/21	Net Slippage 2020/21	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 20/21
Corporate Services	22,100	2,000	(7,661)	4,577	130	(16,937)	4,208
Community & Housing	2,004	189				(1,294)	899
Children Schools & Families	4,566	480		1,034		(3,330)	2,750
Environment and Regeneration	18,530	1,061	(2,076)	4,680	47	(8,201)	14,041
Total	47,199	3,730	(9,737)	10,291	177	(29,762)	21,898

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

Depts.	Spend To January 2018	Spend To January 2019	Spend to January 2020	Spend to January 2021	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	6,289	4,308	4,062	1,491	(4,798)	(2,817)	(2,571)
C&H	776	707	690	373	(403)	(334)	(317)
CSF	4,379	5,272	7,223	1,335	(3,044)	(3,937)	(5,888)
E&R	10,743	11,858	6,128	7,289	(3,454)	(4,569)	1,161
Total Capital	22,187	22,145	18,102	10,488	(11,699)	(11,657)	(7,614)

Outturn £000s	32,230	31,424	26,960	
Budget £000s				21,898
Projected Spend January 2021 £000s				20,890
Percentage Spend to Budget				47.89%

% Spend to Outturn/Projection	68.84%	70.47%	67.14%	50.20%
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Monthly Spend to Achieve Projected Outturn £000s 4,201

- 4.5 January is ten months of the way through the financial year and departments have spent just under 47.9% of the budget. Spend to date lower than all three previous financial years shown and is in part due to the impact of Covid 19

Department	Spend To December 2020 £000s	Spend To January 2021 £000s	Increase £000s
CS	1,289	1,491	202
C&H	298	373	76
CSF	1,257	1,335	78
E&R	6,614	7,289	675
Total Capital	9,458	10,488	1,030

- 4.6 During December 2020 officers spent just over a £1.0 million, to achieve year end spend officer would need to spend approximately £4.2 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

- 4.7 Appendix 5C summarises the impact of the changes to the Capital Programme on funding.

5. DELIVERY OF SAVINGS FOR 2020/21

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 10 Forecast Shortfall	Period Forecast Shortfall (P10)	Period 9 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,731	987	36.3%	987	133
Children Schools and Families	2,969	2,235	734	24.7%	734	400
Community and Housing	2,460	1,568	892	36.3%	892	500
Environment and Regeneration	3,927	683	3,244	82.6%	3,040	0
Total	12,074	6,217	5,857	48.5%	5,653	1,033

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

Progress on savings 2019/20

Department	Savings Target 2019/20	Shortfall 2019/20	Projected Shortfall 2020/21	Projected Shortfall 2021/22
	£000	£000	£000	£000
Corporate Services	1,484	100	70	50
Children Schools and Families	572	0	0	0
Community and Housing	1,534	118	0	0
Environment and Regeneration	2,449	837	2,065	0
Total	6,039	1,055	2,135	50

Appendix 7 details the progress on unachieved savings from 2019/20 by department and the impact on the current year and next year.

6. CONSULTATION UNDERTAKEN OR PROPOSED

- 6.1 All relevant bodies have been consulted.

7. TIMETABLE

- 7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1-	Detailed Corporate Items table
Appendix 2 –	Pay and Price Inflation
Appendix 3 –	Treasury Management: Outlook
Appendix 5A –	Current Capital Programme
Appendix 5B -	Detail of Virements
Appendix 5C -	Summary of Capital Programme Funding
Appendix 6 –	Progress on savings 2020/21
Appendix 7 –	Progress on savings 2019/20

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E. Corporate Items	Original Budget 2020/21 £000s	Current Budget 2020/21 £000s	Year to Date Budget (Jan.) £000s	Year to Date Actual (Jan.) £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	Outturn Variance 2019/20 £000s
Cost of Borrowing	11,190	11,190	5,263	4,784	11,171	(19)	(19)	(161)
Impact of Capital on revenue budget	11,190	11,190	5,263	4,784	11,171	(19)	(19)	(161)
Investment Income	(707)	(707)	(589)	(859)	(790)	(83)	(83)	(704)
Pension Fund	340	340	284	0	86	(254)	(254)	(104)
Corp. Provision Pay Award	2,231	100	83	0	0	(100)	(100)	0
Corporate Provision for National Minimum Wage	1,500	0	0	0	0	0	0	0
Provision for excess inflation	450	150	125	0	50	(100)	(100)	(100)
Pay and Price Inflation	4,181	250	208	0	50	(200)	(200)	(100)
Contingency	1,500	365	304	0	365	0	0	(500)
Single Status/Equal Pay	100	100	84	0	0	(100)	0	0
Bad Debt Provision	500	500	417	432	750	250	100	1,304
Loss of income arising from P3/P4	400	0	0	0	0	0	0	(100)
Loss of HB Admin grant	34	23	19	0	23	0	0	(34)
Apprenticeship Levy	450	300	250	112	300	0	0	(22)
Revenuisation/miscellaneous	3,384	1,276	1,063	170	1,026	(250)	0	(802)
Growth - Provision against DSG	16,009	16,009	13,341	0	16,009	0	0	0
Contingencies and provisions	22,378	18,573	15,478	715	18,473	(100)	100	(154)
Other income	0	0	0	18	0	0	0	(186)
CHAS IP/Dividend	(1,963)	(1,963)	(1,636)	(1,042)	(1,963)	0	0	(157)
Income items	(1,963)	(1,963)	(1,636)	(1,024)	(1,963)	0	0	(343)
Appropriations: CS Reserves	(908)	(972)	(810)	(175)	(972)	0	0	0
Appropriations: E&R	(317)	(513)	(427)	0	(513)	0	0	0
Appropriations: CSF	(360)	(499)	(416)	(140)	(499)	0	0	0
Appropriations: C&H	(104)	(104)	(87)	0	(104)	0	0	0
Appropriations: Public Health	(1,200)	(1,200)	(1,000)	0	(1,200)	0	0	0
Appropriations: Corporate	(8,386)	(2,243)	(1,869)	(2,243)	(2,243)	0	0	0
Appropriations/Transfers	(11,275)	(5,531)	(4,609)	(2,558)	(5,531)	0	0	0
Depreciation and Impairment	(23,351)	(25,590)	0	(25,593)	(25,590)	0	0	0
Central Items	793	(3,437)	14,398	(24,535)	(4,094)	(656)	(456)	(1,566)
Levies	962	962	801	921	962	0	0	(1)
TOTAL CORPORATE PROVISIONS	1,754	(2,476)	15,200	(23,614)	(3,133)	(656)	(456)	(1,567)
Sub-total: COVID-19 Expenditure	0	0	0	5,674	8,273	8,273	8,401	176
TOTAL CORPORATE EXPENDITURE inc. COVID-19	1,754	(2,476)	15,200	(17,940)	5,150	7,617	7,945	(1,391)

APPENDIX 2

Pay and Price Inflation as at January 2021

In 2020/21, the budget includes 2.0% for increases in pay and 1.5% for increases in general prices, with an additional amount, currently £0.450m, which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 0.7% and RPI at 1.4% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

As previously reported the final pay award has now been agreed at 2.75% but provision of 2% was included in the MTFs agreed in March.

The impact of a 2.75% pay increase on the Council's budget will increase employee costs in 2020/21 by c.£0.650m for and these will be ongoing and subject to increase for future pay awards.

Prices:

The latest statistics have been affected by COVID-19. As a result of increased restrictions caused by the coronavirus (COVID-19) pandemic in January 2021, the number of CPIH items identified as unavailable was 69, accounting for 8.3% of the basket by weight; this number rose from 9 in December 2020 but was lower than the 72 items that were unavailable during the last lockdown in November 2020; for the January 2021 price collection (which took place on or around 12 January 2021), the ONS collected a weighted total of 88.2% of comparable coverage collected before the first lockdown (excluding unavailable items).

The Consumer Prices Index (CPI) rose 0.7% in the 12 months to January 2021, up from 0.6% to December 2020; on a monthly basis, CPI fell by 0.2% in January 2021, following a 0.3% rise in December 2020.

The largest contribution to the CPIH 12-month inflation rate came from recreation and culture (0.35 percentage points). Furniture and household goods, restaurants and hotels, food, and transport had the largest upward contributions to the change in the January 2021 12-month rate, while falling clothing and footwear prices had a downward effect.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose 0.9% in the 12 months to January 2021, up from 0.8% to December 2020.

The RPI rate for January 2021 was 1.4%, which is up from 1.2% in December 2020.

Outlook for inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. Previously at a special meeting on 19 March 2020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 3 February 2021, the Committee judged that the existing stance of monetary policy remains appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted unanimously for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875

billion and so the total target stock of asset purchases at £895 billion. The next MPC decision on the Bank Base Rate will be published on 18 March 2021.

In the minutes to the MPC meeting the MPC state that “Twelve-month CPI inflation rose from 0.3% in November to 0.6% in December. The weakness of recent outturns largely reflects the direct and indirect effects of Covid on the economy. CPI inflation is expected to rise quite sharply towards the 2% target in the spring, as the reduction in VAT for certain services comes to an end and given developments in energy prices. In the MPC’s central projection, conditioned on the market path for interest rates, CPI inflation is projected to be close to 2% over the second and third years of the forecast period.

The outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments.

The MPC will continue to monitor the situation closely. If the outlook for inflation weakens, the Committee stands ready to take whatever additional action is necessary to achieve its remit. The Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.”

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

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (February 2021)			
	Lowest %	Highest %	Average %
2021 (Quarter 4)			
CPI	1.1	3.7	2.0
RPI	1.5	3.8	2.8
LFS Unemployment Rate	4.6	8.0	6.6
2022 (Quarter 4)			
CPI	1.4	5.0	2.0
RPI	1.9	5.3	2.8
LFS Unemployment Rate	3.4	7.5	5.6

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

Independent medium-term projections for the calendar years 2020 to 2024 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (February 2021)					
	2021	2022	2023	2024	2025
	%	%	%	%	%

CPI	1.5	1.9	1.8	1.8	1.9
RPI	2.4	2.8	2.9	2.8	2.8
LFS Unemployment Rate	6.6	5.9	5.1	4.6	4.4

Treasury Management: Outlook

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

The MPC currently uses two main monetary policy tools.

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

At its meeting ending on 3 February 2021, the Committee judged that the existing stance of monetary policy remains appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted unanimously for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion. The next MPC decision on the Bank Base Rate will be published on 18 March 2021.

In terms of the economic outlook the MPC, in its February Monetary Policy report state that "Covid-19 (Covid) and the actions to contain it have continued to have a dramatic and rapidly changing impact on the UK and countries around the world. Since the November Report, Covid vaccination programmes have begun in a number of countries, including the UK, which have improved the economic outlook. Nevertheless, recent UK and global activity has been affected by an increase in Covid cases, including from newly identified strains of the virus, and the associated reimposition of restrictions. The economic outlook continues to be unusually uncertain. It will depend on the evolution of the pandemic and measures taken to protect public health around the world. It will also depend on the responses of households, businesses and financial markets to those developments. The Monetary Policy Committee's (MPC's) forecasts assume that Covid-related restrictions and people's health concerns weigh on activity in the near term, but that the vaccination programme leads to those easing, such that GDP is projected to recover strongly over 2021 towards pre-Covid levels. Projected activity is also supported by the substantial fiscal and monetary policy actions already announced. Further out, the pace of GDP growth slows as the boost from those factors fades. The fall in activity over the past year has reflected a decline in both demand and supply. Overall, there is judged to be a material amount of spare capacity in the economy at present. This is eliminated as GDP picks up during 2021. CPI inflation is currently below the MPC's 2% target, largely reflecting the direct and indirect effects of Covid-19. As temporary effects fade and the impact of spare capacity diminishes over 2021, inflation rises towards the target. In the central projection, conditioned on the market path for interest rates, inflation is projected to be close to 2% over the rest of the forecast period.

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

	Projections (February 2021)			
	2021 Q.1	2022 Q.1	2023 Q.1	2024 Q.1

GDP	-9.2	14.2	1.3	1.3
CPI Inflation	0.8	2.1	2.1	2.0
LFS Unemployment Rate	5.5	5.7	5.0	4.5
Excess Supply/Excess Demand	-1	+0.25	+0.25	0.0
Bank Rate	0.1	-0.1	-0.1	0.0

Capital Budget Monitoring- January 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Capital	10,487,586	14,169,947	(3,682,361)	21,897,890	20,889,862	(1,008,028)
Corporate Services	1,490,642	3,106,272	(1,615,630)	4,207,890	4,170,029	(37,861)
Customer, Policy and Improvmen	8,482	0	8,482	124,000	124,000	0
Customer Contact Programme	8,482	0	8,482	124,000	124,000	0
Facilities Management Total	285,137	588,890	(303,753)	1,287,990	1,250,129	(37,861)
Works to other buildings	264,353	571,690	(307,337)	701,690	702,363	673
Civic Centre	0	7,200	(7,200)	7,200	7,491	291
Invest to Save schemes	20,785	10,000	10,785	579,100	540,275	(38,825)
Infrastructure & Transactions	1,197,024	1,567,645	(370,622)	2,295,900	2,295,900	0
Business Systems	252,716	286,945	(34,229)	532,790	532,790	0
Social Care IT System	72,883	184,650	(111,767)	246,190	246,190	0
Planned Replacement Programme	871,424	1,096,050	(224,626)	1,516,920	1,516,920	0
Corporate Items	0	949,737	(949,737)	500,000	500,000	0
Multi Functioning Device (MFD)	0	0	0	400,000	400,000	0
Housing Company	0	949,737	(949,737)	100,000	100,000	0
Community and Housing	373,040	720,620	(347,580)	899,000	898,166	(834)
Housing	373,891	458,620	(84,729)	525,000	525,000	0
Disabled Facilities Grant	373,891	458,620	(84,729)	500,000	500,000	0
Major Projects - Social Care H	0	0	0	25,000	25,000	0
Libraries	(851)	262,000	(262,851)	374,000	373,166	(834)
Library Enhancement Works	(851)	0	(851)	0	0	0
Major Library Projects	0	250,000	(250,000)	350,000	349,166	(834)
Libraries IT	0	12,000	(12,000)	24,000	24,000	0

Capital Budget Monitoring- January 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	1,335,200	1,332,350	2,850	2,750,230	2,644,640	(105,590)
Primary Schools	614,444	320,180	294,264	979,790	1,012,790	33,000
West Wimbledon	0	39,350	(39,350)	40,000	5,000	(35,000)
Hatfeild	34,031	19,910	14,121	67,110	67,110	0
Hillcross	27,295	0	27,295	30,660	30,660	0
Dundonald	47,850	23,200	24,650	75,000	75,000	0
Garfield	36,597	37,000	(403)	37,000	37,000	0
Merton Abbey	(530)	0	(530)	0	0	0
Poplar	24,250	3,500	20,750	33,000	33,000	0
Wimbledon Chase	81,091	18,990	62,101	104,990	104,990	0
Wimbledon Park	425	0	425	0	0	0
Abbotsbury	88,071	70,000	18,071	158,000	158,000	0
Malmesbury	0	0	0	16,000	84,000	68,000
Morden	(2,219)	0	(2,219)	0	0	0
Bond	6,092	6,030	62	6,030	6,030	0
Cranmer	0	8,000	(8,000)	64,000	64,000	0
Gorringe Park	34,108	12,000	22,108	37,000	37,000	0
Haslemere	(68)	0	(68)	0	0	0
Liberty	(487)	0	(487)	0	0	0
Links	3,110	(3,000)	6,110	10,000	10,000	0
St Marks	35,066	10,000	25,066	45,000	45,000	0
Lonesome	33,680	30,000	3,680	40,000	40,000	0
Sherwood	167,849	42,000	125,849	191,000	191,000	0
Stanford	(1,768)	0	(1,768)	0	0	0
William Morris	0	3,200	(3,200)	25,000	25,000	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Secondary School	(35,214)	43,590	(78,804)	78,590	10,000	(68,590)
Raynes Park	0	5,590	(5,590)	5,590	0	(5,590)
Ricards Lodge	0	5,580	(5,580)	5,580	0	(5,580)
Rutlish	3,910	7,420	(3,510)	7,420	0	(7,420)
Harris Academy Wimbledon	(39,124)	25,000	(64,124)	60,000	10,000	(50,000)
SEN	466,023	619,010	(152,987)	1,342,280	1,272,280	(70,000)
Perseid	39,192	31,230	7,962	99,110	99,110	0
Cricket Green	194,372	197,190	(2,818)	467,190	467,190	0
Melrose	221,397	370,590	(149,193)	683,980	623,980	(60,000)
Unlocated SEN	(8,937)	20,000	(28,937)	60,000	50,000	(10,000)
Melbury College - Smart Centre	20,000	0	20,000	32,000	32,000	0
CSF Schemes	289,947	349,570	(59,623)	349,570	349,570	0
CSF IT Schemes	(1,353)	0	(1,353)	0	0	0
Devolved Formula Capital	291,300	349,570	(58,270)	349,570	349,570	0

Capital Budget Monitoring- January 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	7,288,704	9,010,705	(1,722,001)	14,040,770	13,177,027	(863,743)
Public Protection and Developm	26,260	237,472	(211,212)	325,340	175,840	(149,500)
On Street Parking - P&D	0	80,000	(80,000)	100,000	0	(100,000)
Off Street Parking - P&D	5,466	37,200	(31,734)	75,000	25,500	(49,500)
CCTV Investment	20,794	120,272	(99,478)	150,340	150,340	0
Street Scene & Waste	(117,973)	286,400	(404,373)	361,220	46,430	(314,790)
Fleet Vehicles	0	267,200	(267,200)	298,790	0	(298,790)
Alley Gating Scheme	1,200	19,200	(18,000)	24,000	8,000	(16,000)
Waste SLWP	(119,173)	0	(119,173)	38,430	38,430	0
Sustainable Communities	7,380,417	8,486,833	(1,106,416)	13,354,210	12,954,757	(399,453)
Street Trees	43,886	72,800	(28,914)	126,000	126,000	0
Raynes Park Area Roads	2,569	20,888	(18,319)	26,110	26,110	0
Highways & Footways	3,788,955	4,165,730	(376,775)	7,089,850	6,989,850	(100,000)
Cycle Route Improvements	251,089	130,912	120,177	504,710	504,681	(29)
Mitcham Transport Improvements	76,989	77,288	(299)	96,610	96,610	0
Colliers Wood Area Regeneratio	6,838	12,000	(5,162)	15,000	15,000	0
Mitcham Area Regeneration	1,086,866	1,830,040	(743,174)	2,367,470	2,217,470	(150,000)
Wimbledon Area Regeneration	629,062	486,640	142,422	927,740	827,740	(100,000)
Morden Area Regeneration	0	10,000	(10,000)	50,000	0	(50,000)
Borough Regeneration	107,269	132,240	(24,971)	224,050	224,626	576
Morden Leisure Centre	14,354	55,000	(40,646)	55,000	55,000	0
Wimbledon Park Lake and Waters	93,906	129,500	(35,594)	179,500	179,500	0
Sports Facilities	203,302	58,840	144,462	218,840	218,840	0
Parks	1,473,330	205,313	579,476	0	45,000	0

Virement, Re-profiling and New Funding - January 2020

		2020/21 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2020/21 Budget	Narrative
-		£	£		£	£	
Corporate Services							
FM Works to Other Buildings - De-Carbonisation Scheme	(1)	0		497,240		497,240	Grant Funded Scheme
Environment and Regeneration							
Cycle Route Improvements - Cycle access/parking	(1)	120,500		40,000		160,500	TfL/Dft Grant
Total		120,500	0	537,250	0	657,740	

(1) Requires Cabinet approval

(2) Requires Council Approval

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed December Monitoring	11,639	9,721	21,361
<u>Corporate Services</u>			
FM Works to Other Buildings - De-Carbonisation Scheme	0	497	497
<u>Environment and Regeneration</u>			
Cycle Route Improvements - Cycle access/parking	0	40	40
Proposed January Monitoring	11,639	10,259	21,898

APPENDIX 6

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 10 Forecast Shortfall	Period Forecast Shortfall (P10)	Period 9 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,731	987	36.3%	987	133
Children Schools and Families	2,969	2,235	734	24.7%	734	400
Community and Housing	2,460	1,568	892	36.3%	892	500
Environment and Regeneration	3,927	683	3,244	82.6%	3,040	0
Total	12,074	6,217	5,857	48.5%	5,653	1,033

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
SUSTAINABLE COMMUNITIES											
ENV1920-03	Property Management: Realign rental income budgets to better reflect current levels of income being achieved from conducting rent reviews in line with tenancy agreements	300	300	0	G	300	0	G	James McGinlay	Rent reviews have been pushed back to next year because of Covid 19.	N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving, due to JC Decaux requesting to remove Q2 guaranteed income payment due to LBM.	Y
ALT1920-01	Property Management: Increased income already being achieved from conducting rent reviews in line with tenancy agreements	70	70	0	G	70	0	G	James McGinlay	Saving unlikely this year due to Covid-19.	N
PUBLIC PROTECTION											
ENV1819 - 02	Parking: Operational efficiencies. Parking services manage a high level of transactional applications, for PCN, Permit and general enquiries. Through improved use of technology and a review of practices, including the development of self service transactions by customers opposed to back office staff processing, efficiency savings can be made.	57	57	0	G	57	0	G	Cathryn James		N
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	0	1,900	R	1900	0	A	Cathryn James	The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars Permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now on par with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity, 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible. For the period June through to October data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity on this will be closely monitored as Covid tiers are implemented and changed in future months. December and Christmas parking data is being reviewed but tier 4 and now Lockdown 3 will have a further significant detrimental effect in 'on and off street parking' activity.	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	Y

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
ENV1920-01	<p>Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect. The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.</p> <p>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.</p>	340	0	340	R	340	0	A	Cathryn James	<p>This saving will not be achieved in 2020/21. The consultation process had been extended to 28th June 2020 to allow further time for responses to be received due to the Covid 19 emergency.</p> <p>Following the consultation process and approval by Merton, the proposal was put before London Council in October 2020 and, the process is now for GLA, Mayor for London and Secretary of State to approve.</p> <p>It is estimated that if approval is granted the proposal could be implemented by April 2021</p>	Y
ENV1920-02	<p>Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase.</p> <p>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.</p>	300	0	300	R	300	0	A	Cathryn James	<p>Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year.</p>	Y
ALT1920-02	<p>Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.</p>	337	0	337	R	337	0	A	Cathryn James	<p>Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year.</p>	
PUBLIC SPACE											
E3	Leisure: Polka Theatre Grant Reduction	30	30	0	G	30	0	G	John Bosley	<p>Polka are aware of this revenue saving, however are delayed in opening their theatre which in turn increases financial pressures on their business.</p>	N
ENV1920-04	<p>Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTF5 we believe that this can be added to.</p>	250	160	90	R	250	0	G	John Bosley	<p>The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. The financial impact on this budget has been revised. This is being monitored closely and financial forecast will be amended accordingly if the current trend changes.</p>	N

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1920-05	Waste: The Kingdom environment enforcement contract is due for reprourement and renewal in Spring 2020. This provides an opportunity for it to be broadened and also to ensure that its operation is as effective as possible for the Council .	50	50	0	G	50	0	G	John Bosley	The service had been redeployed to support enforcement activities in our Parks and Green spaces along with weekly support to the Mobile Testing Unit (MTU) in Morden for Covid 19. As such the level of FPNs issued has reduced. We have reviewed the current guidance from Government and our Enforcement Officers have returned to patrolling our Town Centres and areas of high foot fall in order to enforce against environmental offences along with issuing FPNs.	N
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	Y
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	0	150	R	150	0	G	John Bosley	The commissioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 20/21 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams.	N
ALT1920-05	Waste Services: Reduction in external training budget.	6	6	0	G	6	0	G	John Bosley	Completed - all new training and development requirement will be assessed and managed in line with the corporate L&D team.	N
ALT1920-06	Greenspaces: Reduction in grant to Deen City farm as part of agreement involving capital investment	10	10	0	A	10	0	G	John Bosley		N
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	John Bosley	Many events due for 2020/21 have been cancelled due to Covid-19.	Y
Total Environment and Regeneration Savings 2018/19		3,927	683	3,244		3,927	0				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21											
Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
Adult Social Care											
CH72	Deferred Savings - Transport	100	200	(100)	G	100	0	G	John Morgan	Although the implementation of the review has been delayed, there has been a drop in transport activity, particularly taxis, due to C19. Further work is required to ensure that these reductions are sustained into the long term.	
CH76	OPMH Staffing	100	0	100	R	0	100	R	John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	0	100	R	100	0	A	Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
CH88	Home Care Monitoring System: -The aim of this proposal is to roll out a home care monitoring system for all home care providers to ensure that we can monitor the delivery of home care visits.	78	78	0	G	0	0	G	Phil Howell	Although the project has been delayed. This reflects period 9 budget monitoring forecasts on dom care	
CH82 / 83 /	Out of Area Placements	1,100	343	757	A	757	0	A	John Morgan	This reflects ASC placement spend as at period 9. Work continues to try to achieve the balance of the saving	
CH91	Supported Living / Residential review	400	400	0	G	0	400	A	John Morgan	This reflects ASC placement spend as at period 9. Work continues to try to achieve the balance of the saving	
CH92	Mobile Working	50	15	35	A	50	0	G	John Morgan	C19 has prompted a major move towards mobile working. Public transport costs are down £15k, other recharges awaited	
CH96	Home Care Monitoring	32	32	0	G	0	0	G	John Morgan	The project has been delayed by actions necessary due to C19	
CH99	Placements	500	500	0	G	500	0	G	John Morgan	There has been a reduction in gross costs of care forecast as at period 9. Placements are subject to continued senior management scrutiny	
Subtotal Adult Social Care		2,460	1,568	892		0	1,507	500			

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21										APPENDIX 6	
Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	Total C & H Savings for 2020/21	2,460	1,568	892		1,507	500				

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Forecast £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
Customers, Policy & Improvement											
CS2016 -06	Merton Link - efficiency savings	30	30	0	G	30	0	G	Sean Cunniffe		
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	Sean Cunniffe	Charges not yet in place - to be reviewed.	Y
2019-20 CS28	cash collection reduction	12	12	0	G	12	0	G	Sean Cunniffe		
2020-21 CS5	Reduction in various running costs across the division	20	20	0	G	20	0	G	CPI AD		
2020-21 CS6	Community engagement - reduction in running costs	8	8	0	G	8	0	G	Kris Witherington		
Resources											
2018-19 CS06	Miscellaneous budgets within Resources	17	17	0	G	17	0	G	Resources Senior Management		
2018-19 CS07	Retender of insurance contract	50	0	50	R	50	0	G	Nemashe Sivayogan	New contract came into place mid 2020/21. Insurance premiums cost has reduced but variance remains adverse due to historic budget pressure. Saving will be achieved from 2021/22 when there's a full year effect of the new contracts.	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
2019-20 CS06	Revs and Bens reduction in staffing	146	146	0	G	146	0	G	David Keppler		
2019-20 CS07	Treasury - increase in investment income	20	20	0	G	20	0	G	Nemashe Sivayogan		
2019-20 CS08	Insurance reduction in staffing	15	15	0	G	15	0	G	Nemashe Sivayogan		
2020-21 CS1	Right sizing charge to Pension Fund for Pension Manager time	24	24	0	G	24	0	G	Nemashe Sivayogan		
2020-21 CS2	Savings in Insurance Fund top up budget	70	70	0	G	70	0	G	Nemashe Sivayogan		
2020-21 CS3	Increase in Investment Income	100	100	0	G	100	0	G	Nemashe Sivayogan		
2020-21 CS15	Miscellaneous savings (eg. Subscriptions)	39	39	0	G	10	0	G	Resources Senior Management	Part of this is a one-off saving - there is only £10k saving built in for 2021/22	
2020-21 CS16	Saving in Consultancy costs	20	20	0	G	20	0	G	Resources Senior Management		
CSREP 2020-21 (1)	Savings in Insurance Fund top up budget	30	30	0	G	30	0	G	Nemashe Sivayogan		
Corporate Governance											
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	50	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	20	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Forecast £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	45	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS27	merge democracy services and electoral services	70	38	32	A	70	0	G	Louise Round	Post holder retired mid-year, shortfall in year offsets with other underspends within the services	Y
2020-21 CS13	Corp Gov AD - Running Costs	24	24	0	G	24	0	G	Louise Round		

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Forecast £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
2020-21 CS14	Information governance - reduction in consultancy spend	10	10	0	G	10	0	G	Karin Lane		
	Human Resources										
2019-20 CS24	Realignment/redesign of HR services to provide services to the organisation and mitigate associated risks	50	47	3	G	47	3	G	Liz Hammond	Restructure of HR staffing completed in 2019/20 to reduce staffing structure cost by £47k	
2019-20 CS25	Charge for voluntary sector payroll	7	7	0	G	7	0	G	Liz Hammond		
	Infrastructure & Technology										
2019-20 CS19	Reduction in the Repairs and Maintenance budgets for the corporate buildings.	100	0	100	R	100	0	G	Edwin O'Donnell	Worked carried out to buildings in light of covid-19	Y
2019-20 CS20	Reduction in the energy 'Invest to Save' budget for the corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
CSD7	Restructure Post & Print section and delete 2 FTE posts	47	47	0	G	47	0	G	Keith Bartlett		
CS2015-03	Review of Transactional Services team	100	100	0	G	100	0	G	Pamela Lamb		
2018-19 CS03	Adjust current Local Authority Liaison Officer (LALO) arrangements to require Assistant Directors to undertake the duties as part of their job description.	33	33	0	G	33	0	G	Adam Viccari	Nil shortfall as this has effectively been replaced by growth added to the safety services budget from 2020/21	
2020-21 CS8	A further £100k reduction of the repairs and maintenance budget for corporate buildings.	100	92	8	A	100	0	G	Edwin O'Donnell	Worked carried out to buildings in light of covid-19	Y
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS12	Cancel lease on two Council vans	5	5	0	G	5	0	G	Edwin O'Donnell/ Richard Warren	Expenditure elsewhere in the division reduced as alternative to reducing vans	
	Corporate										
2019-20 CS09	CHAS dividend	460	460	0	G	460	0	G	Ian McKinnon	CHAS revenue is being maintained at a good level so far during the covid-19 pandemic which would allow for this dividend payment	
2019-20 CS10	Recharges to Merantun Developments	75	71	4	A	0	75	R		Overheads set at £71k for 2020/21. Unachievable from 2021/22 onwards and will require replacement.	Y
2019-20 CS11	Amend discretionary rate relief policy	75	75	0	G	75	0	G	David Keppler		
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	36	36	0	G	36	0	G	David Keppler		
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
2020-21 CS4	Housing benefit written off debt recovery (one off)	120	35	85	A			N/A	David Keppler	Reduced recovery due to covid-19. One-off saving for 2020/21.	Y
	Total CS Savings for 2020/21	2718	1731	987		1916	133	0			

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
	<u>Education</u>										
CSF2017-07	Review schools trade offer, raise charges or consider ceasing services from 2020.	60	60	0		60	0		Jane McSherry	Delivered in Full	
CSF2018-08	Review Early Years service: radically reduce some services and/or consider withdrawing the Early Years offer.	150	150	0		150	0		Jane McSherry	Delivered in Full	
CSF2019-08	Review of school premises and contracts staffing structure	45	45	0		45	0		Jane McSherry	Delivered in Full	
CSF2019-09	Repurposing of some posts in education inclusion service	150	150	0		150	0		Jane McSherry	Delivered in Full	
CSF2019-10	Reduced contribution towards the MSCB	44	10	34		44	0		Jane McSherry	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter.	
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140		200	0		Jane McSherry	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity against the Covid Budget)	
CSF2019-22	SEND Travel	50	0	50		50	0		Jane McSherry	Likely to have to spend more against this budget because of Covid-related distancing requirements in our transport options. Will also need to delay the start of this review because of the consultation requirements.	
CSF2019-20	Revenue costs of capital projects	200	200	0		200	0		Jane McSherry	Delivered in Full	
CSF2019-03	Early help re-design	100	100	0		100	0		Jane McSherry	Delivered in Full	
CSF2019-21	Legal Hard Charging	75	75	0		75	0		Jane McSherry	Delivered in Full	
	<u>Children Social Care & Youth Inclusion</u>										
CSF2017-03	Delivery of preventative services through the Social Impact Bond	45	45	0		45	0		El Mayhew	This saving should be set against the placements budget. Effective MST avoids entry to care and new placement costs	
CSF2017-05											

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30		45	30		EI Mayhew	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £15k if consultation can take place in 3rd quarter of financial year. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	300		400	300		EI Mayhew	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. The transformation resource leaves CSC & YI in September 2020. Unlikely to achieve savings in 2020/21. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40		60	0		EI Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £20k, if consultation can take place in 3rd quarter of financial year.	
CSF2019-05	Full year effect of transfer of adoption service to Adopt London South	30	30	0		30	0		EI Mayhew	Delivered in full. However, additional costs have emerged in relation to both retained functions and increased costs of service delivery passed on by ALS. Future funding for ALS will be based on demand and use. Early indications are that ALS costs are rising.	
CSF2019-06	Review of safeguarding and social work training budgets	60	60	0		60	0		EI Mayhew	Delivered in full	
CSF2019-07	Reduction of Central recruitment cost budget	30	30	0		30	0		EI Mayhew	Delivered in full	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-13	Review of current Adolescent and Family service	100	30	70		100	70		El Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £30k, if consultation can take place in 3rd quarter of financial year. Some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	0		45	0		El Mayhew	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Unlikely to achieve savings in 2020/21	
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	50	0	50		50	0		El Mayhew	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this will be set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office asylum decisions	
CSF2019-18	Implementation of the DfE National Minimum rate	20	0	20		20	0		El Mayhew	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-19	Increased use of in-house foster carers	20	20	0		20	0		El Mayhew	DfE Covid-19 guidance requires local authorities to increase placement sufficiency. Recruitment campaign building on Covid-19 'community spirit' in motion. Business Support restructure completed in July 2019. There are no additional savings arising from this.	
CSF2019-01	Review of CSF admin structure	200	200	0		200	0		El Mayhew		
	<u>Commissioning</u>			0							
				0							
CSF2019-11	Review of centralised commissioning budgets	90	90	0		90	0			Delivered in full	
	<u>CSF Other</u>			0		0	0				
				0		0	0				
				0		0	0				
CSF2019-22	PFI Unitary charges	400	400	0		400	0				
CSF2019-23	Pension and Redundancies charges	300	300	0		300	0				
	Total Children, Schools and Families Department Savings for 2020/21	2,969	2,305	734		2,969	400				

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Department	Savings Target 2019/20	Shortfall 2019/20	Projected Shortfall 2020/21
	£000	£000	£000
Corporate Services	1,484	100	70
Children Schools and Families	572	0	0
Community and Housing	1,534	118	0
Environment and Regeneration	2,449	837	2,065
Total	6,039	1,055	2,135

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 19-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Expected Shortfall £000	20/21 RAG	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments
	Infrastructure & Technology										
2018-19 CS14	M3 support to Richmond/Wandsworth	20	0	20	R	20	R	0	A	Clive Cooke	This is dependent on agreement with RSP, may be at risk if they don't migrate to M3 system.
	Resources										
2018-19 CS05	Reduction in permanent staffing	30	0	30	R					Roger Kershaw	Saving replaced from 2020/21.
CSREP 2019-20 (3)	Increase in income from Enforcement service	50	0	50	R	50	R	50	A	David Keppler	Not achievable in light of covid-19
	Total Corporate Services Department Savings for 2019/20	100	0	100		70		50			

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2019-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Savings Expected £000	2020/21 Expected Shortfall £000	2020/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1819-05	Highways advertising income through re-procurement of the advertising contract for the public highway. New contract due to be in place by last quarter of 2019/20.	55	10	45	R	0	55	R	James McGinlay	Covid-19 estimated to impact on saving, due to JC Decaux requesting to remove Q2 guaranteed income payment due to LBM.	Y
E1	Investigate potential commercial opportunities to generate income from provision of business advice. This follows on from the expansion of the RSP to include Wandsworth from November 2017, and increased resilience.	60	0	60	R	0	60	R	Cathryn James	This saving is conditional on income being generated from chargeable business advice/consultancy. The focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not been possible to achieve the savings targets set for this financial year.	Y
ENR4	Charge local business' for monitoring of their CCTV	100	0	100	R				Cathryn James	Alternative saving has been agreed for 2020/21.	N
ENV1819-03	The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	662	1,238	R	0	1900	R	Cathryn James	The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars Permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now on par with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity. 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges	Y
ALT3	Reduction in the number of pay & display machines required.	14	0	14	R	14	0	A	Cathryn James		N
ENR9	Waste: Increase level of Enforcement activities of internal team ensuring the operational service is cost neutral	200	165	35	R				John Bosley	Alternative saving has been agreed for 2020/21.	N
E2	Waste: Thermal Treatment of wood waste from HRRC	30	0	30	R				John Bosley	This saving was replaced from 2020/21 by the underspend in residual waste disposal costs following the October 2018 service change.	N
E5	Letting of remaining vacant facilities in Greenspaces	50	0	50	R	0	50	R	John Bosley	One vacant property recently let, but saving impacted by C-19.	Y
E6	Increased tenancy income in Greenspaces	40	0	40	R				John Bosley	Alternative saving has been agreed for 2020/21.	Y
Total Environment and Regeneration Savings 2018/19		2,449	837	1,612		14	2,065				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2019/20											APPENDIX 7
Ref		2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Savings Expected £000	2020/21 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
Adult Social Care											
CH89	Older People Day Care Activities:- As less people are choosing to attend these formal day centre we currently having increasingly vacancies within these provisions which are not been utilised. The proposal seeks to assess and analyse the demand and supply of activity aimed at supporting older people to access community activity. This will objectively look at the supply of building based and non-building based activity, its utilisation and the limitations on providing what people expect and need within the current model. It is envisaged that this will include a rationalisation and reduction of the current level of building based 'day centre' activity. This is based on current demand statistics and will include consideration of the effect of 2018/19 reductions in contracted day centre services; which is covered in a separate EIA for that specific proposal.	236	118	118	R	236	0	G	Richard Ellis	Engagement with the new owner has established an agreed timeline that means that the majority of savings will not be achieved until the new year. The work is underway to ensure that delivery	Y
Subtotal Adult Social Care		236	118	118		236	0				

Committee: Cabinet

Date: 22nd March 2021

Wards: N/A

Subject:

Lead Officer: James Pierce; Learning and Development Advisor

Lead Member: Councillor Tobin Byers; Cabinet Member for Finance

Contact Officer: James Pierce; Learning and Development Advisor

Exempt or confidential report

The following paragraph of [Part 4b Section 10 of the constitution](#) applies in respect of information within Appendix A to E and it is therefore exempt from publication:

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Members and officers are advised not to disclose the contents of the appendices.

Reasons for Urgency: *The Chair has approved the submission of this report as a matter of urgency as the Council is projected to lose £128,114 in unspent levy funds between now and the next cabinet meeting in May 2021 if no action is taken.*

The Council is forecasted to lose c. £40,000 every month Levy funds go unspent due to limitations of current contracts and expiration of previous contract. This figure will increase to c. £55,000 per month for each month that this contract award is delayed.

(Above figures taken from London Borough of Merton's Digital Apprenticeship Services Account)

Recommendations:

- A. That Cabinet approve the award of the contracts for Multiple Apprenticeship Standards across Lots 2, 3, 4, 6, 7, 8, 10, 11 & 12 to Suppliers E, H, J, K, N, O, Q, S, AB, AD, AE, AF, AH & AK, on an initial 3 year term from 31 March 2021, with extension provisions of up to a further 1 year. The identities of the preferred and unsuccessful bidders are set out in Appendix A. The contract values for the proposed term are set out in Appendix D.
- B. That the authority to exercise the extension provision is delegated to the Director of Corporate Services, in consultation with the Cabinet Member for Finance, and subject to continued funding and satisfactory supplier performance.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to recommend that the Director of Corporate Services in consultation with the Cabinet Member for Finance to approve the award of the 14 contracts for the provision of delivery for multiple Apprenticeship Standards.
- 1.2. As an employer whose pay bill is in excess of £3million, London Borough of Merton (LBM) is required to pay 0.5% of our pay bill in the form of a tax into

a centralised account which can only be accessed to fund Apprenticeship qualifications. To date LBM has contributed a total of £2,321,843 into the levy pot and drawn down and spent £748,928 from the levy pot meaning a total of £1,572,915 has been underutilised in funds. In addition a target of 2.3% of the workforce to be made up of Apprentices, was set for Local Authorities by Central Government.

- 1.3. In order to achieve the Government's 2.3% Apprentice workforce target and maximise levy spend it is integral that the Council has the right service providers in place to deliver the Apprenticeship standards it requires to boost employment and developmental opportunities. Through entering in to multiple contracts with the chosen successful providers it will make it easier to call off from those providers to deliver different Apprenticeship standards at a chosen level as and when required to meet the workforce's developmental needs.

2 DETAILS

- 2.1. In May 2017 Central Government introduced the Apprenticeship Levy which meant all employers who make NI contributions and whose gross pay bill is in excess of £3million are required to pay 0.5% of their pay bill in the form of a tax into a centralised account. The employer is only able to then access the funds they have paid in to their account to spend on the cost of recognised Apprenticeship training qualifications. A target of 2.3% of the workforce to be made up of Apprentices, was set for Local Authorities by Central Government. As of May 2019 any accumulated money not spent within 24 months from when the contribution was made is deemed as expired from the employers levy pot on a rolling month basis and can no longer be spent.
- 2.2. The London Borough of Merton (LBM) as an employer has just under 5,000 staff made up of 1,745 Council employees and the remaining 3,000+ made up of employees working in our maintained schools. As an employer of this size the London Borough of Merton's pay bill amounts to £138 million (per annum), therefore meaning that each year on average we contribute over £500,000 of our pay bill in to the Council's Levy pot. This is then topped up 10% by Central Government.
- 2.3. To date LBM has contributed a total of £2,321,843 into the levy pot, drawn down and spent £748,928 from its total levy pot and has committed a further £148,762 to be spent on its existing and live Apprenticeships. This means that to date the Council have underutilised its levy pot by £1,572,915 since the levy was introduced. This information was taken from LBM's Digital Apprenticeship Services Account (DAS).
- 2.4. For the LBM to achieve the Government's 2.3% target, the Council, working with its maintained schools would need to enrol a total 115 learners made up of staff and/or Fixed Term Contract Apprentices on to Apprenticeship programmes each year.
- 2.5. A Gateway 1 (GW1) report was approved in July 2020 by the Procurement Board to authorise the undertaking of a one off procurement exercise to award multiple contracts to multiple providers for the delivery of over 100

different Apprenticeship standards. It was approved that the procurement exercise would be carried out using both the ESPO and YPO framework agreements and dynamic purchasing systems to identify preferred suppliers to deliver the services on an initial 3 year term, with extension provision of a further 1 year.

- 2.6. Through carrying out the procurement exercise in this way it will allow LBM to call upon an array of providers at a faster rate as and when needed. This will be beneficial for some of the less popular Apprenticeship standards that aren't as commonly/frequently utilised and overall help maximise staff development, increase Apprenticeship head count and maximise levy spend. This will also stop the disaggregation of spend across the category and allow the Council to procure in a more effective way.
- 2.7. Market engagement was undertaken prior to the tender being issued and there was strong interest in the tender.
- 2.8. Apprenticeships are still continuing and providers are continuing to deliver learning remotely despite the issues and situation surrounding COVID-19
- 2.9. The ITT was published on 25 January 2021, with a submission deadline of 5pm 12 February 2021. The Invitation to Tender (ITT) was published via the London Tenders Portal, and advertised to suppliers signed up to the ESPO and YPO framework agreements and dynamic purchasing systems. A total of 38 submissions were received across both Framework Agreements, and the evaluation of the bids was carried out in line with the evaluation methodology of the tender.
- 2.10. Of the 38 tenders received, 2 were duplicate bids and 4 were disqualified which meant 32 tenders were deemed compliant and therefore in contention to be awarded contracts across the 12 Lots.
- 2.11. Suppliers were asked to submit both their answers to the Method Statements questions along with their price quotes for the Lots they were bidding for on the pricing schedule. Suppliers who failed to submit both of these documents were disqualified from the process, and would not be progressed to stage 2 and 3 – quality assessment and price assessment. A total of four suppliers did not submit their pricing schedule and were in turn disqualified.
- 2.12. The tender evaluation comprised of three stages: the first of which was a compliance check, on a pass/fail basis; the second was the quality and technical evaluation in line with the methodology prescribed in the tender; and the third was the assessment of price.
- 2.13. The tender evaluation was carried out by a panel of three officers, two from the Learning and Development team and one from Policy, Strategy & Partnerships team. Each compliant tender was evaluated individually by each member of the evaluation panel to undertake the quality and technical evaluation. Details of the evaluation questions, scoring criteria and weightings can be found in Appendix B.
- 2.14. The panel, along with an officer from Commercial Services, met across three dates, 2, 5 and 8 March 2021 to discuss individual scores and comments for each question in order to arrive at an agreed, moderated score.

- 2.15. The names of the bidders and their respective scores are included at Appendices A, B and C respectively.
- 2.16. The procurement documents states that the contracts would be awarded to the two highest ranked bidders for each lot but this number may be reduced or increased depending if scores were particularly close, or; if it was deemed there was any other good reason to deviate from the original award scheme. The documentation also stated that the contracts would be awarded on the basis of the most economically advantageous tender to the Council, based on a 70% Quality and 30% Price split.
- 2.17. The bids were evaluated against the following six Method Statement questions to assess the quality of each bid:

METHOD STATEMENTS	
1.	Please give two examples of how you have worked with a large complex organisation and/or schools to develop and deliver Apprenticeship programmes linked to the Apprenticeship standards set out as required.
2.	<p>Please include the minimum number of learners to run a cohort, frequency of intakes and if the programme is roll-on / roll-off. How managers' and learners' expectations are managed. When and how training schedules are issued. Please also describe your processes for taking on new learners, including:</p> <ul style="list-style-type: none"> • how learners and their managers are provided with the information they need about inductions in order to be able to attend them and complete all required elements. • initial assessment, the use of testing resources, methods to assess vocational skills levels. • the induction process, including duration, over what period of time and expected outcomes.
	Please provide detail of how you have successfully supported cohorts of 10 learners or more through Apprenticeship programmes. Describe your on-programme support and how you measure this. Please include retention statistics and details of completion rate percentages for these programmes in your response and details of routine support as well as how you react to critical instances. What do you put in place to identify and mitigate risks of early leavers?
4.	Describe the learning programme for the qualification/s being proposed. Please provide a few sample programmes and detail how they could be tailored to meet the needs of London Borough of Merton? Where do you add value? What are the key touch points with learners and managers?
5.	Please provide examples of the resources that would be used on the programmes and describe what support is available to all groups of learners to support their continued development and successful completion.

6. Please include details of all contingency plans in place should key personnel and systems not be available during the course of the contract.

2.18. The tables below summarises the evaluation outcomes for each Lot we received bids for. No bids were received from service providers for delivery of the Apprenticeship standards in Lots 1 and 5.

Lot 2

Bidder	Quality Weighting	Price	Final Weighted Score
Supplier AD	70%	29.83%	100%
Supplier K	70%	29.05%	99%
Supplier AK	70%	28.52%	99%
Supplier Q	70%	27.97%	98%
Supplier AE	70%	27.62%	98%
Supplier O	70%	26.72%	97%
Supplier X	65%	30.00%	95%
Supplier AC	68%	27.42%	95%
Supplier C	65%	29.25%	94%
Supplier I	65%	27.42%	92%
Supplier B	63%	27.62%	90%
Supplier AB	60%	29.63%	90%
Supplier E	63%	26.53%	89%
Supplier G	60%	28.86%	89%
Supplier V	60%	27.74%	88%
Supplier L	60%	27.05%	87%
Supplier P	58%	27.01%	85%
Supplier Y	55%	27.76%	83%
Supplier AH	50%	30.00%	80%
Supplier S	50%	27.69%	78%
Supplier J	48%	30.00%	78%
Supplier AI	48%	28.68%	76%
Supplier AJ	43%	25.20%	68%

Lot 3

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier AK	70%	29.26%	99%
Supplier AH	50%	30.00%	80%
Supplier S	50%	29.50%	80%
Supplier AI	48%	30.00%	78%

Lot 4

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier Q	70%	30.00%	100%
Supplier AE	70%	30.00%	100%
Supplier B	63%	30.00%	93%

Lot 6

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier AD	70%	30.00%	100%
Supplier Q	70%	29.00%	99%
Supplier N	70%	26.99%	97%
Supplier AE	70%	26.19%	96%
Supplier AC	68%	28.07%	96%
Supplier X	65%	30.00%	95%
Supplier I	65%	26.99%	92%
Supplier B	63%	27.43%	90%
Supplier Y	55%	27.11%	82%
Supplier U	55%	27.00%	82%
Supplier AH	50%	30.00%	80%
Supplier A	50%	29.89%	80%
Supplier R	48%	26.99%	74%
Supplier T	38%	26.99%	64%
Supplier S	50%	0.00%	50%

Lot 7

Bidder	Quality Weighting	Price	Final Weighted Score
Supplier AD	70%	30.00%	100%
Supplier AK	70%	28.75%	99%
Supplier O	70%	28.25%	98%
Supplier AE	70%	28.00%	98%
Supplier C	65%	30.00%	95%
Supplier B	63%	27.90%	90%
Supplier AB	60%	26.61%	87%
Supplier S	50%	29.08%	79%
Supplier AI	48%	29.36%	77%

Lot 8

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier AE	70%	30.00%	100%

Lot 9

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier S	50%	30.00%	80%

Lot 10

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier K	70%	29.53%	100%
Supplier AE	70%	27.95%	98%
Supplier J	48%	30.00%	78%
Supplier R	48%	29.99%	77%
Supplier AJ	43%	28.80%	71%

Lot 11

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier J	48%	30.00%	78%

Lot 12

Bidder	Quality Weighting	Price (Lowest)	Final Weighted Score
Supplier AD	70%	29.89%	100%
Supplier Q	70%	29.22%	99%
Supplier AE	70%	27.64%	98%
Supplier K	70%	27.01%	97%
Supplier O	70%	26.97%	97%
Supplier E	63%	28.71%	91%
Supplier H	60%	30.00%	90%
Supplier AF	60%	30.00%	90%
Supplier B	63%	26.84%	89%
Supplier AG	63%	26.70%	89%
Supplier L	60%	28.78%	89%
Supplier A	50%	29.67%	80%
Supplier S	50%	27.68%	78%
Supplier AI	48%	28.54%	76%
Supplier Y	55%	20.81%	76%
Supplier N	70%	0.00%	70%
Supplier AJ	43%	26.94%	69%
Supplier T	38%	26.86%	64%
Supplier R	48%	0.00%	48%
Supplier Z	35%	27.96%	63%

- 2.19. Out of the 103 Apprenticeship standards tendered for across the 12 Lots; bids were submitted by service providers to deliver 74 of the required Apprenticeship standards. See Appendix C for details of the Apprenticeship Standards that bids were successfully and unsuccessfully received for.

2.20. The successful bidders for each Lot have been listed in the table below.

Provider	Lots
Supplier E	12
Supplier H	12
Supplier J	11
Supplier K	2&10
Supplier N	6
Supplier O	7
Supplier Q	2,4,6&12
Supplier S	3
Supplier AB	2
Supplier AD	2&6
Supplier AE	2,4,8,10&12
Supplier AF	12
Supplier AH	3
Supplier AK	2,3 &7

- 2.21. It is recommended that Lots 4, 7, 8, 10 & 11 are awarded to the top one or two highest scoring bidders that scored highest on Quality and Price.
- 2.22. For Lots 2, 3, 6 & 12 it is recommended contracts are awarded to the top two scoring bidders based on Quality and Price as well as to the highest scoring providers who can deliver the required Apprenticeship standards the top two providers are unable to provide.
- 2.23. In some instances bids for certain Lots could not be accepted as the bidder was not approved under the ESPO or YPO Framework to bid for the Apprenticeship standards within the respective Lot. This included Supplier S's bid in Lot 9 and Supplier AD's bids in Lots 7 and 12.
- 2.24. The successful bidders are all well-established organisations that have proven experience of tailoring and delivering Apprenticeship standards for large complex organisations like LBM.
- 2.25. All successful bidders demonstrated value for money in their proposals and outlined more diverse course offerings to address the skills needs of the workforce. They have demonstrable experience of delivery and high quality systems and resources in place to ensure that Apprentices progress and achieve in their Apprenticeships. They also have the ability to offer Apprenticeships on a one to one basis or as part of a larger group cohort. All providers also demonstrated their ability to be able to quickly adjust plans in light of any future disruption.
- 2.26. Each contract will be for an initial term of 3 years, commencing on 31 March 2021, with the option to extend for a further two 12 month periods at the Council's discretion.

3 ALTERNATIVE OPTIONS

3.1. **Do Nothing**

3.2. This would lead to no new contracts being awarded for over 100 different Apprenticeship Standards and the expiry of the existing contracts. As a consequence the Council would be unable to continue providing Apprenticeships, and additionally our available Levy funds would continue to expire until they match the expiration rate of what we contribute to the Levy fund year on year.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None for the purposes of this report.

5 TIMETABLE

5.1. Should the contract be awarded to the Preferred Bidders, the future timetable is as follows:

Stage / Activity	Date
Cabinet Meeting	22 March 2021
Call-in Period	29 March 2021
Contract Awards	30 March 2021
Contract Start Dates	31 March 2021

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Funding for the Apprenticeship training contracts would continue to be funded by the Apprenticeship levy which is currently underutilised. The levy is paid regardless, so offers a cost effective way of funding training for the workforce which would otherwise be an additional cost to LBM.

6.2. The value of the contracts to be funded will vary depending upon the number of Apprenticeships undertaken during the contract period but will not exceed the value of funding available via the Apprenticeship levy.

6.3. The total value of the contract can be found in Appendix D.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. The report refers to contracts to be let in order to assist the Council in meeting its requirements in arranging Apprenticeships. Such contracts to be awarded under a framework as noted in the report are compliant with the obligations of the Council's Contract Standing Orders.

7.2. Upon award of the contracts, the Council must undertake the notification and recording requirements as stated in section 8 below.

8 PROCUREMENT IMPLICATIONS

8.1. The procurement exercise was conducted in accordance with the Public Contracts Regulations and Contract Standing Orders, and the instructions in the further competition document.

8.2. The proposed contracts represent the best mix of quality and price available for each of the Apprenticeship standards that were part of the requirement.

- 8.3. There is no requirement to publish contract award notices on the Find a Tender service (formerly OJEU) for framework call-off contracts. Details of the contracts will be published on the Council's Contracts Register and the Contracts Finder website.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. None for the purposes of this report.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. None for the purposes of this report.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. Whilst recognised as low risk it should be noted that the close scores of some bids could lead to some challenge from unsuccessful bidders. The evaluation panel are confident in the recommendations they are making and have a clear audit log and rationale for the awarding of these contracts.

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

APPENDIX A THROUGH TO E (COMMERCIALLY SENSITIVE INFORMATION)

- Appendix A - The identities of the preferred and unsuccessful bidders
- Appendix B - Method Statements Evaluation Scores
- Appendix C - Pricing Evaluation Scores of each Lot
- Appendix D - Value of this contract
- Appendix E - Required Apprenticeship Standards

13 BACKGROUND PAPERS

- 13.1. None included.

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