Cabinet
Date: 21 March 2022

Subject: Financial Report 2021/22 – Period 10 January 2022

Lead officer: Roger Kershaw

Lead member: Councillor Owen Pritchard

Recommendations:

A. That Cabinet note the financial reporting data for month 10, January 2022, relating to revenue budgetary control, showing a forecast net adverse variance at year end on net service expenditure of £5.967m, increasing to £6.592m when corporate and funding items are included, a decrease of £684k compared to last month

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

	Budget 2021-22	Narrative
Children, Schools and Families		
West Wimbledon - Capital Maintenance	(21,000)	Virement reflecting projected outturn
Wimbledon Park - Capital Maintenance	15,000	Virement reflecting projected outturn
Malmesbury - Capital Maintenance	6,000	Virement reflecting projected outturn

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 10 monitoring report for 2021/22 presented in line with the financial reporting timetable.
This financial monitoring report provides -

- A full year forecast projection as at period 10.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2021/22;
- Progress on the delivery of the 2021/22 revenue savings

2. THE FINANCIAL REPORTING PROCESS

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

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £37.578m by the end of this financial year. A positive outcome of the Safety Valve discussions could have an impact on the overall financial outturn, if grant is received this financial year.

2.3 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances.

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

Executive summary – At period 10 to 31 January 2022, the year end forecast is a net adverse variance of £6.592m when all incremental Covid costs are included, after applying known government grant funding. Whilst Merton has been part of the Safety Valve discussions with the DfE, at the time of writing the outcome is not yet known. If support is confirmed, this could have a positive impact on the 2021/22 outturn position.

Summary Position as at 31st January 2022

	Current Budget 2021/22 £000s	Forecast Variance at year end (January) £000s	Forecast Variance at year end (December) £000s	Covid-19 Forecast Variance £000s	Outturn variance 2020/21 £000s
Department					
Corporate Services	11,890	957	1,179	801	3,746
Children, Schools and Families	63,049	1,939	496	714	(2,971)
Community and Housing	69,470	(1,089)	(1,202)	1,130	(2,264)
Public Health	(0)	0	0	0	(18)
Environment & Regeneration	15,328	4,160	4,900	7,046	10,689
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	**159,736**	**5,967**	**5,373**	**9,691**	**9,182**
Corporate Items					
Impact of Capital on revenue budget	11,157	(145)	(145)	0	(27)
Other Central budgets	(7,488)	(1,172)	106	0	2,151
Levies	959	0	0	0	0
TOTAL CORPORATE PROVISIONS	**4,628**	**(1,317)**	**(39)**	**0**	**2,124**
Covid-19	**0**	833	833	**833**	**176**
TOTAL GENERAL FUND	**164,364**	**5,483**	**6,167**	**10,524**	**11,306**
FUNDING					
Revenue Support Grant	(5,187)	0	0	0	0
Business Rates	(34,339)	0	0	0	0
Other Grants	(16,949)	0	0	0	(382)
Council Tax and Collection Fund	(98,434)	0	0	0	4
COVID-19 emergency funding	(6,811)	0	0	0	0
Income compensation for SFC	(2,643)	1,109	1,109	1,109	
FUNDING	**(164,363)**	**1,109**	**1,109**	**1,109**	**(378)**
NET	**1**	**6,592**	**7,276**	**11,633**	**10,928**

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

Covid-19 Financial Impact

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

The ongoing situation continues to make forecasting difficult as it's unclear if or when some service areas will see activity return to pre-covid levels.

Covid Expenditure

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

Income shortfall

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

Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2021/22 as part of the budget setting process. The savings which are now under pressure due to Covid-19 are included in the forecast of the departments. This is inclusive of 2020/21 savings which remain under pressure.

Covid-19 Summary

COVID-19 COST SUMMARY	**Forecast as at January 2022 2021/22 £000s**	**Forecast as at December 2021 2021/22 £000s**
Department	-	-
Corporate Services	801	845
Children, Schools and Families	714	714
Community and Housing	1,130	1,133
Environment & Regeneration	7,046	7,084
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**9,691**	**9,776**
Corporate Items - Covid costs	-	-
Corporate Services	115	115
Children, Schools and Families	180	180
Community and Housing	242	242
Environment & Regeneration	296	296
ADDITIONAL COVID EXPENDITURE	**833**	**833**
FUNDING	-	-
Business Rates	3,824	4,494
Council Tax	0	0
TOTAL FUNDING LOSS	**3,824**	**4,494**
GROSS COST OF COVID-19	**14,348**	**15,103**

Covid general funding	-6,811	-6,811
Income compensation for sales, fees & charges	-1,534	-1,534
NET COST OF COVID-19	6,003	6,758

Covid-19 impact on the Collection Fund

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

Due to Covid-19 the level of collection is less than expected and will result in a deficit in Business Rates for the financial year 2021/22. This deficit is currently estimated at £3.824m as shown in the covid table above to demonstrate the full impact of covid, however, due to the way Business Rates are accounted for in local authorities, any shortfall will not be reflected in the 2021/22 financial year but will be managed via the Collection Fund and accounted for in future years. The Council will build estimates for Business Rates including any deficit/surplus from previous accounting years into the MTFS and budgets for 2022/23 onwards. The estimated deficit is therefore not reflected in the main summary position table for 2021/22 as it will not impact the general fund outturn.

In 2020/21 Merton collected 90.08% of its Business Rates income. As at the end of January, 2021/22 business rates collected is 83.54% which is 2% more than the equivalent for last year. The collection rate is forecast to be 94% by year end, an improvement on 2020/21, though the fluctuations throughout the year add uncertainty around this forecast.

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

In December 2021 a further business rate relief scheme was announced which could see bills reduced by £4.7m. However, at the time of writing the details on the timing of when the reductions will be applied to accounts and whether it will be in time for March 2022 is uncertain. If the scheme's reliefs are applied during 2021/22 it will improve the overall collection rate achieved.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow but the position started to settle down since summer 2021. Through prudent treasury cash flow management, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

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

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

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

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

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

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	Current Budget £000	Full year Forecast (January) £000	Full Year Forecast Variance (January) £000	Full Year Forecast Variance (December) £000	Covid-19 Forecast Impact (January) £000	Outturn Variance 2020/21 £000
Customers, Policy & Improvement	5,755	5,510	(246)	(214)	60	915
Infrastructure & Technology	12,545	12,661	116	137	176	(51)
Corporate Governance	1,750	1,841	90	80	7	(88)
Resources	5,698	5,803	107	280	437	1,811
Human Resources	1,903	2,136	232	207	120	102
Corporate Other	710	1,366	656	688	0	1,057
Total (Controllable)	**28,361**	**29,316**	**957**	**1,179**	**801**	**3,746**

Overview

The department is currently forecasting an adverse variance of £957k at year end of which £801k is due to the external impact of covid-19. The adverse forecast variance has reduced by £224k since December.

Customers, Policy and Improvement - £246k favourable variance

The favourable variance is primarily due to various vacancies expected to be held for part of the year, such as in the AD (£131k) and Programme Office budgets (£64k).

The Voluntary Sector Coordination budget is also forecasting a favourable variance of £85k on grants expenditure as commitments are less than the overall budget.

The Registrars services are also forecasting a favourable variance of £51k due to the strong recovery of income levels following the cessation of covid restrictions earlier this year.

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

Partially offsetting the favourable variances are the Press and PR budget which is forecasting a £136k adverse variance owing to the use of agency staff. There is also a net adverse variance of £60k in the Translations services due to under-achievement against the income budget as external demand remains low and a £21k adverse variance in the Policy and Strategy team partly due to the use of agency staff.

Infrastructure & Technology - £116k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £214k on the Corporate Print Strategy and £111k on the PDC (Chaucer Centre). These are reviewed throughout the year and adjusted depending on the level of staff returning to the office. Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £116k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£28k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances. A further £41k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) relating to the introduction of a charging scheme.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted by £133k and £79k in Safety Services due to recruitment lag as well as contingency not expected to be required in year. There is a favourable £62k variance forecast for Garth Road from rental income and the Business Systems Team is also forecasting a £33k favourable variance due to vacancies in the team.

Corporate Governance – £90k adverse variance

The adverse variance is primarily due to forecast overspend within LBM Legal Service (£118k) of which £115k results from prior year unachieved savings which are recommended to be reversed as part of the MTFS to be presented to Council in March.

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

Resources - £107k adverse variance

The adverse variance forecast within Resources has reduced by £175k since December. The favourable movement is partly due to staffing savings within the budget management team of £74k as a result of recharges against the COMF grant, a senior accountant vacancy that is not expected to be filled until next year and a dedicated DSG finance resource now being forecast within the CSF department. There is also a favourable movement within local taxation due to new burdens income.

Within Resources there are multiple budgets forecasting adverse variances due to Covid-19. Resulting from covid is an adverse variance forecast in the Bailiffs service of £291k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic improve and the service is able to operate more fully. The Local Taxation Service has a £227k favourable variance overall due to additional funding from the GLA and new burdens income from DWP.

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

The Financial Systems Team is forecasting a £33k adverse variance owing to salary budget pressure.

Within the Benefits Administration services is a £164k favourable variance is largely due to grant receipts from DWP.

Favourable variances within Resources include £14k on the Director of Corporate Services budget due to consultants and subscription budgets not required in year. The Support team within Revenues and Benefits has £30k favourable variances mainly against staffing costs.

Human Resources – £232k adverse variance

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

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

The Payroll service is anticipating a £22k favourable variance across various staffing and running costs as well as overachievement of schools buyback income.

Corporate Items - £656k adverse variance

The variance has moved favourably by £32k since period 10. This is because of £50k disaster recovery revenue costs removed from the forecast and accounted for within I&T.

The majority of the variance on the Corporate Items budget is due to Housing Benefit Rent Allowances. The variance is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2021/22 and is inclusive of £100k allowance for topping up the bad debt provision at year end in line with the level of top-up required in each of the past two financial years.

Environment & Regeneration

Environment & Regeneration	2021/22 Current Budget £000	Full year Forecast (Jan) £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end (Dec) £000	2021/22 Covid-19 Forecast Impact (Jan) £000	2020/21 Outturn Variance £000
Public Protection	(16,031)	(11,677)	4,354	4,603	5,932	8,973
Public Space	16,205	16,427	222	516	532	2,003
Senior Management	1,043	848	(194)	(175)	0	(134)
Sustainable Communities	8,330	8,106	(223)	(44)	582	(153)
Total (Controllable)	**9,546**	**13,705**	**4,159**	**4,900**	**7,046**	**10,689**

Description	2021/22 Current Budget £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end (Dec) £000	2020/21 Variance at year end £000
Regulatory Services	625	160	261	194
Parking Services	(17,675)	4,352	4,369	8,804
Safer Merton & CCTV	1,019	(158)	(27)	(25)
Total for Public Protection	**(16,031)**	**4,354**	**4,603**	**8,973**

Waste Services	14,553	248	395	875
Leisure & Culture	549	203	213	764
Greenspaces	1,832	(245)	(79)	525
Transport Services	(729)	(17)	(14)	(161)
Total for Public Space	**16,205**	**222**	**516**	**2,003**
Senior Management & Support	1,043	(194)	(175)	(134)
Total for Senior Management	**1,043**	**(194)**	**(191)**	**(134)**
Property Management	(2,636)	(446)	(294)	(381)
Building & Development Control	(15)	162	170	281
Future Merton	10,981	61	81	(53)
Total for Sustainable Communities	**8,330**	**(223)**	**(44)**	**(152)**
Total Excluding Overheads	**9,546**	**4,159**	**4,900**	**10,689**

Overview

The department is currently forecasting an adverse variance of £4,159k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

Public Protection

Regulatory Services adverse variance of £160k

The variance has seen a favourable movement of £101k since period 9. This mainly because of a reduction in agency spend within RSP which has resulted in a net favourable movement of £57k, and an increase in income from Street Trading Licences (£31k).

The section has cumulative income savings of £210k relating to potential commercial opportunities. However, the focus for the financial year 2021/22 needed to be redirected from income generation to Covid-19 service delivery and service improvement including a major IT project. The section will be undertaking a review in the new financial year on the commercial opportunities that remain post-pandemic.

The IT transition Project is scheduled for completion in the first quarter of 22/23 which will then permit some resources to refocus on income generation. Covid-19 continues to impact licensing income due to continually changing business restrictions resulting in a reduction in income from, Premises Licences, Massage and Special Treatment Licences, Street Trading Licences and Gambling Licences. Licensing income has improved through an increase in licence applications some resulting from the new Pavement Licencing Regime. Business recovery does show signs of improvement however licensing income remains below pre-pandemic levels. The economic impact on businesses arising from Covid-19 has also resulted in an increased trend (circa 30%) for non-payment of outstanding annual fees and an amount of unlicensed business activity. Officers are undertaking increased engagement with these businesses to ensure compliance. Current forecasts estimate an adverse variance against the licencing income budget of £30k.

Parking Services adverse variance of £4,352k

The income forecast has moved favourable by £16k since December. Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off-street charges income. Analysis to better understand the short and longer-term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £2.1m, £1.36m, and £1.03m respectively. This is primarily due to a reduction in proposed income from across the various permit categories.

These adverse variances are being partially offset by a favourable variance on parking admin fee of £233k, employee spend of £285k and supplies and services £115k (of which £135k relates to the research and modernisation of school safety zone (SSZ)cameras which will not be utilised until next year).

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. The extent to which behaviour has been affected is masked by the impact of Covid-19, but work continues to try and better understand this. A recent review of the budget expectation has indicated a shortfall of £2,100k. Additionally, there is a 2020/21 and 2021/22 saving (ENV1920-01) of £680k relating to an application to change Merton's PCN charge band from band B to band A which was not implemented until February 2022.

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

<u>Public Space</u>

Waste Services adverse variance of £248k

The outturn has moved favourably by £148k since Period 9. This is primarily because of the decrease in net enforcement costs of £87k. Although the SLWP rechargeable income has not yet recovered to pre-pandemic levels, there has been a favourable movement of £65k since period 9.

The section is forecasting an adverse variance on disposal costs of £216k. 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. In order to mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

An adverse variance of £224k is being forecast in relation to its waste collection and street cleansing contract, as a result of agreed and necessary services being undertaken on our behalf by the service provider.

An adverse variance of £286k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract during 2020/21, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The service is currently exploring alternative access for residents to neighbouring sites along with implementing improvements to the current booking system which has contributed to the management of waste volumes. To date there are no planned service changes, and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

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

Leisure & Culture adverse variance of £203k

Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL and this has resulted in an income shortfall of £368k against a budget of £818k. In the last financial year, Merton loaned GLL £575k, GLL have indicated that in the current year they would either be able to pay back an interest free amount of £400k against the loan or a proportion of the guaranteed income starting from October 2021.

The continuation of Covid-19 related restrictions at the Wimbledon Sailing Base and works at the lake have also led to programmes with less attendees being available, resulting in a net adverse variance of £33k being forecast.

Favourable variances on one-off reimbursement costs of £100k, and employee related spend of £85k and supplies and services related spend of £64k is partially mitigating these adverse variances.

Greenspaces favourable variance of £245k

The favourable variance has moved by £166k since period 9. This is primarily due to the decrease in spend on supplies and services (£45k), building maintenance and repairs (£21k) and salary costs resulting from vacancies.

The favourable variance is primarily due to an increase in rental income from Wimbledon Tennis Fortnight outdoor events of £152k and over recovery of Phase C income of £63k and staffing underspend of £38k.

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

<u>Sustainable Communities</u>

Property Management favourable variance of £446k

The favourable movement has increased by £151k from period 9 (December). This is primarily due to increased rental income of £122k and decrease in premises costs of £122k and decrease in supplies and services of £16k.

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £683k, which includes £167k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements. There is also a favourable variance on employees of £116k due to an underspend being forecast on salaries against a budget of £312k.

This is being partially offset by an adverse variance of £116k on premises related expenditure, for example, building improvements, utilities, repairs & maintenance costs, and £161k on supplies &

services related expenditure, for example, on employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations and potential disposals.

Building and Development Control adverse variance of £162k

The adverse variance is primarily due to a £192k under recovery in Building control income and £126k adverse variance on the employee budget lines. This adverse variance is partly offset by a £115k anticipated over recovery in Development Control income and £36k supplies and services underspend.

Children Schools and Families

Children, Schools and Families (£000's)	2021/22 Current Budget	Full Year Forecast	Forecast Variance January	Forecast Variance December	2021/22 Covid Forecast Impact
Education					
Education Budgets	£ 17,110	£ 18,625	£ 322	£ 135	£ 274
Depreciation	£ 9,801	£ 9,801			
Other Education Budgets	£ 127	£ 127			
Education Services Grant	-£ (1,062)	-£ (1,062)			
Education Sub-total	**£ 25,976**	**£ 27,491**	**£ 322**	**£ 135**	**£ 274**
Other CSF					
Child Social Care & Youth Inclusion	£ 21,009	£ 22,627	£ 1,619	£ 336	£ 440
Cross Department	£ 958	£ 956	-£ (2)	£ 25	
PFI Unitary Costs	£ 8,168	£ 8,168	£ -		
Pension and Redundancy Costs	£ 1,592	£ 1,592			
Other CSF Sub-total	**£ 31,727**	**£ 33,343**	**£ 1,617**	**£ 361**	**£ 440**
Grand Total	**£ 57,703**	**£ 60,834**	**£ 1,939**	**£ 496**	**£ 714**

Overview

At the end of January 2022, the Children Schools and Families directorate is forecasting an adverse variance against budget of £1,939k on local authority funded services. This is an adverse movement of £1.443m on the December forecast.

During this year the department has been working with finance to simplify coding structures and improve forecasting across general fund and DSG budgets. In one service area (Family Support & Safeguarding) a combination of the transition to the new code structure and a change in service management led to the under-forecasting of costs, particularly around agency staffing. The new head of service has reforecast the spend and identified the previous errors. Measures are being put in place to ensure that such errors do not go undetected in future, including central tracking of agency staff spend. Discussions are also taking place across CSF and C&H to identify steps that could be taken to reduce our dependency on agency social workers.

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

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	
Child Social Care and Youth Inclusion						
Help & Family Assessment	£	2,993	-£	(814)		
Family Support and Safeguarding	£	4,451	£	1,851		
Corporate Parenting	£	11,532	£	760	£	336
Adolescent and Safeguarding	£	1,736	-£	(621)		
Senior Management	£	296	£	443		
CSC & Youth Incl Total		**21,009**		**1,619**		**336**
Education						
Contracts, Proc & School Org	£	7,445	£	236	£	180
Early Years & Children Centres	£	4,032	-£	(174)	-£	(240)
Education - School Improvement	£	20	-£	(107)	-£	(9)
Education Inclusion	£	1,780	-£	(109)	-£	(130)
Schools Delegated Budget	£	-	£	-	£	-
SEN & Disability Integrat Serv	£	2,036	-£	(21)	-£	(44)
Senior Management	£	864	£	293	£	293
Policy, Planning & Performance	£	723	£	231	£	122
Departmental Business Support	£	211	-£	(26)	-£	(37)
Education Total	**£**	**17,111**	**£**	**322**	**£**	**135**

<u>Children's Social Care and Youth Inclusion Division</u>

The Children Social Care & Youth Inclusion division is recording an adverse forecast of £1.619m compared with budget. As set out above, there has been significant issues with the forecasting of spend in Family Support & Safeguarding. A new manager is in place and in future there will be more detailed central scrutiny of budget holder forecasting assumptions and central monitoring of agency spend in CSC.

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

<u>Education Division</u>

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

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

The Division overall is forecasting an adverse variance against budget of £322k, an adverse movement £187k, which represents the aggregation of a number of small movements across the budget headings.

Schools PFI

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

Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget		January Variance		December Variance	
Education						
Contracts, Proc & School Org	£	286	-£	(27)	£	3
Early Years & Children Centres	£	16,335	-£	(452)	-£	(522)
Education - School Improvement	£	1,107	-£	(150)	-£	(131)
Education Inclusion	£	1,468	£	89	£	30
SEN & Disability Integrat Serv	£	17,468	£	12,154	£	12,608
Sub-total	£	36,664	£	11,615	£	11,987
CSC & Youth Inclusion						
Adolescent & Family Services	£	3	-£	(11)	£	-
Sub-total	£	3	-£	(11)	£	-
Schools Delegated Budget						
DSG Reserve	£	-	£	-	£	-
Retained Schools Budgets	£	2,945	-£	(1,401)	-£	(1,123)
Schools Delegated Budget	-£	(39,744)	£	2,394	£	1,971
Sub-total	-£	(36,799)	£	993	£	848
DSG Total	**-£**	**(132)**	**£**	**12,597**	**£**	**12,836**

The Dedicated Schools Grant (DSG) is forecasting an outturn of £12.597m. This is a reduction of £239k from last period due to the final DSG publication of grant income on 16th December 2021. The main DSG pressures are within the independent placements that are out of borough placements because of Special Educational Needs and Disabilities (SEND) children requiring specialist education provision and no suitable places within the local area.

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

Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country as at the end of 2020/21.

The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit to a positive position. We provided an updated plan to the DfE which they presented to Ministers. An update was provided to Cabinet in February as part of the MTFS report, but detail of any financial support and performance targets will not be clarified until mid March.

There is a reduction in Independent day school placements from 378 in total to 368 placements due to children moving out of the area.

Based on past years' experience, we are expecting the number of placements within Independent day school provision to increase in the year. At this stage it is difficult to predict how many EHCPs' will be issued, or the type of education provision they will require Requests for EHCPs go through assessment and a decision about issuing a plan and the type of provision is made once all the professional advice is received and reviewed by the SEND Panel.

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect the overall DSG deficit to be in line with current forecast. The current additional pressure of the DSG is forecast to be £12.597m for 2021/22, with an overall estimated cumulative deficit of £37.578m by year end.

Main DSG reporting variances against DSG budget is £7m Independent placements,
£2m EHCPs in primary and secondary schools in Merton, £2m Out of Borough day schools, and £1.6m special school top ups

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. We are also working with other authorities on the DSG deficit issue.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2022/23 and beyond, some schools are also having trouble in setting balanced budgets with the funding provided to them through the funding formula.

The Finance Service monitors this closely, and before any deficit budget is agreed, work is undertaken with the school to ensure they are maximising every opportunity to reduce costs and spend wisely. There are various reasons for schools requiring to set deficit budgets, increased costs relating to children that require additional support but do not meet statutory thresholds for additional funding, reduction in pupil numbers, reduced levels of reserves that schools would previously have used to balance their budgets and loss of income due to Covid-19. Total school balances, including capital balances, increased by nearly 40% last year.

Merton has been working in conjunction with Association of Directors for Children's Services (ADCS), Society for London Treasurers (SLT), London Councils and the Children's Commissioner to lobby Central Government for additional funding. All commissioned analysis shows that the funding shortfall is a national issue that requires additional grant funding and whilst some extra funding has been provided, it is still insufficient to meet the increase in demand from EHCPs.

Community and Housing

Overview
Community and Housing is currently forecasting a favourable variance of £1.1m as at January 2022. This is due to forecasted favourable variances in Adult Social Care of £1.4m, and a reduced unfavourable variance in Housing to £271k, and a reduced unfavourable variance in Libraries of £44k. Public Health and Merton Adult Learning continue to predict a breakeven position.

Community and Housing Summary Position

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

Community & Housing	2021/22 Current Budget £	2021/22 Full Year Forecast £ (Jan)	2021/22 Full Year Variance £ (Jan)	2021/22 Full Year Variance £ (Dec)	2021/22 Covid-19 Forecast £ (Dec)	2021/22 Outturn Variance £ (Mar'21)
Adult Social Care	58,822	57,419	(1,403)	(1,584)	1,075	(2,947)
Libraries and Heritage	2,475	2,519	44	54	55	195
Merton Adult Learning	0	0	0	0	0	0
Housing General Fund	3,333	3,604	271	328	0	489
Public Health	(163)	(163)	0	0	0	0
Total Favourable/ Unfavourable	64,467	63,379	(1,088)	(1,202)	1,130	(2,263)

Adult Social Care

Adult Social Care is forecasting a favourable variance of £1.4m for January 2022. The current position reflects an increase in placements £470k between December to January and forecasted underspend on employee/employee related costs due to the current difficulties in recruiting social care staff. The department also received a refund relating to the financial year 2020/21 for taxi-cards.

Monthly Movements in Packages of Care April 2021 to January 2022

Month	New Customers	Deceased Customers	Customers No Longer Receiving a Service	Net Movement
April'21	48	-9	-13	26
May'21	31	-16	-18	-3
June'21	32	-17	-22	-7
July'21	45	-13	-13	19
Aug'21	43	-14	-25	4
Sept'21	53	-22	-25	6
Oct'21	58	-16	-24	18
Nov'21	50	-18	-16	16
Dec'21	57	-28	-20	9
Jan'22	**56**	**-20**	**-20**	**16**
Total to Date January 2022	**473**	**-173**	**-196**	**104**
Average to Date	**47**	**-17**	**-20**	**10**
Total to Date as at January 2021	**366**	**-258**	**-179**	**-71**
Annual Average 2020/21	**37**	**-27**	**-17**	**-7**
Annual Average 2019/21	**34**	**-24**	**-24**	**-14**
Average 2018/19	**36**	**-23**	**-25**	**-11**

The above table shows that there were 473 new customers to January 2022. However, in comparison data to January 2021 shows that there were 366 new customers, which is a 29%

increase in the volume of customers requiring a service for the same period.

The service continues to interrogate the placement data to establish causes to spend patterns. Increased Hospital discharge pathway 1 (return to home) is a current primary driver where following hospital discharge, clients go on to need a longer-term homecare package once the 4 weeks discharge to assess period ceased. This coupled with saturation of available Reablement capacity, increases pressure on the homecare placement budget. In addition to this, we have seen increased community referrals in the older people cohort for a number of months.

Analysis of Customers – January 2022				
Service	**New Customers**	**Deceased Customers**	**Customers No Longer Receiving a Service**	**Net Movement**
Older People	51	-19	-18	14
Learning Disability	1	-1	-4	-2
Mental Health	4	0	0	4
Total	**56**	**-20**	**-22**	**16**

There has been a sustained growth in out of hospital demand, which shows no sign of returning to pre-COVID levels. This is reflected in the placements spend forecast but the impact is limited being part-year-effect. The full-year effect will affect in the 2022/23 budget forecast. In addition to this growth in demand, the service is facing significant provider inflation costs driven by a 6.6% increase in the minimum wage and high inflation in other costs areas such as food and fuel. The service is also experiencing a high level of vacancies and difficulties in recruiting, which has generated a temporary underspend of £ 491k.

The service is now implementing the winter plan with health partners. The service successfully bid for over £1m from the NHS to support winter resources and those proposals are being implemented. One of the most significant risks to those plans are the difficulties in recruitment both by the Council, by our partners and providers. This is true across grades and disciplines in the health and care system and has a direct impact on the ability to keep pace with discharge activity; both initial acute discharge and 4 week follow up at the end of the designated NHS funded discharge period. We continue to work on the plans and change approaches to mitigate recruitment challenges where possible. The system is working collaboratively to sustain Winter Pressure scheme impacts beyond the end of the financial year.

This is important as a local Discharge to Assess model agreed with health partners needs to be embedded by 1 April 2022. Under current national guidance, customers transferred to the borough via the Hospital Discharge Pathway are funded nationally for four weeks. The authority is seeking to ensure this protocol remains in place. Discharge activity is expected to remain under severe pressure into 2022/23 as general hospital activity is at record levels, compounded by additional recent Covid admissions, together with an ever-growing backlog of elective procedures.

There is a requirement to maintain the Discharge to Assess model into 2022/23 but the funding for this is not yet announced. It is expected to come through the Better Care Fund, but it is not certain that it will be additional funding rather than a demand on existing funds.

Pathways: -

Pathway 0- 50 % of Clients

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

Pathway 1- 45% of clients

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

Pathway 2- 4% of clients

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

Pathway 3-1% of clients

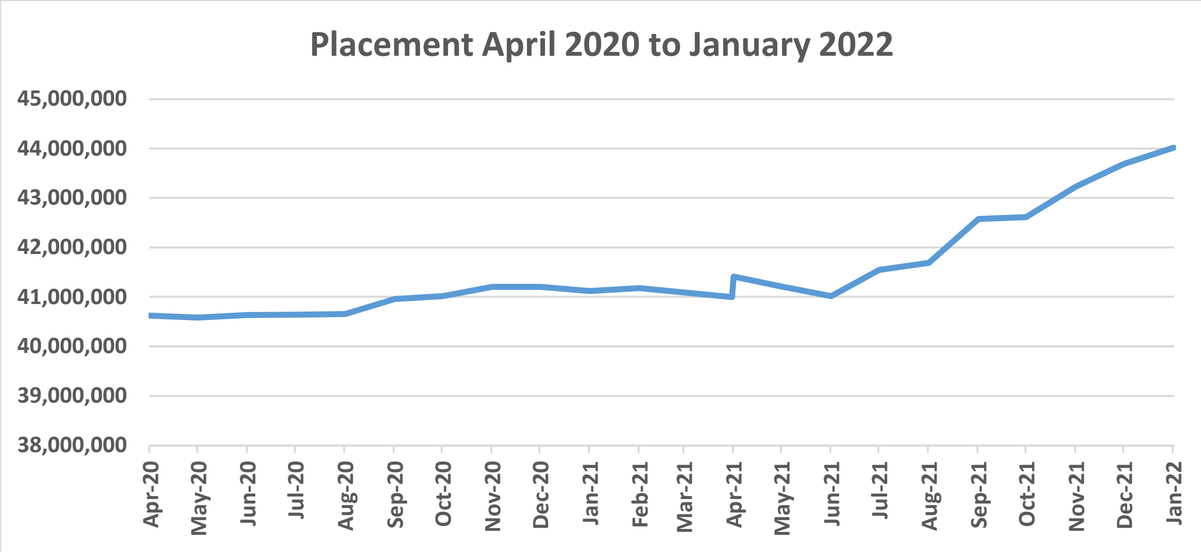
- People who require 24 hours bed based care

Number of Customers -Pathway Discharge Activities				
Date	**Pathway 1**	**Pathway 2**	**Pathway 3**	**Total**
Average Apr to Jan'22	**35**	**8**	**3**	**46**
Average Apr to Jan'21	**26**	**6**	**3**	**35**
Average Apr to Dec'21	**35**	**8**	**3**	**46**
Average Apr to Dec'20	**25**	**5**	**3**	**33**
Average Apr to Nov'21	**35**	**8**	**3**	**46**
Average Apr to Nov'20	**25**	**5**	**3**	**33**
Average Apr to Oct'21	**34**	**8**	**3**	**45**
Average Apr to Oct'20	**24**	**5**	**2**	**31**

The above table shows average number of customers discharged to LBM from April '21 to January'22 compared to similar period in 2020/21

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

The line graph below continues to indicate that there is an upward trend in the gross cost of placements. Also as previously alluded to the current increase seems to be from the older people cohort, which could be due to the impact of the covid-19 pandemic, possibly the effects of long covid-19.



Adult Social Care Internal Provision –favourable Variance - £175k

The Internal provision service continues to forecast a favourable position. This is mainly due to revised forecast on a number of budget lines including a revision of Mascot's forecasts.

Direct Provision has seen a gradual increase in activity across services as people are returning to day services in a managed way, and customers in Supported Living and Residential resume more community activities as the pandemic eases. We are still managing all of the services in a careful way and maintaining extra infection control measures. Work has increased in researching and designing the new employment pilot and this will increase in the coming months with a full start date aimed for in June.
Mascot's budget was forecast was reduced as work to order a new suite of assistive technology has been delayed and will now be rolled out from April. There was also an adjustment to the transport SLA as a vehicle used by Mascot for the Helping Hand service, part of Winter Warm project was coded elsewhere in the previous months. Other services' forecasts have remained stable

Library & Heritage Service- Unfavourable Variance - £44k

This service at the end of January is showing an unfavourable variance of £44k, which is a reduction of £10k since December. This is due to additional income from printing and fines and revised forecast due to delay in recruitment to April 2022. Due to the nature of the service and the impact of the pandemic there has been some level of variance in income projection month on month.

Demand for services continues to recover and usage of libraries is almost back to pre-pandemic levels. New health and wellbeing services is currently being rolled out along with new community services such as the soon to be launched employment start up centre at Mitcham Library called the Workary. Online services and new services like Connecting Merton, the services IT equipment loaning and training project, continue to be in high demand.

Adult Learning- Breakeven position

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

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

Housing General Fund- Unfavourable variance - £271k

This service is currently forecasting an unfavourable variance of £271k as at January, which is a net reduction of £58k since November, as forecast remained unchanged in December's return. This is due to an underspend on housing related support and additional housing benefit and homelessness prevention grant.

There are no further approaches from Afghan Families and currently there is only one in temporary accommodation as the second family were re-housed in the private sector.

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

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

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

Analysis of Housing and Temporary Accommodation Expenditure to January 2022

Housing	Total Budget 2021/22 £000	Forecast Expenditure (Jan'22) £'000	Forecast Variances (Jan'22) £'000	Forecast Variances (Dec21) £'000	Outturn Variances (March'21) £000
Temporary Accommodation- Expenditure	2,439	3,503	1,064	1,064	1,286

Temporary Accommodation-Client Contribution	(140)	(321)	(181)	(191)	(253)
Temporary Accommodation-Housing Benefit Income	(2,087)	(2,578)	(491)	(465)	(931)
Temporary Accommodation-Subsidy Shortfall	322	1,173	851	833	1,029
Temporary Accommodation-Grant	0	(1,031)	(1,031)	(985)	(851)
Subtotal Temporary Accommodation	**534**	**746**	**212**	**256**	**280**
Housing Other Budgets	2,799	2,858	59	72	209
Total Controllable (Favourable)/Unfavourable Variance	**3,333**	**3,604**	**271**	**328**	**489**

Number of households in Temporary Accommodation as at January 2022

Temporary Accommodation	Numbers In	Numbers Out	Net Movement	Previous Year
Mar'17	**-**	**-**	**186**	**Position as at March for previous financial years**
Mar'18	**16**	**16**	**165**	
Mar'19	**15**	**11**	**174**	

Mar'20	**12**	**6**	**199**	
Mar'21	**11**	**7**	**197**	
			2021/22	**2020/21**
Apr'21	**12**	**10**	**199**	**196**
May'21	**16**	**17**	**198**	**204**
June'21	**9**	**16**	**191**	**213**
July'21	**24**	**8**	**207**	**212**
Aug'21	**12**	**12**	**207**	**210**
Sept'21	**19**	**9**	**217**	**211**
Oct'21	**14**	**16**	**215**	**214**
Nov'21	**13**	**12**	**216**	**208**
Dec'21	**13**	**10**	**219**	**200**
Jan'22	**13**	**9**	**223**	**195**

Total numbers in temporary accommodation (TA) as at January was 223 family units this is an increase of four since December. The above demonstrates that net numbers in temporary accommodation have increased steadily since April.

Public Health –Breakeven positions

The service is forecasting a breakeven position as at January 2022.

Potential Cost pressures

The service continues to seek a resolution with NHS provider CLCH for both the children's contract (health visitors and school nurses) and for sexual health. However, the parties involved with the sexual health contract are soon expected to reach a position palatable to both parties.

Covid-19 Related Programmes

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

The LOMP implementation costs are covered by Contain Outbreak Management Fund (COMF), or directly charged to DHSC (Department of Health & Social Care). The service expects the COMF to carry forward into 2022/23 in agreement with DHSC. A new grant for Community Vaccine Champions was received recently which needs to be spent by the end of July 2022. The PH grant allocation settlement only offers 2.8% increase, below inflation.

As we are moving from the 'acute Covid response' to 'living safely with Covid' phase of the pandemic, we are adapting the resilience arrangements accordingly. Work is under way to clarify roles between UK Health Security Agency (formerly LCRC), LA (Local Authority) and NHS, including surge capacity and legacy within the budgets available. Roll-over of COMF and the vaccine community champion funding will allow prudent tapering of services and some core capacity able to toggle between recovery and surge if required, while we are looking for long-term collaborative approaches with partners, including the NHS at local and ICS (Integrated Care System) level.

Corporate Items

The details comparing actual expenditure up to 31 January 2022 against budget are contained in Appendix 1. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2021/22 £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	Outturn Variance 2020/21 £000s
Impact of Capital on revenue budget	**11,157**	**11,012**	**(145)**	**(145)**	**(27)**
Investment Income	(387)	(495)	(108)	(80)	(141)
Pension Fund	86	86	0	0	2,646
Pay and Price Inflation	3,338	2,063	(1,275)	(525)	(250)
Contingencies and provisions	24,144	18,883	(5,261)	(4,761)	331
Income Items	(2,223)	(2,223)	0	0	7,413
Appropriations/Transfers	(6,852)	(1,380)	5,472	5,472	(7,848)
Central Items	**29,262**	**27,945**	**(1,317)**	**(39)**	**2,124**
Levies	959	959	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
TOTAL CORPORATE PROVISIONS	**4,628**	**3,311**	**(1,317)**	**(39)**	**2,124**
COVID-19 Emergency expenditure	0	833	833	818	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**4,628**	**4,144**	**(484)**	**779**	**7,480**

Based on expenditure to 31 January 2022, a favourable variance of £1.317m is forecast for corporate expenditure items. There has been a net improvement of £1.278m in the overall position since December due to:-

- An improvement change of £28,000 in the forecast for investment income mainly due to the recent increases in interest rates
- The corporate provision for redundancy costs is expected to have a favourable variance of £500,000 at year end
- The favourable variance for pay and price inflation is expected to increase by £0.750m as the budget provision for the national minimum wage will not be used.

In addition, it is expected that the budget for apprenticeships will have a favourable variance of £150,000 at year end and this amount has been appropriated to the Apprenticeships Reserve.

The accounting treatment of the loan to GLL referred to within the Environment and Regeneration section of this report is currently being reviewed and may result in a credit to the corporate covid-19 forecast depending upon the outcome of this review.

5 Capital Programme 2021-25

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

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

5.2 The table below summarises the position in respect of the 2021/22 Capital Programme as at January 2022. The detail is shown in Appendix 5a.

Capital Budget Monitoring - January 2022

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2021/22	Full Year Variance
Corporate Services	1,264,148	1,071,560	192,588	7,889,900	3,115,568	(4,774,332)
Community and Housing	1,008,121	959,864	48,257	1,412,160	1,412,160	(0)
Children Schools & Families	5,510,296	4,568,188	942,108	7,309,840	7,068,070	(241,770)
Environment and Regeneration	7,987,526	10,325,980	(2,338,454)	15,202,780	14,339,951	(862,829)
Total	**15,770,091**	**16,925,592**	**(1,155,501)**	**31,814,680**	**25,935,749**	**(5,878,931)**

a) Corporate Services – budget managers are projecting full spend on all budgets apart from:

- Civic Centre Car Parking - £60k will not be spent this financial year and will be requested to slip into 2022-23
- Works on other Buildings £15k, this is part of a block scheme so is not expected to slip into 2022-23
- Photovoltaics £8k expected to slip into 2022-23
- Within Business Systems; Public Protection and Planning (£341k), Ancillary Systems (£50k) and the Regulatory Systems Project (£29k) will not be progressed this financial year and are showing favourable variances
- Disaster Recovery £128k, this budget will be relinquished as the scheme will be complete by the end of the financial year.
- Planned Replacement Programme £4k will be slipped into 2022-23
- Westminster Coroner Court (£60k) scheme will be slipped into 2022-23
- Clarion CPO schemes (£4,079k), both of these schemes show no expected spend at outturn.

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

c) Children, Schools and Families – After the adjustments in the table below officers are projecting £242k net slippage into 2022-23

		Budget 2021-22	Narrative
Children, Schools and Families			
West Wimbledon - Capital Maintenance	(1)	(21,000)	Virement reflecting projected outturn
Wimbledon Park - Capital Maintenance	(1)	15,000	Virement reflecting projected outturn
Malmesbury - Capital Maintenance	(1)	6,000	Virement reflecting projected outturn
Total		**0**	

(1) Requires Cabinet approval

The Melrose School expansion is a major scheme which is due to be completed by the end of February 2022, some two months later than expected. The contract is subject to a series of cost claims by the contractor which are being considered by the council's appointed project manager and quantity surveyor. It may be some time before a final account contract sum is agreed.

d) Environment and Regeneration – All budget managers are projecting full spend apart from:

- Officers are projecting a £30k drawdown from 2022-23 budget for Carparking Upgrades
- Officers are projecting a small underspend on Rapid Response Cameras, it is currently envisaged that this will be relinquished as it was funded from a virement from a block scheme
- Officers are projecting a £1k favourable variance on Alley Gating this will be relinquished
- Officers are projecting a £17k favourable variance on SLWP Waste Bins this will be slipped into 2022-23
- Officers are projecting a £20k favourable variance on the Street Cleanse Sub Depot Mitcham this will be slipped into 2022-23
- Officers are projecting a number of variances within Highways and Footways, if this cannot be contained within 2021-22 budget they will draw down against 2022-23 Budgets.
- Officers are projecting a £147k favourable variance on the Canons Parks for the People Scheme (split £141k within Mitcham Area Regeneration and £6k within Parks Investment).
- Rowan Park Community Facility a £150k favourable variance is projected as it not expected that any expenditure is likely to be incurred this financial year
- Crown Creative Knowledge Exch a £75k favourable variance as progression of the scheme has slipped
- Officers are projecting a £5k favourable variance on Borough Regeneration – Bramcote Parade Improvements
- Borough Regeneration – Vacant Premises Upgrade £5k is likely to be drawn down from 2022-23 budgets
- Carbon Offset Funding a £75k favourable variance as progression of the scheme has slipped
- Leisure Centres Equipment a £90k favourable variance due to delays on progression of the fire alarms and roof works projects

- Wimbledon Park Car Park Resurfacing a £40k favourable variance officers are compiling a business case to review whether or not to progress this scheme in 2022-23
- Parks Investments – Paddling Pools £135k will be slipped into 2023-24
- Parks Investment – Sports Drainage £150k requires specialist contractor so budget needs to be slipped into 2022-23

Currently considering two further additional restriction grant funded schemes

5.3 Appendix 5c shows the revised funding of the proposed budget for 2021/22

5.4 Appendix 5d provides a summary of the potential slippage into 2022-23 at year end

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

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

5.6 The table below compares capital expenditure (£000s) to January 2022 to that in previous years':

Depts.	Spend To January 2019	Spend To January 2020	Spend to January 2021	Spend to January 2022	Variance 2018 to 2021	Variance 2019 to 2021	Variance 2020 to 2021
CS	4,308	4,062	1,491	1,264	(3,044)	(2,797)	(226)
C&H	707	690	373	1,008	301	318	635
CSF	5,272	7,223	1,335	5,510	238	(1,713)	4,175
E&R	11,858	6,128	7,289	7,988	(3,870)	1,860	699
Total Capital	**22,145**	**18,102**	**10,488**	**15,770**	**(6,375)**	**(2,332)**	**5,283**

Outturn £000s	31,424	26,960	15,123	
Budget £000s				31,815
Projected Spend January 2022 £000s				25,936
Percentage Spend to Budget				49.57%
% Spend to Outturn/Projection	70.47%	67.14%	69.35%	60.80%
Monthly Spend to Achieve Projected Outturn £000s				5,083

5.7 January is ten months of the way through the financial year and departments have spent just under 49.6% of the budget. Spend to date is higher than one of the last three previous financial years

Department	Spend To December 2021 £000s	Spend To January 2022 £000s	Increase £000s
CS	1,202	1,264	62
C&H	943	1,008	65
CSF	5,063	5,510	447
E&R	7,332	7,988	655
Total Capital	**14,541**	**15,770**	**1,230**

5.8 During January 2022 officers spent just over £1.2 million, to achieve year end spend officers would need to spend approximately £4.5 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers. Based on previous years spend patterns the estimated outturn is expected to be between £21.7 to £24m with a most likely outturn of £22.2m

6 DELIVERY OF SAVINGS FOR 2021/22

Progress on savings 2021/22

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 10 Forecast Shortfall	Period Forecast Shortfall (P10)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
Total	**6,903**	**3,328**	**3,575**	51.8%	**2,230**

Appendix 6 details the progress on unachieved savings from 2021/22 by department and the impact on the current year and next year, but there is no change from the shortfall reported last month.

Progress on savings 2020/21

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

Appendix 7 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year, but there is no change from the shortfall reported last month.

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1- Detailed Corporate Items table
Appendix 2 – Pay and Price Inflation
Appendix 3 – Treasury Management: Outlook
Appendix 5a – Current Capital Programme
Appendix 5b - Detail of Virements
Appendix 5c - Summary of Capital Programme Funding
Appendix 5d - Potential Slippage from 2021-22 to 2022-23
Appendix 6 – Progress on savings 2021/22
Appendix 7 – Progress on savings 2020/21

15. BACKGROUND PAPERS

15.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Original Budget 2021/22 £000s	Current Budget 2021/22 £000s	Year to Date Budget (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 2020/21 £000s
Cost of Borrowing	11,157	11,157	9,298	4,663	11,012	(145)	(145)	(27)
Impact of Capital on revenue budget	**11,157**	**11,157**	**9,298**	**4,663**	**11,012**	**(145)**	**(145)**	**(27)**
Investment Income	**(387)**	**(387)**	**(323)**	**(354)**	**(495)**	**(108)**	**(80)**	**(141)**
Pension Fund	**86**	**86**	**72**	**0**	**86**	**0**	**0**	**2,646**
Pay and Price Inflation	**3,338**	**3,338**	**2,781**	**0**	**2,063**	**(1,275)**	**(525)**	**(250)**
Contingency	1,500	500	417	12	250	(250)	(250)	(365)
Bad Debt Provision	1,500	1,500	1,250	270	1,500	0	0	388
Loss of income arising from P3/P4	400	200	167	0	0	(200)	(200)	0
Loss of HB Admin grant	23	23	19	0	23	0	0	(23)
Apprenticeship Levy	450	300	250	225	300	0	0	(80)
Revenuisation and miscellaneous	8,005	7,544	6,286	378	2,733	(4,811)	(4,311)	411
Growth - Provision against DSG	14,078	14,078	11,732	0	14,078	0	0	0
Contingencies and provisions	**25,955**	**24,144**	**20,120**	**885**	**18,883**	**(5,261)**	**(4,761)**	**331**
Other income	0	0	0	(5)	0	0	0	7,413
CHAS IP/Dividend	(2,223)	(2,223)	(1,853)	(1,232)	(2,223)	0	0	0
Income items	**(2,223)**	**(2,223)**	**(1,853)**	**(1,237)**	**(2,223)**	**0**	**0**	**7,413**
Appropriations: CS Reserves	(1,656)	(1,156)	(963)	500	(1,156)	0	0	0
Appropriations: E&R Reserves	(50)	(337)	(281)	0	(337)	0	0	0
Appropriations: CSF Reserves	(303)	(200)	(166)	(200)	(200)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(87)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(93)	(93)	(78)	0	(93)	0	0	0
Appropriations:Corporate Reserves	(5,472)	(4,962)	(4,135)	510	510	5,472	5,472	(7,848)
Appropriations/Transfers	**(7,678)**	**(6,852)**	**(5,710)**	**811**	**(1,380)**	**5,472**	**5,472**	**(7,848)**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**0**	**0**	**(25,593)**	**0**	**0**	**0**
Central Items	**4,654**	**3,669**	**24,385**	**4,768**	**2,352**	**(1,317)**	**(39)**	**2,124**
Levies	**959**	**959**	**799**	**959**	**959**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**5,614**	**4,628**	**25,185**	**5,727**	**3,311**	**(1,317)**	**(39)**	**2,124**
COVID-19 Emergency expenditure	0	0	0	680	833	833	818	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**5,614**	**4,628**	**25,185**	**6,407**	**4,144**	**(484)**	**779**	**7,480**

Appendix 2

Pay and Price Inflation as at January 2022

In 2021/22, the budget includes 1,5% for increases in pay and 1.5% for increases in general prices, with an additional amount which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 5.5% and RPI at 7.8% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

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

On 27 July 2021, the National Employers made a "final offer" as follows:

- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group

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

- A national minimum agreement on homeworking policies for all councils

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

Unions have consulted their members and further information about future action is awaited.

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

Prices:

The Consumer Prices Index (CPI) rose by 5.5% in the 12 months to January 2022, up from 5.4% in December 2021. On a monthly basis, CPI fell by 0.1% in January 2022, compared with a fall of 0.2% in January 2021.The largest upward contributions to the December 2021 12-month inflation rate came from housing and household services and transport, principally from motor fuels and second-hand cars. The largest upward contributions to the change in the 12-month inflation rate between December 2021 and January 2022 came from clothing and footwear, housing and household services, and furniture and household goods. These were partially offset by large downward contributions to change from restaurants and hotels, and transport.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.9% in the 12 months to January 2022, up from 4.8% in the 12 months to December 2021. The largest upward contributions to the January 2022 CPIH 12-month inflation rate came from housing and household services and transport, principally from motor fuels and second-hand cars.

The RPI rate for January 2022 was 7.8%, which is up from 7.5% in December 2021.

Outlook for inflation:
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. Previously at a special meeting on 19 March 20020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 2 February 2022, the MPC voted by a majority of 5-4 to increase Bank Rate by 0.25 percentage points, to 0.5%. Those members in the minority preferred to increase Bank Rate by 0.5 percentage points, to 0.75%.

The Committee voted unanimously for the Bank of England to begin to reduce the stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets. The Committee also voted unanimously for the Bank of England to begin to reduce the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023 that should unwind fully the stock of corporate bond purchases.

The minutes of the next meeting of the MPC will be published on 17 March 2022.

The MPC state that "Twelve-month CPI inflation rose from 5.1% in November to 5.4% in December, almost 1 percentage point higher than expected at the time of the November Report. Inflation is expected to increase further in coming months, to close to 6% in February and March, before peaking at around 7¼% in April. This projected peak is around 2 percentage points higher than expected in the November Report. The projected overshoot of inflation relative to the 2% target mainly reflects global energy and tradable goods prices. The further rise in energy futures prices meant that Ofgem's utility price caps were expected to be substantially higher at the reset in April 2022. Core goods CPI inflation is also expected to rise further, due to the impact of global bottlenecks on tradable goods prices..."

In terms of the outlook going forward, however, the MPC believe that "upward pressures on CPI inflation are expected to dissipate over time, as global energy prices are assumed to remain constant after six months, and as global bottlenecks ease and tradable goods prices fall back a little. Underlying wage growth is also projected to ease from 2023, as the labour market loosens gradually and inflation declines. Conditioned on the rising market-implied path for Bank Rate and the MPC's current forecasting convention for future energy prices, CPI inflation is projected to fall back to a little above the 2% target in two years' time and to below the target by a greater margin in three years."

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 2022)			
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.6	6.9	4.3
RPI	3.5	8.8	5.9
LFS Unemployment Rate	3.3	4.7	4.1
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.2	5.0	2.3
RPI	2.2	6.4	3.8
LFS Unemployment Rate	3.1	4.5	4.0

The Bank of England's Monetary Policy report for February 2022 includes the following economic projections for 2021-2024:-

Bank of England MPC Report - February 2022	2021	2022	2023	2024
	%	%	%	%
CPI	5.0	5.75	2.5	1.75
GDP	7.25	3.75	1.25	1.0
LFS Unemployment Rate	4..0	4.0	4.5	5.0

Independent medium-term projections for the calendar years 2022 to 2026 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (February 2022)					
	2022	2023	2024	2025	2026
	%	%	%	%	%
CPI	5.5	2.8	2.0	2.0	2.0
RPI	7.4	4.3	3.3	3.4	3.3
LFS Unemployment Rate	4.2	4.0	3.9	3.9	3.9

APPENDIX 3

Treasury Management: Outlook

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

The MPC currently uses two main monetary policy tools.

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

At its meeting ending on 2 February 2022, the MPC voted by a majority of 5-4 to increase Bank Rate by 0.25 percentage points, to 0.5%. The Monetary Policy Committee's (MPC's) core approach is summarised in the minutes as they note that "The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework also recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. In the recent unprecedented circumstances, the economy has been subject to very large and repeated shocks. In particular, should recent movements prove persistent, the sharp rises in prices of global energy and tradable goods of which the United Kingdom is a net importer will necessarily weigh on UK real aggregate income and spending. This is something monetary policy is unable to prevent. The role of monetary policy is to ensure that, as such a real economic adjustment occurs, it does so consistent with achieving the 2% inflation target sustainably in the medium term, while minimising undesirable volatility in output."

The MPC outlined the background behind the decision as "in the United Kingdom, market-implied expectations for the path of Bank Rate over the year ahead had risen, with market pricing consistent with an increase in Bank Rate of 0.25 percentage points, to 0.5%, at this MPC meeting. The February Monetary Policy Report was conditioned on a market-implied path for Bank Rate, based on the 15-working day average to 26 January, that rose to around 1½% by mid-2023. In the immediate run-up to the MPC's February meeting, the market-implied path for Bank Rate had reached around 1.7% by mid-2023. The results of the Bank of England's new Market Participants Survey, which would be published for the first time on the Friday following the release of these minutes, had painted a broadly similar picture of Bank Rate expectations: respondents had widely expected a 0.25 percentage point increase in Bank Rate at this meeting; a large majority expected Bank Rate to reach 1% within the next year; and respondents assessed that the balance of risks around this near-term path was skewed to the upside. Respondents expected reinvestments of the Bank's holdings of UK government bonds to cease after the anticipated Bank Rate increase at this meeting….The extent of any further tightening in monetary policy would depend on the medium-term prospects for inflation. The MPC judged that, if the economy developed broadly in line with the February Report central projections, some further modest tightening in monetary policy was likely to be appropriate in the coming months. The Committee continued to judge that there were two-sided risks around the medium-term inflation outlook, primarily from wage developments on the upside and from energy and global tradable goods prices on the downside. The Committee would update its assessment on the balance of the risks to medium-term inflation in light of the relevant data as they emerged. "

In the February 2022 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (February 2022)			
	2022 Q.1	2023 Q.1	2024 Q.1	2025 Q.1
GDP	7.8	1.8	1.1	0.9
CPI Inflation	5.7	5.2	2.1	1.6
LFS Unemployment Rate	3.8	4.2	4.6	5.0
Excess Supply/Excess Demand	0.5	-0.25	-0.5	--1.0
Bank Rate	0.4	1.3	1.4	1.3

The conclusions that the MPC reach in the February 2022 Monetary Policy Report are supported by the following Key Judgements:--

<u>Key judgement 1:</u> higher global energy prices and supply chain constraints in the production of tradable goods hold back growth in world and UK activity and, together with strong demand for durable goods, push up on consumer price inflation over the next 18 months or so before their effects on growth and inflation dissipate.

<u>Key judgement 2:</u> demand growth in the UK slows over the forecast period, reflecting the impact of higher global energy and goods prices on UK real aggregate income and waning support from fiscal and monetary policy.

<u>Key judgement 3</u>: having increased rapidly over the past year, labour demand falls back, so unemployment rises somewhat and a degree of excess supply builds over the projection.

<u>Key judgement 4</u>: although underlying wage inflation picks up a little this year, and companies seek to rebuild their margins, domestic price pressures moderate sufficiently to return inflation close to the 2% target by the end of the projection.

Appendix 5a

Capital Budget Monitoring – January 2022

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Capital	**15,770,091**	**16,925,592**	**(1,155,501)**	**31,814,680**	**25,935,749**	**(5,878,931)**
Corporate Services	**1,264,148**	**1,071,560**	**192,588**	**7,889,900**	**3,115,568**	**(4,774,332)**
Customer, Policy and Improvement	**113,383**	**0**	**113,383**	**150,000**	**150,000**	**0**
Customer Contact Programme *	113,383	0	113,383	150,000	150,000	0
Facilities Management Total	**427,870**	**520,000**	**(92,130)**	**972,890**	**889,450**	**(83,440)**
Works to other buildings	387,551	520,000	(132,449)	740,000	724,546	(15,454)
Civic Centre	0	0	0	60,000	0	(60,000)
Invest to Save schemes	40,319	0	40,319	172,890	164,904	(7,986)
Infrastructure & Transactions	**522,896**	**351,560**	**171,336**	**2,427,550**	**1,876,118**	**(551,432)**
Business Systems	209,401	130,640	78,761	900,670	481,320	(419,350)
Social Care IT System	51,130	0	51,130	47,770	47,770	0
Disaster recovery site	101	0	101	332,960	204,960	(128,000)
Planned Replacement Programme	262,264	220,920	41,344	1,146,150	1,142,068	(4,082)
Corporate Items	**200,000**	**200,000**	**0**	**4,339,460**	**200,000**	**(4,139,460)**
Acquisitions Budget	200,000	200,000	0	200,000	200,000	0
Westminster Coroners Court	0	0	0	60,000	0	(60,000)
Compulsory Purchase Orders	0	0	0	4,079,460	0	(4,079,460)
Community and Housing	**1,008,121**	**959,864**	**48,257**	**1,412,160**	**1,412,160**	**(0)**
Housing	**887,313**	**800,000**	**87,313**	**1,212,330**	**1,212,330**	**0**
Disabled Facilities Grant	887,313	800,000	87,313	1,212,330	1,212,330	0
Libraries	**120,807**	**159,864**	**(39,057)**	**199,830**	**199,830**	**0**
Major Library Projects	120,807	140,664	(19,857)	175,830	175,830	0
Libraries IT	0	19,200	(19,200)	24,000	24,000	0

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

Appendix 5a

Capital Budget Monitoring – January 2022

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Children Schools & Families	**5,510,296**	**4,568,188**	**942,108**	**7,309,840**	**7,068,070**	**(241,770)**
Primary Schools	**2,043,377**	**1,632,958**	**410,419**	**2,922,910**	**2,767,910**	**(155,000)**
Hollymount	50,226	50,000	226	60,000	60,000	0
West Wimbledon	304,516	170,000	134,516	339,000	335,000	(4,000)
Hatfeild	44,566	65,000	(20,434)	135,000	70,000	(65,000)
Hillcross	153,507	93,093	60,414	195,000	170,000	(25,000)
Joseph Hood	28,881	38,000	(9,119)	65,000	65,000	0
Dundonald	128,832	113,625	15,207	159,010	159,010	0
Merton Abbey	50,605	15,000	35,605	65,000	65,000	0
Merton Park	3,156	0	3,156	50,000	50,000	0
Pelham	39,550	20,000	19,550	55,000	55,000	0
Wimbledon Chase	88,981	97,340	(8,359)	181,000	185,000	4,000
Wimbledon Park	274,348	303,330	(28,982)	465,000	465,000	0
Abbotsbury	67,215	59,200	8,015	79,000	79,000	0
Malmesbury	96,261	78,000	18,261	114,000	114,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	27,900	7,000	20,900	38,000	38,000	0
Cranmer	20,986	18,000	2,986	64,000	64,000	0
Haslemere	8,264	0	8,264	80,000	15,000	(65,000)
Liberty	(487)	0	(487)	0	0	0
Links	122,941	120,000	2,941	145,000	145,000	0
St Marks	109,404	60,900	48,504	125,900	125,900	0
Lonesome	(1,875)	0	(1,875)	5,000	5,000	0
Sherwood	291,402	248,520	42,882	345,000	345,000	0
William Morris	136,416	75,950	60,466	158,000	158,000	0

Appendix 5a

Capital Budget Monitoring – January 2022

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Secondary School	**421,593**	**341,265**	**80,328**	**484,170**	**450,000**	**(34,170)**
Harris Academy Merton	0	25,628	(25,628)	34,170	0	(34,170)
Rutlish	27,408	12,295	15,113	40,000	40,000	0
Harris Academy Wimbledon	394,185	303,342	90,843	410,000	410,000	0
SEN	**2,745,857**	**2,350,083**	**395,774**	**3,506,310**	**3,491,310**	**(15,000)**
Perseid	259,393	245,425	13,968	369,130	369,130	0
Cricket Green	131,836	195,480	(63,644)	195,480	195,480	0
Melrose	2,303,411	1,777,878	525,533	2,590,000	2,590,000	0
Melrose Whatley Ave SEN	29,292	45,000	(15,708)	100,000	100,000	0
Unlocated SEN	16,303	10,000	6,303	20,000	5,000	(15,000)
Melbury College - Smart Centre	(1,857)	4,165	(6,022)	7,500	7,500	0
Medical PRU	0	52,500	(52,500)	200,000	200,000	0
Mainstream SEN (ARP)	7,480	19,635	(12,155)	24,200	24,200	0
CSF Schemes	**299,470**	**243,882**	**55,588**	**396,450**	**358,850**	**(37,600)**
Devolved Formula Capital	297,070	237,632	59,438	356,450	356,450	0
Children's Centres	0	6,250	(6,250)	20,000	0	(20,000)
Youth Provision	2,400	0	2,400	20,000	2,400	(17,600)

Appendix 5a

Capital Budget Monitoring – January 2022

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Environment and Regeneration	**7,987,526**	**10,325,980**	**(2,338,454)**	**15,202,780**	**14,489,951**	**(712,829)**
Public Protection and Developm	**282,182**	**502,804**	**(220,622)**	**882,110**	**910,537**	**28,427**
On Street Parking - P&D	143,876	361,000	(217,124)	530,000	530,000	0
Off Street Parking - P&D	84,011	33,294	50,717	120,000	150,000	30,000
CCTV Investment	45,974	108,510	(62,536)	222,110	220,537	(1,573)
Public Protection and Developm	8,320	0	8,320	10,000	10,000	0
Street Scene & Waste	**180,373**	**548,790**	**(368,417)**	**747,000**	**708,754**	**(38,246)**
Fleet Vehicles	298,792	548,790	(249,998)	673,000	673,000	0
Alley Gating Scheme	754	0	754	2,000	754	(1,246)
Waste SLWP	(119,173)	0	(119,173)	72,000	35,000	(37,000)
Sustainable Communities	**7,524,971**	**9,274,386**	**(1,749,415)**	**13,573,670**	**12,870,660**	**(703,010)**
Street Trees	46,934	20,000	26,934	134,590	134,590	0
Raynes Park Area Roads	2,626	0	2,626	2,970	2,970	0
Highways & Footways	5,002,331	5,928,124	(925,793)	7,335,690	7,360,921	25,231
Cycle Route Improvements	125,774	126,762	(988)	217,650	217,650	0
Mitcham Area Regeneration	979,097	1,069,890	(90,793)	1,840,230	1,549,480	(290,750)
Wimbledon Area Regeneration	99,407	56,504	42,903	378,160	361,744	(16,416)
Morden Area Regeneration	0	45,000	(45,000)	75,000	0	(75,000)
Borough Regeneration	281,460	80,106	201,354	823,180	748,095	(75,085)
Morden Leisure Centre	15,846	0	15,846	15,850	15,850	0
Wimbledon Park Lake and Waters	270,528	942,368	(671,840)	1,177,960	1,177,960	0
Sports Facilities	132,569	326,220	(193,651)	410,470	320,000	(90,470)
Parks	568,398	679,412	(111,014)	1,161,920	831,400	(330,520)

Appendix 5b

Virement, Re-profiling and New Funding - January 2022

		2021/22 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2021/22 Budget	Narrative
-		£	£	£	£	£	
Children, Schools and Families							
West Wimbledon - Capital Maintenance	(1)	**360,000**	(21,000)			**339,000**	Virement reflecting projected outturn
Wimbledon Park - Capital Maintenance	(1)	**450,000**	15,000			**465,000**	Virement reflecting projected outturn
Malmesbury - Capital Maintenance	(1)	**108,000**	6,000			**114,000**	Virement reflecting projected outturn
Total		**918,000**	**0**	**0**	**0**	**918,000**	

(1) Requires Cabinet approval

Appendix 5c

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed December Monitoring	**16,988**	**14,827**	**31,815**
Proposed January Monitoring	**16,988**	**14,827**	**31,815**

Appendix 5d

Potential Slippage into 2022-23 from 2021-22

Cost Centre	Project	Project	Forecast Year End Outturn Variance	Likely Slippage	Narrative
Corporate Services					
Works to other buildings	00001606	Boiler Replacement	(15,454)	15,450	Budget to be Slipped into 2022/23
Civic Centre	00001575	Civic Centre Cycle Parking	(60,000)	60,000	Budget to be Slipped into 2022/23
Invest to Save schemes	00000022	Photovoltaics & Energy Conserv	(7,986)	8,000	Budget to be Slipped into 2022/23
Business Systems	00000698	Planning & Public Protection Sys	(340,710)	340,710	Budget to be Slipped into 2022/23
Business Systems	00001376	Regulatory Systems	(28,640)	28,640	Budget to be Slipped into 2022/23
Business Systems	00001505	Ancilliary System	(50,000)	50,000	Budget to be Slipped into 2022/23
Disaster Recovery	00000000	Disaster Recovery	(128,000)	0	Scheme Complete by Year End
Planned Replacement Programme	00000629	Planned Replacement Programme	(4,082)	4,080	Underspend will be Slipped into 2022/23
Westminster Coroners Court	00000000	Westminster Coroners Court	(60,000)	60,000	Budget to be Slipped into 2022/23
Compulsory Purchase Order	00001645	Clarion CPO	(4,079,460)	4,079,460	Budget to be Slipped into 2022/23
Total Corporate Services			**(4,774,332)**	**4,646,340**	
Children, Schools and Families					
West Wimbledon	00000880	Capital Maintenance	(4,000)	4,000	Delivery of Scheme Slipped into 2022/23
Hatfeild	00000880	Capital Maintenance	(65,000)	65,000	Delivery of Scheme Slipped into 2022/23
Hillcross	00000880	Capital Maintenance	(25,000)	25,000	Delivery of Scheme Slipped into 2022/23
Wimbledon Chase	00000880	Capital Maintenance	4,000	(4,000)	Draw Down of Budget in 2022/23
Haslemere	00000880	Capital Maintenance	(65,000)	65,000	Delivery of Scheme Slipped into 2022/23
Harris Merton	00000880	Capital Maintenance	(34,170)	34,170	Delivery of Scheme Slipped into 2022/23
Unallocated SEN	00000697	Further SEN Provision	(15,000)	15,000	Delivery of Scheme Slipped into 2022/23
Childrens Centres	00001633	Bond Rd Family Centre	(20,000)	20,000	Delivery of Scheme Slipped into 2022/23
Pollards Hill Digital Divide	00001643	Pollards Hill Digital Divide	(17,600)	17,600	Delivery of Scheme Slipped into 2022/23
Total Children, Schools and Families			**(241,770)**	**241,770**	
Environment and Regeneration					
On Street Parking P&D	00001579	Car Park Upgrades	30,000	(30,000)	Draw Down of Budget in 2022/23
CCTV Investment	00001709	Rapid Response Cameras	(1,573)	0	
Alley Gating	00000000	Alley Gating	(1,246)	0	Block Scheme no Slippage
Waste SLWP	00000075	Waste Bins	(17,000)	17,000	Budget to be Slipped into 2022/23
Waste SLWP	00000643	Street Cleanse Sub Depot Mitcham	(20,000)	20,000	Scheme to Start 2022/23
Highways and Footways	00000117	Traffic Schemes	31,812	0	To be offset by other underspends
Highways and Footways	00000144	Surface Water Drainage	(23,630)	0	Block Scheme no Slippage
Highways and Footways	00000634	Repairs to Footways	90,000	0	Block Scheme no Slippage
Highways and Footways	00000638	Maintain AntiSkid and Coloured	(72,950)	0	Block Scheme no Slippage
Mitcham Area Regeneration	00000689	Canons - Parks for People	(140,750)	0	Scheme will be Completed by Year End
Mitcham Area Regeneration	00001652	Rowan Pk Comm Fac Match Fund	(150,000)	150,000	Scheme is being Prograssed
Wimbledon Area Regeneration	00001631	Deen City Farm	(16,416)	0	Part of Scheme not Completed
Morden Area Regeneration	00001650	Crown Creative Knowledge Exch	(75,000)	75,000	Progression of the scheme has slipped
Borough Regeneration	00001445	Bramcote Parade Improvements	(4,655)	0	Scheme is Complete
Borough Regeneration	00001513	Vacant Premises Upgrade	4,570	(4,570)	Draw Down of Budget in 2022/23
Borough Regeneration	00001716	Carbon Offset Funding	(75,000)	75,000	Progression of the scheme has slipped
Sports Facilities	00000640	Leisure Centre Plant & Machine	(90,470)	90,470	Roof Works and Fire Alarms Prjs Delayed
Parks Investment	00000689	Canons - Parks for People	(5,520)	0	Scheme will be Completed by Year End
Parks Investment	00001576	Wimb Pk Surface Car Park Op 2	(40,000)	0	Business Case Under Review
Parks Investment	00001577	Paddling Pool Option 1	(135,000)	135,000	Budget likely to be Slipped into 2023/24
Parks Investment	00001708	Sports Drainage	(150,000)	150,000	Requires specialist contractor
Total Environment and Regeneration			**(862,829)**	**677,900**	
Total			**(5,878,931)**	**5,566,010**	

APPENDIX 6

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 10 Forecast Shortfall	Period Forecast Shortfall (P10)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
Total	**6,903**	**3,328**	**3,575**	51.8%	**2,230**

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

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

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV2021-06	Service restructure across Safer Merton and CCTV	35	0	35	R		35	0	A	Cathryn James	Cost pressures within the CCTV budget present a challenge to meeting this savings target. The CCTV upgrade programme will reduce the CCTV revenue costs (e.g. the upgrades to the network will lower data transmission costs), therefore the delivery of these savings is contingent on the timely implantation of the upgrade programme.	**Y**
	PUBLIC SPACE											
ENV2021-09	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	52	52	0	G		52	0	G	John Bosley		
	Total Environment and Regeneration Savings 2021/22	**1,580**	**311**	**1,269**			**830**	**750**				

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

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

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

APPENDIX 6

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

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

APPENDIX 7

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

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APPENDIX 7

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R		0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles**The above will be subject to the outcome of the consultation process in 2019.**	1,900	0	1,900	R		0	1900	R	1900	0	A	Cathryn James	PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales for 20/21 were estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving will not be fully met in 2020/21. Lockdown continued in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed. ON STREET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection very difficult. For the period June through to October20/21 data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity Lockdown 3 had a further significant detrimental effect in 'on and off street parking' activity. Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to affect income levels. As at October 2021 savings continue to be monitored but lockdown and change in driver behaviour continues to result in this saving not being achieved. **Monitoring shows that on street P&D activity in Q3 has recovered to approx 90% of the pre covid period and car park activity at approx 60% of pre covid. Residential permit sales are slightly reduced from pre covid, and are stable, but a reduction in diesel sales continues. Visitor permits and annual visitor permits have continued to vary greatly dependent on working from home and lock down guidance. This saving will not be fully met in 2021/22.**	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R		13	0	G	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R		340	0	A	340	0	G	Cathryn James	Following the consultation process and approval by Merton, the proposal was put before London Council, GLA, Mayor for London and Secretary of State to approve. Process was delayed due to London Mayoral Election, officers are working with GLA to progress the application. GLA now approved application and Sec of State has 3 weeks to comment. Earliest implementation will be in January 2022. **Band A charges were introduced on the 1st February 2022. The impact of the increased charge will be monitored.**	N
ENV1920-02	Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	300	0	300	R		0	300	R	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Current traffic movements remain affected with less ANPR activity. **Q4 2021/22 continues to show less street ANPR activity than pre covid. This saving will not be met in 2021/22.**	Y
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R		0	337	R	337	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achiving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends. Current traffic movements remain affected with less ANPR activity. **Q4 2021/22 continues to show less street ANPR activity than pre covid. This saving will not be met in 2021/22.**	Y

ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.	250	0	250	R	0	250	R	250	0	A	John Bosley	The service maintained a high recycling rate in 2020 /21 which has been maintained this year. We have recycled C 42% of all domestic waste which has been achieved through a 49% increase in Food waste along with a 10% increase in Garden waste. As such this budget is now under pressure as this is new waste being managed by the services following the National impact of COVID 19 and residents working from home. We have not seen an equal reduction in the general waste stream which would historically off set these cost and generate significant savings to the services. With the national increase in the level of recycling being generate processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. CONFIDENTIAL The current national shortage of drivers impacting the collection schedule, the service has been required to combine rounds and co collect waste streams. This is being monitored through our BCP and the financial impact amended through our budget forecasting.	**Y**
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	**Y**
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	150	0	G	150	0	G	John Bosley	The commisioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 21/22 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams.	
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	64	0	G	John Bosley		
	Total Environment and Regeneration Savings 2018/19	**3,404**	**31**	**3,373**		**567**	**2,837**		**3,404**	**0**				

January'22

APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21

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

APPENDIX 7

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

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

APPENDIX 7

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

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

APPENDIX 7

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

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

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