CABINET
Date: 20 March 2023

Subject: Financial Report 2022/23 – Period 10 January 2023

Lead Director: Roger Kershaw

Lead member: Councillor Billy Christie

Recommendations:

A. That Cabinet note the financial reporting data for month 10, January 2023, relating to revenue budgetary control, showing a forecast net favourable variance at 31st January on service expenditure of £2.739m when corporate and funding items are included.

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

	Budget 2022-23	Narrative
	£	
Environment and Regeneration		
Borough Regeneration - Haydons Rd Shop Front Impr	(49,000)	Adjustment to Levelling Up Grant Coding
Wimbledon Area Regeneration - Wimbledon Hill Road	45,000	Adjustment to Levelling Up Grant Coding
Total	**(4,000)**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the Period 10 monitoring report for 2022/23 presented in line with the financial reporting timetable.
This financial monitoring report provides -

1.1.1 A full year forecast projection as at period .
1.1.2 An update on the financial impact of Covid-19
1.1.3 An update on the capital programme and detailed monitoring information;
1.1.4 An update on Corporate Items in the budget 2022/23;
1.1.5 Progress on the delivery of the 2022/23 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The Council's services are still 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 continues to be monitored closely given its impact on service delivery.

2.2 The Council is also facing significant inflationary pressures in the supply of goods and services to the Council, energy costs, cost of borrowing and potential wage increases against budget add to the Council's financial challenges in 2022/23 and future years. Whereas higher interest rates will have a positive impact on our investment returns these will be overshadowed by the inflationary pressures the Council faces together with the potential for increased demands for some of the Council's services due to the cost of living crisis.

2.3 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2021/22 was £26.930m and the deficit is forecast to continue to increase to £36.730m by the end of 2022/23 after the second tranche of Safety Valve funding. The Safety Valve programme is starting to have a positive impact, but progress is currently behind the agreed target.

2.4 The Council is still dealing with the effects of a number of emergency incidents this financial year. We are looking to recover some of our outlay but this could take some time beyond the end of this financial year. The total net cost of these incidents is currently £3.5m. Until these matters are resolved the council will have to match the net spend from its reserves.

2.5 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under 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. 2022/23 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive Summary – At period 10 (to 31st January 2023), the year-end forecast is a net adverse variance of £6.853m on Net Service Expenditure; a favourable variance of £9.201m on Corporate Provisions; and a small adverse variance of £0.037m relating to Covid-19. With a favourable forecast variance of £0.429m in funding, the Net Forecast Variance at year end is a favourable variance of £2.739m. A summary is provided on the following details and more detailed analysis by Department is set out in Section 4 of the report.

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

Covid-19 Financial

Summary Position as at 31st January 2023

	Current Budget 2022/23 £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 2021/22 £000s
Department							
Corporate Services	32,301	27,308	31,105	33,426	1,125	1,121	645
Children, Schools and Families	62,112	44,798	58,425	62,980	868	982	2,426
Community and Housing	68,109	66,538	56,783	68,682	574	425	(699)
Public Health	(162)	252	(3,519)	(162)	0	0	
Environment & Regeneration	14,041	2,739	(1,420)	18,328	4,287	5,344	3,431
Overheads	(272)			(272)	0	0	
NET SERVICE EXPENDITURE	**176,129**	**141,634**	**141,374**	**182,982**	**6,853**	**7,871**	**5,803**
			6				
Corporate Items							
Impact of Capital on revenue budget	11,066	6,455	3,831	10,947	(119)	(119)	(235)
Other Central budgets	(20,571)	2,478	1,042	(29,653)	(9,082)	(8,128)	(17,298)
Levies	988	494	988	988	0	0	0
TOTAL CORPORATE PROVISIONS	**(8,517)**	**9,427**	**5,861**	**(17,718)**	**(9,201)**	**(8,247)**	**(17,533)**
Covid-19	**0**	**0**	**37**	**37**	37	(70)	176
TOTAL GENERAL FUND	**167,612**	**151,062**	**147,272**	**165,302**	**(2,310)**	**(446)**	**(11,554)**
FUNDING							
Revenue Support Grant	(5,350)	(2,675)	(4,066)	(5,350)	0	0	
Business Rates	(31,856)	0	(29,568)	(31,856)	0	0	
Other Grants	(25,602)	(12,801)	(21,017)	(26,031)	(429)	(429)	
Council Tax and Collection Fund	(103,973)	0	(103,973)	(103,973)	0	0	
COVID-19 emergency funding	0	0	(442)	0	0	0	710
Income compensation for SFC	0	0	0	0	0	0	
FUNDING	**(166,781)**	**(15,476)**	**(159,066)**	**(167,210)**	**(429)**	**(429)**	**710**
NET	**0**	**135,586**	**(11,793)**	**(1,908)**	**(2,739)**	**(875)**	**(10,844)**

Impact

The ongoing situation continues to make forecasting difficult as it is 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 2022/23 as part of the budget setting process. The savings which are now under pressure due to inflation and other factors are included in the forecast of the departments. This is inclusive of 2021/22 savings which are still under pressure where they have not been adjusted for. Further details are set out in Appendix 6.

Cashflow

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

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.

Since December 2021, the Bank of England has steadily increased the base rate from 0.10% to 2.25% in September 2022. Further increases are expected given the current forecasts for inflation and the Bank's overarching brief to bring inflation down to 2.0% over the medium-term. As a result of this policy the Council can expect to receive additional interest income on deposits, although much of this additional income has already been expected in the 2022/23 budget.

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

Cash flow is monitored daily, and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there still is a concern over the longer term in the context of the DSG deficit, subject to the use of Safety Valve funding. However, if a cash shortfall occurs, the Council has the option to borrow from the market 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	Outturn Variance 2021/22 £000
Customers, Policy & Improvement	5,669	5,777	106	107	(191)
Infrastructure & Technology	13,522	13,980	458	464	80
Corporate Governance	2,697	2,721	24	(42)	141
Resources	6,321	6,804	483	404	13
Human Resources	2,266	2,364	98	124	214
Corporate Other	1,825	1,782	(43)	64	388
Total (Controllable)	**32,302**	**33,427**	**1,125**	**1,121**	**645**

Overview

Corporate Services is currently forecasting an adverse variance of £1.125m at year end. This has moved adversely by £4k since period 9 with main changes of £78k within Resources and £65k Corporate Governance. These adverse changes are being offset by underspends being forecasted within Corporate Other of (£107k), Human Resources (£26k) and Infrastructure & Technology (£6k).
The main reasons for adverse variances continue to be due to increased inflationary costs for services, materials, equipment and for agency staff costs. This is being addressed by aiming to recruit more permanent staff. Corporate Services are managing some of the budget pressures by holding vacancies open in the short term and we will continue to work on reducing our agency spend where practical.

Customers, Policy and Improvement – £106k adverse variance

The net forecast variance for CPI division consists of the following Favourable forecast variances:

- (£119k) within the AD due to a vacancy being held pending recruitment.
- (£80k) Programme Office due to vacancies of which £51k will be used to fund a MIB funded post now that this funding has been exhausted.
- (£41k) Voluntary Sector Coordination - reduced grants expenditure
- (£29k) due to an over-achievement against the cash collection saving
- (£27k) in the Community Engagement team due to staffing and running costs underspends
- (£19k) in the Merton Link team

Adverse variances within the CPI division include:

- £259k within Press and Publications owing to use of agency staffing over establishment and unachievable income targets
- £46k increase in IT costs for Customer Contact
- £34k within the Marketing and Communications team due to staffing and printing costs
- £39k in Translations services due to under-achievement against the income budget and increased interpretation costs
- £19k increase in costs for a third party to assist with clearing the backlog within the Blue Badge service
- £8k Policy, Strategy and Partnerships overspend within its staffing budget lines - this will be funded by underspend in Programme Office
- £22k for Reg of Birth, Deaths & Marriages increased costs for materials.

Infrastructure & Technology - £458k adverse variance

Favourable variances within the division are:

- Microsoft EA (Enterprise Agreement) is forecasted less than budget by (£135k)
- (£114k) underspend for Postal Services. This offsets the forecast overspends on Printing and Photocopying where income targets are not expected to be achieved.
- A lag in recruitment has also resulted in a (£45k) favourable variance within Facilities.
- Transactional services have a (£56k) staffing underspend due to a part vacant post and increases recovery of expenses as income.
- (£26k) in Safety Services due to recruitment lag as well as contingency not expected to be spent in year

Many of the adverse variances within the division are due to reduced recharges resulting from the changes in working arrangements surrounding the covid-19 pandemic.
These adverse variances include:

- £177k on the Corporate Print Strategy.
- The FM External account is also forecasting a £127k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2021/22.
- £126k on the PDC (Chaucer Centre). These are reviewed throughout the year and adjusted depending on the level of room bookings.
- There is an adverse variance of £71k on Corporate Contracts due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances.
- A further £46k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) for the introduction of a charging scheme and the cost of agency cover for maternity leave.
- Printing and photocopying team is forecasting £50k overspend. This will be offset by underspend from Post services.
- Security Services is also forecasting an adverse variance of £44k due to the contract cost being higher than the budget.
- Buildings maintenance is forecasting to overspend by £40k due to increase in repairs and maintenance costs.
- Civic centre increased repairs and maintenance of £28k. This is likely to increase as Facilities have now almost exhausted the remaining budget for repairs and maintenance. Only very high priority repairs and maintenance are now being carried and each purchase order is being approved directly by the Assistant Director.
- IT Service Delivery £13k owing to the use of agency staff covering vacant posts.
- IT Telecoms £15k
- £101k increase in Corporate services buildings costs mainly for utilities.

<u>Corporate Governance – £24k adverse variance</u>

- Members Allowances is projecting an underspend of (£32k)
- LBM Legal services is projecting a (£15k) favourable variance from external charges.
- Information Team underspend of (£20k) due to a lag in recruitment
- Local Election expenses is forecasting an overspend of £22K
- SLLP (South London Legal Partnership) is currently forecasting £250k deficit overall, £45k is forecasted to be LBM's Share.
- AD Corporate Governance £28k overspend for staff costs.

<u>Resources - £483k adverse variance</u>

Favourable variances within Resources are:

- (£138k) in Benefits Administration services which is largely due to grant receipts from DWP.
- Revenues and Benefits Support team (£116k) favourable variance mainly against staffing costs. This is due to vacancies in the team, recruitment to some of the vacant posts will commence before the end of the year.
- (£56k) in Treasury & Insurance

- (£51k) income from Shared bailiff Services with Sutton
- (£47k) for Director of Corporate Services time lag between the current director retiring and new director coming into post
- (£13k) Budget management
- (£19k) on purchase card project
- (£10k) Business Rates bids.

- Enforcement Agents' service forecasted to overspend by £338k (inclusive of the shared service element) as a result of unachieved income which will continue to be monitored as the circumstances around the pandemic improve. The service has been able to operate more fully in the last 2 / 3 months.
- The Local Taxation Service has a £193k adverse variance due to staff overtime, anticipated under recovery action was suspended from April until the end of July 2022, as a result of administering the energy grant payments (as explained previously). The normal recovery timetable has been reinstated from October 2022 and this should result in an increase in costs collected including those costs related to enforcement agents' action.
- A further adverse variance of £167k within AD resources due to consultancy costs for e5 upgrade.
- Corporate Accountancy is forecasting £110k overspend of which over £100k is an uplift in external audit fees
- Financial Systems Team is forecasting £14k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.
- £125k Chief Exec overspend for interim director and recruitment costs. This will be covered by the internal review fund.

Human Resources – £98k adverse variance

HR's forecast variance has changed favourably since P9 by (£26k).

Favourable variances forecasted within HR are:
- (£48k) HR Transactions for the shared payroll system and iTrent client team charges from Kingston.
- (£28k) Payroll reduced staff costs
- (£17k) Business partnerships
- (£11k) Graduates & Apprentices

Adverse variances are primarily due to
- £53k within Learning & Development agency costs
- £142k against the AD budget

Corporate Other – (£43k) favourable variance

Corporate items forecast variance has moved favourably since P9 by (£107k).
This is primarily due to (£75k) net increase in benefit over payment recovery income.

Favourable forecast variances within Corporate items are:
- (£283k) underspend in redundancy payments.
- Coroners Courts received a (£273k) reimbursement from the Westminster Bridge Inquest resulting in a (£253k) projected underspend

- (£115k) decrease in Corporately funded items
- (£54k) underspend Democratic Rep & Man due to reduced legal costs and
- (£12k) underspend in Staff groups

Adverse variance:

- Housing Benefits Rent allowance subsidies £680.

Environment & Regeneration

Division	Current Budget £000	Full year Forecast (January) £000	Full Year Forecast Variance (January) £000	Full Year Forecast Variance (December) £000	Outturn Variance 2021/22 £'000
Public Protection	(15,061)	(11,819)	3,242	3,344	4,142
Public Space	18,233	18,512	279	1,138	157
Senior Management	1,319	1,373	54	54	(192)
Sustainable Communities	9,550	10,263	713	807	(675)
Total (Controllable)	**14,041**	**18,329**	**4,288**	**5,344**	**3,432**

Description	2022/23 Current Budget £000	Forecast Variance at year end (January) £000	Forecast Variance at year end (December) £000	2021/22 Variance at year end £000
Regulatory Services	722	211	214	38
Parking Services	(17,165)	3,208	3,038	4,181
Safer Merton & CCTV	1,382	(177)	92	(77)
Total for Public Protection	**(15,061)**	**3,242**	**3,344**	**4142**
Waste Services	15,344	(80)	478	390
Leisure & Culture	947	37	339	(210)
Greenspaces	2,510	110	156	(93)
Transport Services	(569)	211	165	70
Total for Public Space	**18,233**	**279**	**1,138**	**157**
Senior Management & Support	1,319	54	54	(192)
Total for Senior Management	**1,319**	**54**	**54**	**(192)**
Future Merton	12,071	288	305	(303)
Building & Development Control	172	814	785	335
Property Management	(2,693)	(390)	(283)	(708)
Total for Sustainable Communities	**9,550**	**713**	**807**	**(676)**
Total Excluding Overheads	**14,041**	**4,288**	**5,344**	**3,431**

Overview

Environment & Regeneration is currently forecasting an adverse variance of £4.288m at year end. The forecast variance has changed favourably by (£1.056m) since period 9. The main areas of variances are Parking Services income, Development & Building Control, Future Merton, Regulatory services, Transport and Greenspaces. The primary reasons are the reduced revenue within Parking Services of £2.86m, a projected utility budget overspend of approximately £910k, reduced Planning and Building Control income, increased net costs for Waste Services and unachievable income/savings targets.

Public Protection

Regulatory Services adverse variance of £211k

This Adverse variance is a combination of (£30k) net underspend within the Shared partnership services with Richmond and Wandsworth and an overspend of £241k for non partnership areas.
The section has cumulative income savings of £275k relating to historic savings targets the department has been unable to achieve to date. These have contributed to the Non RSP net overspend.

Other forecasts of adverse variances are within

- Mortuary overspend of £13k where there is insufficient budget
- Street Market net overspend £42k – includes £36k unachievable income

Parking Services adverse variance of £3.208m

The Parking Services variance increased adversely by £170k from last month.
This is partly balanced by increases in on-street income, and some cost reductions.

The in-depth review and analysis of all sources of parking income continues to indicate improvements since July, attributable to more robust and improved forecasting, increased parking PCN charges to the higher Band A level, the successful pilot to employ additional CEOs, and improvements to the management and efficiency of parking enforcement operations. Issuance of Parking PCNs is forecast to be around 79,000 this year, compared to an original forecast of just over 66,000. Additional expenditure of £300k will be incurred on the enforcement pilot this year, but this is exceeded by the growth in PCN revenue of £750k.

It is assumed that the cost of restoring Peel House car park ground floor, and project management of the renovation of other car parks, can be met from either the Parking revenue reserve or capital.

The end of January forecast shows the key adverse variances on parking income, from across the various categories, as follows.

Source of Income	**Estimated 2022/23 Deficit** (£…,000) **P10**
Car Parks and Season Ticket sales	900
Traffic, LTN, School Street and SKC PCNs	950
Parking PCN yield	300
Visitor parking permits	350
Resident permits (inc. unachieved growth)	500
Total income shortfall vs Budget	£3 million

Action is underway which could help to reduce the scale of this deficit over time, including:

a) Investment in car parks to improve the offer to motorists
b) Reform of visitor permit pricing to improve access
c) Ensuring parking suspension charges fully cover costs

The service is also seeking to sustain the growth in parking enforcement activity and improved operational efficiency through mainstreaming the successful pilot deployment of additional CEOs.

Safer Merton is forecasting a favourable variance of (£176k)

This is mainly due to an underspend of (£223k) for CCTV repairs and maintenance.
Other variances are:

- £27k staff costs (underspend of £62k for permanent staff and £87k overspend for agency)
- £26k reduced income that was expected from Clarion.

Efforts have been made to reduce agency costs. Within the ASB team the manager commenced a 12-month fixed term contract at the end of January and two ASB officer posts, 6-month fixed term contracts. Apart from HoS, which has now been recruited to on a permanent basis, only one agency worker remains whose contract expires end of March. This is also a grant funded post.
Following a request from the Home Office a Domestic Homicide Review has been commissioned via The Safer Stronger Executive Board anticipated costs £10-£15K.

<u>Public Space</u>

Waste Services is forecasting a favourable variance of (£80k)

This change from adverse variance last month is due to the recovery of (£737k) income due on the Waste Services Deed of variation of contract settlement figure, that relates to 2020/21 and prior years.

Favourable variances include reduced disposal costs of (£379k) due to new favourable gate fees for food waste & green associated. Note the service has delivered in excess of £750k in disposal savings in recent years. The current forecast is at par with last year’s actuals despite changes to our residents' working arrangements, where we have seen a greater increase in the number of households now working from home post pandemic resulting in an increase in overall domestic waste across all kerbside collection services. This section will continue to be closely monitored and the service is currently supporting SLWP in the planning of the re-procurement of both the Food and Garden waste processing services which currently expire this financial year. Further analysis is being done to establish how much of the overspend may be funded from Your Merton.

Other favourable variances include (£145k) on employee related spend and (£35k) reduction in building improvement costs.

Also included in this section is the achievement of the savings target of £104k (ENV2022-23 01) for disposal processing savings (Food Waste Recyclate). The service is projecting to deliver these savings.

An adverse variance of £189k is 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, 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.

An adverse variance of £141k is being forecast against the SLWP management fee associated with consultants and advisor cost in year.

There is an additional adverse variance of £85k for rental income due from Veolia for use of Garth Road site and £52k premises costs of which £39k relates to NNDR rates also for Garth road site

Waste and street cleansing (Phase C) budgets remain under pressure due to above contract services being implemented including the two additional fly-tipping crews, evening economy crew in the second half of the year. A growth bid has been submitted to cover this revenue cost in 2023/24. In addition, the service covered the cost of two one off large-scale fly tipping clearances including Willow Lane and Commonside East.

Leisure & Culture adverse variance of £37k

The adverse variance is partly offset by favourable variances on employees (£132k) and Leisure centre income (£66k).

The service is expecting the following adverse movements:

- A £35k under recovery in income from water sports at Wimbledon sailing base
    - The Watersport centre has under recovered mainly because of lake work causing an Easter closure, but also because some schools are budgeting cautiously
- £131k overspend on leisure centre utilities
- Under recovery of £31k lettings income from Morden Assembly Hall. This is due to the hall being used exclusively as a covid vaccination centre and evening and weekend lets are not possible.
- £45k supplies and services costs

There is currently an action plan for the Leisure Centre to reduce utility costs

- Air-con only on at peak times
- 50% of lights off where possible
- Hourly meter information to access peaks and troughs
- We have spent 30k on LED light replacements and bought new pool covers

- Both Canons and Wimbledon are having roof work done to make the centres waterproof and reduce utility costs

Greenspaces adverse variance of £110k

The net adverse variance is partly being offset by favourable variances in Events of (£126k) and general income (£120k).

Adverse variances within Greenspaces are as follows:

- Phase c£39k
- Premises £90k
- Employees £77k
- Pay & Display income £47k
- Rental income £54k
- Tree works £17k
- Third party payments £18k

Sustainable Communities

Future Merton net adverse variance of £288k

Adverse variances are partly offset by the following favourable variances:

- CPZs = (£201k)
- CIL/s106 = (£134k)
- Streetworks/permitting = (£200k)
- Temp. traffic orders = (£200k)
- Winter maintenance = (£14k)
- Employees = (£179k)
- Income = (£30k)

The net adverse variance consists of the following:

- Street lighting = £560k: due to the significant increase in energy costs, Facilities faced challenges when securing a new Street Lighting electricity supplier. We were therefore on an “out of contract rate” at the start of the financial year, which was triple the rate of last year. The rates on the new contract, which commenced in mid-May are twice as high as last year.
- Supplies and services = £258k. £150k of this is on Local Plan Fees. This to pay the Planning Inspectorate for their work on the Local Plan
- Highways & footways main. £209k (400890/400892). This is due to the Highways Maintenance contract inflation rate of 20% since the start of the contract in 2019.

- Bishopsford Bridge = £83k: we are still incurring legal costs for the litigation in relation to the bridge collapse, for which there is no budget.
- Merantun = £100k unachievable income target for staff recharges to Merantun Developments.
- Premises = £15k due to the increase in utility costs and security services
- JC Decaux = £18k. This is a small under-achievement of the expected contract income due to historical legacy issues related delay of the digital installations.

Property Management favourable variance of (£390k)

The main reasons for the favourable variance are:

- An underspend of (£149k) salaries costs against a budget of £320k.
- Increased Commercial rental income expectations by (£442k) due to rent reviews in line with the tenancy agreements.

The above favourable variances are being offset by adverse variances as follows:

- £45k premises related expenditure- for example, building improvements, utilities, repairs & maintenance costs
- £103k supplies & services related expenditure - for example, employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations and potential disposals.
- £53k for Stouthall

Building Control (BC) and Building Control Enforcement (BCE) net favourable variance of (£6k)

Full Plans Income estimate has significantly dropped due to a downturn in the market, recruitment difficulties, time spent on dangerous structures. However, savings are being made elsewhere to balance this such as in staff costs.

- BC £13k due to decreased income expected
- BC enforcement (£18k) reduction in staff costs

Development Control (DC) and Development Control Enforcement (DCE) adverse variance of £817k

DC = £642k and DCE = £176k
DC variance is made up of: £459k staff costs, (£16k) supplies and services and £195k income.
DCE variance is made up of £179k employee costs.

Both the Development Control and Development Control Enforcement teams continue to be overdependent on Agency workers. This is due to a historical set of circumstances whereby 16 full time planning officers left the team between February 2020 and the arrival of the current Interim Head of Development Management and Building Control in June 2022. Every time one of those officers left the council the remaining caseload had to be reallocated to colleagues creating unmanageable workloads. High numbers of Agency staff have had to be brought in and retained to maintain the service.

However, since June 2022 the service has also lost 2 General Planners, an Enforcement Officer and a Conservation Officer, all of whom were contractors at expensive rates. One graduate Planner has been brought in on a temporary contract at a relatively low rate. After a successful six month period that arrangement will now be converted into permanent employment. Two other junior Planners are also currently being taken through the temporary to permanent process. The Head of Development Management and Building Control has converted from a temporary post to a permanent position in December 2022 which has created a significant saving,

Furthermore, there is the unusual situation whereby a Principal Planner is solely working on one planning application for the All England Lawn Tennis Club to extend into Wimbledon Park Golf Club. A Principal Planner would usually handle a mix of 50 major and difficult minor planning applications and would coach junior members of staff when signing their cases off. The tennis application has been registered since August 2021 and will not be presented to the Planning Applications Committee until at least April 2023, after which there will be much more work to do around the GLA referral process. The length of time taken is due to the complexity of the proposals and this has been beyond the Council's control. Additional Agency staff have been retained for longer than initially forecasted to handle the work that the dedicated Case Officer cannot pick up. This is contributing significantly to the overspend but it is essential and statutory work of huge importance to the organisation.

A piece of work has commenced around benchmarking with other London authorities such as Camden which appears to have a much more extensive and robust Planning staff structure. A report will be prepared on this for the incoming Executive Director of Housing and Sustainable Development. It is also difficult to attract external candidates to permanent positions as the salaries being offered are not as competitive as those provided by neighbouring Councils.

At present there are 694 live planning applications being handled by the Development Management team. This averages out at approximately 46 cases per officer, which is 50% higher than the general national aim for an average figure of 30 cases per officer. Nevertheless, performance standards are high, with 67% of major, 100% of minor and 99% of other applications determined on time in January.

The Development Control Enforcement team currently has 308 live cases, handled by 4 officers at an average of 77 each. However, performance is again of a good standard, with approximately 20 submissions resolved and closed every month.

Income targets are being increased via pre-application charges (an Equalities Impact Analysis has been provided to the Cabinet Member for this), Planning Performance Agreement (PPA) fees and other administrative services to mitigate against the overspend. PPA sums in the region of £100,000 for the Mitcham Gasworks application and £45,000 for the Wimbledon College of Arts application, both of which have been registered, are now being negotiated with the developers and the aim is for these payments to be secured within this current financial year.

Children, Lifelong Learning and Education

Children, Schools and Families (£000's)	2022/23 Current Budget	Full Year Forecast	Forecast Variance January	Forecast Variance December	2021-22 Year Variance
Education					
Education Budgets	£ 19,490	£ 20,069	£ 579	£ 694	£ 394
Depreciation	£ 9,801	£ 9,801	£ -	£ -	£ -
Other Education Budgets	£ 135	£ 135	£ -	£ -	-£ (114)
Education Services Grant	-£ (1,062)	-£ (1,062)	£ -	£ -	-£ (12)
Education Sub-total	**£ 28,364**	**£ 28,943**	**£ 579**	**£ 694**	**£ 268**
Other CSF					
Child Social Care & Youth Inclusion	£ 22,798	£ 24,056	£ 1,258	£ 1,256	£ 2,009
Cross Department	£ 917	£ 725	-£ (192)	-£ (192)	£ -
PFI Unitary Costs	£ 8,409	£ 8,409	£ -	£ -	£ 766
Pension and Redundancy Costs	£ 1,624	£ 846	-£ (778)	-£ (776)	-£ (617)
Other CSF Sub-total	**£ 33,748**	**£ 34,036**	**£ 288**	**£ 288**	**£ 2,158**
Grand Total	**£ 62,112**	**£ 62,979**	**£ 867**	**£ 982**	**£ 2,426**

Director's' Summary

The government has published its response to the Children's Social Care Review but during this parliament the majority of the funding allocated is only for a small number of areas piloting approaches and is not distributed more widely across the system. Whilst local authorities will work to implement those recommendations that do not require funding, it does mean that a significant part of the national implementation will be delayed until at least the next comprehensive spending review. We await the terms and application of the pilots to review Merton's response to these.

The implementation plan for the SEND Green Paper is expected soon. The Schools' Bill has been pulled from its parliamentary process and some of the elements which will still be taken forward are becoming clearer. This includes additional burdens with regards to school attendance. Some other aspects remain unclear.

Demand for services continues to remain high. January saw similar demands into the Children and Families Hub compared to the previous month, and a higher proportion of assessments requiring further intervention. Numbers of children with a Child in Need plan and the number of children with child protection plans remains stable.

Schools continue to report increasing numbers of children requiring additional support to stay in mainstream education, and the Local Authority is working with all education settings to provide support as appropriate. Inflation and the unfunded pay rises for teachers and support staff continue to affect schools significantly, notwithstanding the more favourable settlement announced for 23/24.

We are focused on reducing our use of agency staff. As at the end of January we had 69 agency workers (excluding grant funded and short-term project posts), 3 fewer than the month before. Spend was £72k higher than December but this was due to having fewer working days in December due to the Christmas break.

Recruitment of social workers remains a major issue, which is reflected in the growth bid which is part of the proposed Business Plan for 2023/24, and in the focus on social work recruitment. We are exploring apprenticeships as one way to grow our own workforce and are in the process of recruiting 7 business support apprentices in Children's Social Care, which is part of and funded by the corporate apprenticeship programme.

The DSG in-year deficit has reduced by £200k since period 9, meaning a £3.75m improvement on the 2021/22 year-end position. With the actions in progress and the additional growth in High needs Block funding, we are confident in getting close to plan in 2023/24 and achieving balance ahead of the 2026/27 DfE deadline.

Forecast Summary

The departmental forecast overspend has reduced by £115k. The reduction was in education budgets, with Children's Social Care remaining stable.

The department continues to work to reduce its dependence on agency staff. At the end of January, the department had 85 agency staff (3 fewer than in December) of whom 16 related to grant funded and short-term project roles, and 50 were social workers. We continue to try to recruit and have added a market supplement to the social worker offer to bring us back to the market norm. We are also trying to grow our own workforce and have seven business support apprentices joining Children's Social Care and will be looking to identify further opportunities to utilise apprentices to develop our permanent workforce.

Home to School transport remains an issue, which is reflected in the growth bid included in the proposed business plan for 2023/24. We are working through the Safety Valve programme to reduce demand through increasing in-borough places and consistent application of the policy. However, the cost of journeys continues to rise, due to driver shortages and inflation.

Local Authority Services

Local Authority Funded Services (£000's)	Budget		January Variance		December Variance		202122 Outturn Variance	
Child Social Care and Youth Inclusion								
Senior Management	£	305	-£	(61)	-£	(7)	£	429
Head of Help & Family Assessment	£	3,220	-£	(420)	-£	(452)	-£	(676)
Head of Family Support & Safeguarding	£	4,552	£	942	£	893	£	2,019
Head of Corporate Parenting	£	12,633	£	1,452	£	1,353	£	809
Head of Adolescent and Safeguarding	£	2,086	-£	(656)	-£	(531)	-£	(572)
CSC & Youth Incl Total		**22,796**		**1,257**		**1,256**		**2,009**
Education								
Contracts, Proc & School Org	£	7,845	£	1,442	£	1,505	£	409
Early Years & Children Centres	£	4,534	-£	(362)	-£	(312)	-£	(311)
Education - School Improvement	£	89	£	30	£	52	-£	(1)
Education Inclusion	£	1,906	-£	(139)	-£	(110)	-£	(131)
Schools Delegated Budget	£	-	£	-	£	-	-£	(3)
SEN & Disability Integrat Serv	£	2,709	£	111	£	71	£	49
Senior Management	£	1,402	-£	(438)	-£	(438)	£	364
Policy, Planning & Performance	£	780	-£	(7)	-£	(20)	£	75
Departmental Business Support	£	227	-£	(58)	-£	(53)	-£	(57)
Education Total	**£**	**19,492**	**£**	**579**	**£**	**695**	**£**	**394**
Other CSF								
Joint Commissioning & Partnrsh	£	917	-£	(192)	-£	(192)	£	0
PFI Unitary Charges	£	8,409	£	-	£	-	£	766
Depreciation	£	9,801	£	-	£	-	-£	(0)
Other Education Budgets	£	135	£	-	£	-	-£	(114)
Education Services Grant	-£	(1,062)	£	-	£	-	-£	(12)
Pension & Redundancy Costs	£	1,624	-£	(778)	-£	(776)	-£	(617)
Education Total	**£**	**19,824**	**-£**	**(970)**	**-£**	**(968)**	**£**	**23**
LA Total	**£**	**62,112**	**£**	**866**	**£**	**983**	**£**	**2,426**

Child Social Care & Youth Inclusion

The forecast overspend has remained the same as period 9. Underneath the headline figure, there are a number of small changes in the forecasts at cost centre level, but these balance each other out at divisional level. A key area of pressure remains in corporate parenting where the high cost of placement, particularly emergency placements, remains an issue. We will be reviewing the rates we pay for in-house foster carers for 2023/24 in the coming weeks to ensure they reflect the rising cost of living.

Permanent recruitment activity continues supported by a market supplement which was part of the 2023/24 growth bid in the proposed business plan. This is expected to aid recruitment to social work posts and further reduce agency dependency. A focussed recruitment drive is planned for the Assessment teams and a senior management position in CSC this quarter which is currently covered by an agency worker.

The division has 59 agency workers at the end of January (two fewer than December), of which 5 were grant funded and 50 were social worker posts.

Education

The forecast has reduced by 116k since last period when it reduced by £359k from period 8. The main changes were in early years which received additional grant funding, transport where a utilities inflation contribution has been added, and education inclusion, where the forecast underspends have increased.

SEND transport costs remain an issue. We are managing demand through our new policy and the work done through the Safety Valve programme. However, where we have been forced to retender routes due to provider withdrawal, we have seen significant increases in the cost of journeys of around 30% due to driver shortages, fuel costs and general inflation. This cost is offsetting the reductions through demand management.

The service had 18 agency workers as at the end of January, of which 4 were grant funded. This is an increase of 1 on the previous month.

The majority are covering posts which are currently hard to recruit to, and there is a rolling programme of recruitment underway to maximise the use of permanent staff. This includes seeking applicants from abroad for posts requiring particular specialisms, and where there is a national shortage, for example Speech and Language Therapists.

Other CSF

There are eight agency workers in central and support services (down two from December), of which seven are grant funded and project related posts. Three of these are due to leave by March as their projects come to an end. We are actively recruiting to all permanent vacancies.

Dedicated Schools Budget (£000's)	Budget		January Variance		December Variance		202122 Outturn Variance	
Education								
Contracts, Proc & School Org	£	286	£	-	£	-	-£	(16)
Early Years & Children Centres	£	15,826	£	439	£	404	-£	(3,348)
Education - School Improvement	£	1,120	-£	(44)	-£	(146)	-£	(41)
Education Inclusion	£	1,464	£	132	-£	(17)	£	99
SEN & Disability Integrat Serv	£	24,075	£	8,829	£	8,729	£	13,899
Sub-total	**£**	**42,771**	**£**	**9,356**	**£**	**8,970**	**£**	**10,593**
CSC & Youth Inclusion								
DSG - Child Social Care & Youth Incl	£	42	-£	(6)	-£	(2)	-£	(7)
Sub-total	**£**	**42**	**-£**	**(6)**	**-£**	**(2)**	**-£**	**(7)**
Schools Delegated Budget								
DSG Reserve	**£**	**-**	**-£**	**(1,200)**	**-£**	**(1,200)**	**-£**	**(2)**
Retained Schools Budgets	£	2,828	-£	(1,409)	-£	(1,705)	-£	(417)
Schools Delegated Budget	-£	(45,683)	£	3,058	£	3,937	£	3,387
Sub-total	**-£**	**(42,855)**	**£**	**449**	**£**	**1,032**	**£**	**2,967**
DSG Total	**-£**	**(42)**	**£**	**9,799**	**£**	**10,000**	**£**	**13,553**

Dedicated Schools Grant (DSG) and Safety Valve

The forecast in-year deficit has reduced by £201k in period 10. This represents a £3.75m reduction on the 21/22 year-end position, which reflects the focused and robust work that has gone on this year to bring the system back into balance.

As at the end of January 2023, we had 2,414 children and young people supported by Education Health

& Care Plans (EHCPs), 57 fewer than at the end of December. This reflects a flow of new and ceased plans, including 14 new plans agreed, a net outflow of 18 SEND pupils from the borough and plans ceased because the young person is no longer in education.

The agreement with DfE requires us to bring the DSG back into balance by 2026/27. However, we are on course to balance a year earlier, in 2025/26. The settlement included additional growth to that set out in the plan, some of which has to be used to fund increases in funding to maintained special schools, additional resourced provisions (ARPs) and alternative provision.

In-borough capacity has been a significant factor in the deficit. In September we opened the Whatley Avenue Campus (part of Melrose School) with 40 pupils starting in September, with capacity to grow to 80 over the next couple of years. The site has been developed with the potential for a further 40 post-16 places. We expanded the Additionally Resourced Provision (ARPs) at West Wimbledon and Hatfield schools and opened the new ARP at Cranmer School.

We have plans for further expansion of in-borough capacity, including at Perseid School and plans to develop secondary ARPs. We also have a proposal for a new Special Free School. DfE have confirmed that they are satisfied that our application meets their criteria. We are currently working to identify potential sites for the school.

Community and Housing Summary Position

Overview

Community and Housing (C&H) is forecasting £574k unfavourable variance as of January 2023 which is an increase of £148k. The overall position has changed due to an increase in overspend/ unfavourable in Housing of £276k, Libraries £37k, an Adult Social Care reduced by £165k Public Health and Merton Adult Learning continue to forecast a breakeven position.

The housing teams overspend is due to increase in the numbers in temporary accommodation and housing benefit income owed. The team is currently working with housing benefit to clear this backlog, and this cannot be forecasted as amount owed is uncertain due the to the possible allowance for the shortfall in subsidy.

Favourable positions on other budget lines within Community and Housing such as employee budget lines relating to recruitment lag/delays are assisting with the overall position.

Table A Community &Housing Summary Position

Community & Housing	2022/23 Current Budget £ 'm	2022/23 Full Year Forecast £ 'm (Jan'23)	2022/23 Full Year Variance £'m (Jan'23)	2022/23 Full Year Variance £'m (Dec'22)	2022/23 Outturn Variance £'m (Mar'22)
Adult Social Care	61,846	61,756	(90)	74	(881)
Libraries and Heritage	2,631	2,666	35	(2)	105
Merton Adult Learning	18	18	0	0	0
Housing General Fund	3,614	4,243	629	353	77
Public Health	(162)	(162)	0	0	0
Total Favourable/ Unfavourable	67,947	68,521	574	425	(699)

Director's' Summary

The overall position of Community & Housing (C&H) for January was an adverse variance of £574k which is an increase of £148k in comparison to December 2022 forecast. This is in the context of when the department is experiencing inflationary pressures due to the cost-of-living crisis as well as rising demand on statutory services.

C&H comprises of Adult Social Care, Libraries, Merton Adult Learning, Housing and Public Health. The service areas with the most challenges at present are Adult Social Care and Housing. This is due to increasing demand on both areas as well as clients presenting with increasing levels of complexity in adult social care.

In terms of Adult Social Care, the challenges are in increasing placements (domiciliary care packages at home as well as 24 hr care in residential or nursing provision). We are utilising reablement to improve outcomes for residents and helping us manage the increasing numbers. Adult social care has also seen an increase in complexity of need which has resulted in an increase in cost of care packages as well as a shift from domiciliary care (where we keep people independent in their own homes with a care package) to a need for 24 hr nursing or residential care. Adult social care is also seeing an increase in clients with mental health problems requiring specialist supported living.

The is the busy winter period and there tends to be a greater number of community referrals and hospital admissions and discharges with residents requiring access to services.

The Housing team is experiencing an increase in numbers of people presenting requiring temporary accommodation. They are also having greater difficulties sourcing suitable accommodation in Merton due to a lack of suitable supply to meet the needs of these people.

We have recruited additional capacity in the team to expedite the move on process from temporary accommodation to permanent housing to address this and we have also sourced ‘capital letters’ to help us locate suitable housing within Merton.

Additional information was recently published regarding the recent announcement of additional funding for Adult Social Care for 2023/24. Social Care Grant is to be ringfenced for adults and children’s social care. In summary the grant conditions from the Department of Health and Social Care (DHSC) states that they expect adult social care budgets to have increased by the social care grant, discharge fund, market sustainability grant, and the precept. The discharge funding is to be used to increase social care capacity and be part of the Better Care Fund with the local ICB. The DHSC expects to monitor grants via the Revenue Account (RA) return and a new reporting matrix.

Adult Social Care

Adult Social Care is currently forecasting a favourable variance in January of £90k. In January there were new placements but also additional client income and which resulted in a reduction of the services position.

It should be noted that there is usually a ‘spike’ in placements and in January, a high number of new clients continued with sixty-three of which forty was due to hospital discharges. as this is the busy winter period and there tends to be a greater number of community referrals and hospital admissions and discharges with residents requiring access to services.

While there is an ongoing impact of an increase in overall demand and, more significantly, the increasing complexity of needs being assessed and the resulting need for larger packages of care we are utilising reablement to ensure that people regain independence. Inflation pressures in relation to third-party provider costs remain significant. The overall numbers of packages appear to be stabilising over the last two months because of the actions reported in previous monitoring reports. This change, assuming it is maintained, will have a positive impact on the overall budgetary position but it will take time to return to a balanced position. The placement forecast is based on Mosaic expenditure data to January 2023 and income is based on current available data.

In terms of the new customers the majority were in long stay residential, supported living and a move from domiciliary care to residential nursing care. Additionally, there is a steady increase in mental health customers which is also the trend seen in the neighbouring boroughs. The current placement forecast includes several high-cost transitions customers which the service is currently seeking clarification regarding contributions from external parties.

The service has decided to utilise the services of an external company to process financial assessments. Recruitment of permanent and temporary staff is alleviating this situation and the risk of under-collection of income continues to reduce as a result, with income forecasts increasing.

Hospital discharge activity is expected to remain under severe pressure into 2022/23 as general hospital activity is at record levels, compounded by additional recent Flu and Covid admissions, together with an ever-growing backlog of elective procedures.

Merton has a high rate of emergency hospital admissions for people aged 65+ diagnosed with dementia compared with London and England. The overarching message is that most older people are healthy and an asset; however, an aging population leads to increasing complexity of need due to several long-term conditions (co-morbidities) and dementia, sensory impairment, frailty, and loneliness/isolation. The Merton Story 2021 highlighted the issues of multi-morbidity and increased complexity as people age.

Table C Description of 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

Comparison of Discharge Activities to January 2022

Discharge Activities April to January 2021/22

Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	1525	358	133	2016
Average	**35**	**8**	**3**	**46**

Discharge Activities April to January 2022/23

Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	1415	418	109	1 942
Average	**32**	**10**	**3**	**44**

NB: No information on pathway 0 for both years

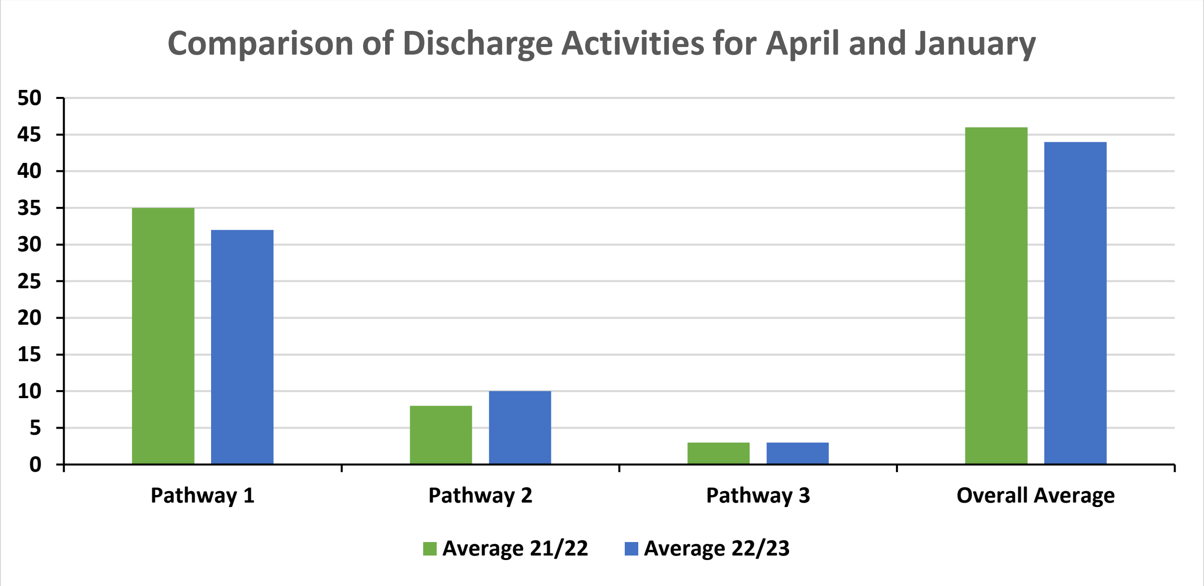
The above tables shows that although the overall average has reduced pathway 2 has increased by 25% as compared to 2021/22 which is reflected in the number of short-term placements coming through the system since April 2022.

New, Decreased and Closed Clients 2022/23 by Service

Service Type	New Clients		Deceased Clients		Closed		Net Total as at January 2023	
	TOTAL EXPENDITURE £	TOTAL No	Total Decrease in Expenditure £	TOTAL No	Total Decrease in Expenditure £	TOTAL No	Net Increase/Decrease in Expenditure £	TOTAL No
Carer Support	£28,486	14	-£2,065	-5	-£12,170	-9	14,250	0
Day Care	£54,697	6	£0	0	-£13,891	-4	40,806	2
Direct Payments	£181,341	24	-£216,489	-20	-£83,572	-17	-118,720	-13
Domiciliary Care	£1,336,629	226	-£932,193	-102	-£805,786	-130	-401,349	-6
Domiciliary Care (Hospital Discharge)	£594,987	79	-£38,784	-5	-£130,227	-25	425,976	49
Domiciliary Care (Intermediate)	£154,909	24	-£2,998	-2	-£52,107	-8	99,804	14
Long Stay Nursing Care	£1,411,486	36	-£1,854,563	-72	-£471,546	-15	-914,623	-51
Long Stay Residential Care	£717,680	23	-£603,137	-27	-£100,980	-7	13,563	-11
Shared Lives	£22,354	1	£0	0	£0	0	22,354	1
Respite Res/Nurs	£62,216	12	£0	0	-£11,119	-6	51,097	6
Intermediate Res/Nurs Care	£0	0	£0	0	£0	0	0	0
Short Stay Res/Nurs	£386,426	31	-£10,895	-5	-£211,446	-22	164,085	4
Short Stay Res/Nurs (COVID)	£59,907	17	£0	0	-£7,998	-1	51,908	16
Other general expenses	£2,612	2	£0	0	£0	-1	2,612	1
Supported Living	£593,113	19	£6,511	-1	-£83,504	-2	516,119	16
Supported Accommodation	£67,324	5	-£7,280	-1	-£18,767	-3	41,277	1
Total	£5,674,165	519	-£3,661,893	-240	-£2,003,113	-250	9,158	29
Average Cost per Nursing client	£39,208		£25,758		£31,436			
Average Cost per Residential client	£31,203		£22,338		£14,426			
Average Cost per client-all other services	£8,963		£10,279		£7,023			

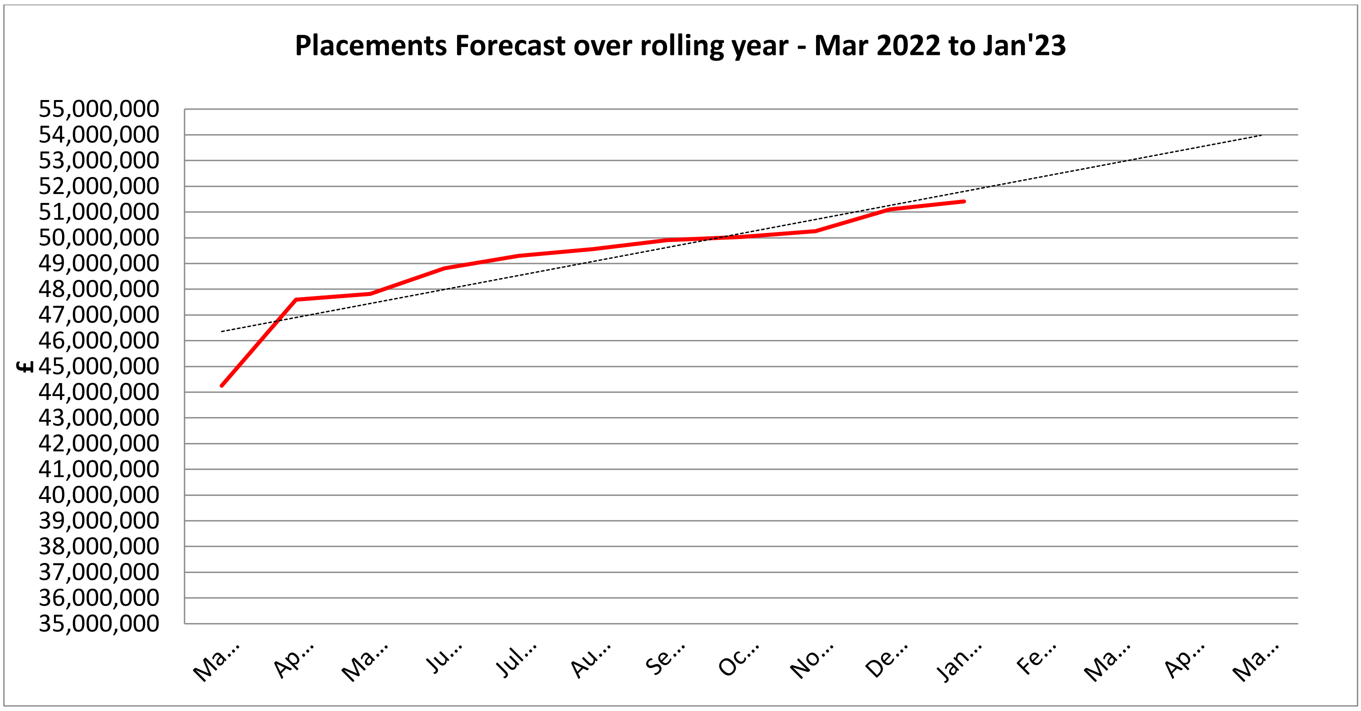
The above table shows a net increase in customers of 29 with an increase in the average cost of placements for new customers compared to deceased and those no longer receiving a service.

The Bar Chart below is a comparison of the average discharge activities between April to January 2021/22 and 2022/23



The above bar chart shows that discharge to January for 2021/22 and 2022/23.

The graph below shows placements expenditure from March 2022 to January 2023



The above graph shows an increase from March to April, and June to October and a decrease in November but an increase from December and January.

Adult Social Care Internal Provision –favourable Variance - £327k

Direct Provision unfavourable forecast was increased by £22k due to a revised forecast on supply & services, salaries, and utilities. The service is keeping several posts vacant in readiness for future for the division.

The service is still managing a small number of long - term sickness cases in key areas. Added to vacancies and a shortage of available bank staff to cover some of the 24/7 shifts, this has led to some overtime to ensure safe staffing levels. All rotas are reviewed on a weekly basis to maximise efficiency. There is additional spending in the Merton Employment Team to support the Employment Pilot, and this will be balanced by the additional funding which has been agreed.

Most areas of DP have continued to make reductions in non-pay forecasts although utilities bills were increased sharply last month.

Library & Heritage Service- unfavourable Variance - £35k

This service is forecasting an unfavourable variance of £35k in January 2023. There is also a reduction in income due to an issue of credit notes relating to previous financial years now being accounted for, which was unexpected.

A recent Customer Survey showed that customers have remarkably high satisfaction rates with library services with 100% overall satisfaction for the service. New services have recently been launched and the service has extended opening hours at 4 libraries following the introduction of new Library Plus technology at these sites and is continuing to provide libraries as warm spaces.

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).
New funding streams are being allocated to enhance curriculum provision around mathematics (Multiply government initiative) and green skills.

Housing General Fund- unfavourable variance - £629k

This service is currently forecasting an unfavourable variance of £629k which is an increase of £276k since December. The current increase due to reduction of housing benefit income and increase in projected temporary accommodation spend. A plan is in place to clear HB owed to Housing.

The service has seen a further increase in Temporary Accommodation (TA) numbers to January increased to 346 an increase of 4% since December.

In the long-term there is the added issues regarding the uncertainty surrounding the current Home for Ukraine project and expectations about move on accommodation. There has also been an increase in the number of asylum seekers and refugees from Afghanistan and other countries granted settled status from the home office and being asked to leave the accommodation provided which results in a homeless application. In these cases, it is far more difficult to take preventative steps as notice period are likely to be short.

There is also likely to be pressure on nightly rates in the months ahead for new and existing cases because of inflationary pressures from providers. This is a London wide issue and is being tackled at a regional and sub-regional level in terms of a strategic response to managing this issue.

The service is continuing to work on data to ascertain outstanding amount from Housing Benefit which could affect the forecast positively. We have agreed an action plan around collaborative working with the housing benefit team and a series of weekly meetings to monitor performance to ensure as many claims as possible are assessed before March 2023.

There are number of cases which have had their housing benefit suspended following a directive from the department for work and pensions and we are working with colleagues to see if we can get these suspensions lifted

We are also looking at maximising income collection and considering action against temporary accommodation resident who will not work with us to reduce arrears

Table D Analysis of Housing and Temporary Accommodation Expenditure to January 2023.

Housing	Total Budget 2022/23 £000	Forecast Expenditure (Jan'23) £'000	Forecast Variance (Jan'23) £'000	Forecast Variance (Dec'22) £'000	Outturn Variance (March'22) £000
Temporary Accommodation-Expenditure	2,544	5,456	2,912	1,912	1,346
Temporary Accommodation-Client Contribution	(140)	(241)	(101)	(101)	(177)
Temporary Accommodation-Housing Benefit Income	(2,087)	(3,596)	(1,509)	(1,363)	(465)
Temporary Accommodation-Subsidy Shortfall	322	1,621	1,299	1,213	838
Temporary Accommodation-Grant	0	(1,916)	(1,916)	(1,205)	(1,514)
Subtotal Temporary Accommodation	639	1,202	685	456	28
Housing Other Budgets	2,975	2,919	(56)	(103)	49
Total Controllable (Favourable)/Unfavourable Variance	3,614	4,243	629	353	77

Table E Number of Households in Temporary Accommodation in Previous years

Previous Financial Years (Month' Year)	Annual Numbers at Financial Year End

Mar'17	186
Mar'18	**165**
Mar'19	174
Mar'20	**199**
Mar'21	197
Mar'22	**230**

Table F Net Movement to date In Temporary Accommodation

Current Financial Years (Month' Year)	Numbers In	Numbers Out	Net Movement
Apr'22	18	15	233
May'22	28	7	254
June'22	21	16	259
July'22	19	8	270
Aug'22	26	12	284
Sept'22	20	19	285
Oct'22	23	15	293
Nov'22	40	9	324
Dec'22	16	7	333
Jan'23	27	14	346

Table F above shows the total numbers in temporary accommodation (TA) to January 2023. This is a net increase of 113 since April 2022 which is a 48.4% increase.

Table G Numbers in Temporary Accommodation as of June 2022 in neighbouring boroughs: -

Boroughs	Numbers in TA-March'22	Numbers in TA-June'22	Increase/(Decrease)
Sutton	844	846	2
Kingston	837	Not Provided	N/A
Richmond	314	349	35
Croydon	1988	1951	37
Bromley	1653	1598	(55)
Wandsworth	2894	2985	91

Statistical Data from Department of Levelling up, Housing and Communities (Extract- March and June22)-September data is to be made available shortly.

Feedback from other boroughs is that this situation is London wide since January 22 and in some cases, there has been a doubling of homelessness applications. One East London authority reported five hundred homeless applications alone in January 2023. Other authorities are reporting heavy use of expensive hotel accommodation which has not been necessary in Merton. In Merton there have been a notably increases in applications since June 22 as demonstrated by the figures. Merton is working with other local authorities and London Council's to make the case that London is experiencing a considerable increase in demand

Government data from the Ministry of Justice shows that during the period from June 22 to September 22 there was an 89% increase in private sector evictions across the UK compared to same quarter the previous year with 25,000 evictions up from 13,000.

Public Health –Breakeven position

The service is forecasting a breakeven position to January 2023.

Potential Cost pressures

The service has agreed a financial position for CLCH (Central London Community Health) Integrated Sexual health services to March 2024 and a financial position for CLCH children's contract (health visitors and school nurses) to March 2023. Further negotiations are required on the financial agreement for the 2023/24 children's contracts (health visiting and school nursing), including any potential inflationary increases and managing cost pressures on service.

Covid-19 Related Programmes

The team continues with the Covid-19 resilience programme, funded by the Contain Outbreak Management Fund (COMF) in 2022/23. COMF will be utilised in line with terms and conditions of the grant by March 2023. However, it was recently published that this grant could be carried forward to 2023/24.

Substance Misuse

The service also secured additional funding which is the Supplemental Substance Misuse Treatment and Recovery grant for 2022-2025 for the Department of Health and Social Care. This funding is being used in line with the grant conditions for drug and alcohol treatment and recovery. At this stage, only the 2022-23 allocation is confirmed with future years investment subject to DHSC confirmation.

CORPORATE ITEMS

The details comparing actual expenditure up to 31 January 2023 against budget are contained in Appendix 1. COVID-19 corporate expenditure is again shown on a separate line but it is intended that in future all covid related expenditure will be charged to the appropriate service:-

Corporate Items	Current Budget 2022/23 £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	Outturn Variance 2021/22 £000s
Impact of Capital on revenue budget	**11,066**	**10,947**	**(119)**	**(119)**	**(235)**
Investment Income	(396)	(3,306)	(2,910)	(2,910)	(143)
Pension Fund	503	110	(393)	0	0
Pay and Price Inflation	1,550	500	(1,050)	(1,540)	(1,945)
Contingencies and provisions	19,482	14,858	(4,624)	(3,573)	(17,212)
Income Items	(7,723)	(7,723)	0	0	10
Appropriations/Transfers	(8,393)	(8,499)	(106)	(106)	1,972
Central Items	**5,022**	**(4,060)**	**(9,082)**	**(8,129)**	**(17,318)**
Levies	988	988	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	20
TOTAL CORPORATE PROVISIONS	**(8,517)**	**(17,718)**	**(9,201)**	**(8,248)**	**(17,533)**
COVID-19 Emergency expenditure	0	37	37	(70)	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**(8,517)**	**(17,681)**	**(9,164)**	**(8,318)**	**(17,298)**

Based on expenditure to 31 January 2023 a favourable variance of £9.164m including Covid (£9.201m excluding covid) is forecast for corporate expenditure items. This is a favourable movement of £0.846m including Covid (£0.953m excluding Covid) on the December forecast and the reasons for this are:-

a) There is an unfavourable adjustment of £0.490m to the forecast cost of the 2022/23 pay award (c.6% award against a budget provision of 2%) but this assumes no use of reserves to fund the shortfall.

b) It is anticipated that there will be a favourable variance of £0.200m in the net cost of the Apprenticeship Levy

c) There will be a favourable variance of £0.200m arising from general fund overheads

d) The budget provision for increased costs of reletting contracts due to the London Living wage will not be utilised leading to a favourable variance of £0.521m

e) There will be a favourable variance of £0.130m in the budget for pension recovery costs

f) There will be a favourable variance of £0.392m following adjustments to salary oncost adjustments following the government's decision to reverse its decision to fund social care costs from national insurance.

g) There has been an unfavourable movement of £0.107m in the remaining costs of funding Covid-19

In addition, in order to address spending pressures on service budgets due to the high cost of utilities inflation it is proposed to undertake virement of £0.900m from the following corporate budgets which are expected to available budget in 2022/23:-

Provision for Excess Inflation £500k
Contingency £400k

This budget will be allocated to services utilities budget as follows:-

Sum of Inflation contingency	
Department	**Total (£)**
C&H	68,870
CS	253,230
CSF	62,940
E&R	514,960
Grand Total	900,000

These budget virements will be permanent and there will be a virement of £0.9m to services utilities budgets in 2023/24 from the budget provision for excess inflation which has been provided for this sort of spending pressure.

5 Capital Programme 2022-26

5.1 The Table below shows the movement in the 2022/23 corporate capital programme since the last monitoring report:

Depts	Current Budget 22/23	Variance	**Revised Budget 22/23**
CS	7,544		**7,544**
C&H	1,095	73	**1,169**
CSF	9,257		**9,257**
E&R	12,578	(4)	**12,574**
TOTAL	**30,474**	**69**	**30,544**

5.2 The table below summarises the position in respect of the 2022/23 Capital Programme as at January 2023. The detail is shown in Appendix 5a.

Capital Budget Monitoring - January 2023

Department	Actuals	Year to Date Budget	Variance	Final Budget 2022-23	Budget Managers Forecast Outturn 2022-23	Forecast Variance 2022-23
Corporate Services	2,765,444	2,986,442	(220,998)	7,543,780	6,680,510	(863,270)
Community and Housing	830,198	857,600	(27,402)	1,168,690	1,141,330	(27,360)
Children Schools & Families	6,439,590	4,273,568	2,166,023	9,257,470	8,650,060	(607,410)
Environment and Regeneration	6,494,772	8,531,357	(2,036,585)	12,573,610	9,835,123	(2,738,487)
Total	**16,530,004**	**16,648,966**	**(118,963)**	**30,543,550**	**26,307,023**	**(4,236,527)**

Only three budget adjustments are is being made to the programme this month and they are summarised in the table below and detailed in Appendix 5b:

		Budget 2022-23	Narrative
		£	
Community and Housing			
Major Library Projects - Creation of a Digital Maker Space		73,360	Funded by Arts Council Grant
Environment and Regeneration			
Borough Regeneration - Haydons Rd Shop Front Impr	(1)	(49,000)	Adjustment to Levelling Up Grant Coding
Wimbledon Area Regeneration - Wimbledon Hill Road	(1)	45,000	Adjustment to Levelling Up Grant Coding
Total		**69,360**	

5.3 Appendix 5d provides detail of the forecast year end variances projected by budget managers.

5.4 There are two major completed schemes within Children, Schools and Families that are still subject to final account agreement, at Melrose School and the Harris Academy Wimbledon new school facilitation project (Merton Hall). Once there is agreement any further costs will require further budget approval. Within Environment and Regeneration final accounts are still outstanding with some contractors on Bishopsford (Mitcham) Bridge.

5.5 During January 2023 officers spent under £2.2 million, to achieve year end spend officers would need to spend approximately £4 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers, as it is currently too high.

5.6 Appendix 5c shows the revised funding of the proposed budget for 2022/23

5.7 The table below summarises the movement in the Capital Programme for 2022/23 since its approval in March 2022 (£000s):

Depts.	Original Budget 22/23	Net Slippage from 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling to future years	Revised Budget 22/23
Corporate Services	8,522	5,454		622	161	(7,215)	**7,544**
Community & Housing	2,530	87		255	50	(1,753)	**1,169**
Children Schools & Families	6,441	888	422	3,230	165	(1,869)	**9,277**
Environment and Regeneration	15,118	3,489	(314)	1,731	1,225	(8,695)	**12,553**
Total	**32,611**	**9,919**	**108**	**5,838**	**1,600**	**(19,532)**	**30,544**

5.8 The table below compares capital expenditure (£000s) to January 2023 to that in previous years':

Depts.	Spend To January 2020	Spend to January 2021	Spend to January 2022	Spend to January 2023	Variance 2020 to 2022	Variance 2021 to 2022	Variance 2022 to 2023
CS	2,162	1,491	1,264	2,765	604	1,275	1,501
C&H	690	373	1,008	830	140	457	(178)
CSF	7,148	1,335	5,510	6,440	(708)	5,104	929
E&R	6,037	7,289	7,988	6,495	457	(794)	(1,493)
Total Capital	**16,036**	**10,488**	**15,770**	**16,530**	**494**	**6,042**	**760**

Outturn £000s	23,161	16,930	21,776	
Budget £000s				30,544
Projected Spend January 2023 £000s				26,307
Percentage Spend to Budget				54.12%
% Spend to Outturn/Projection	69.24%	61.95%	72.42%	62.83%
Monthly Spend to Achieve Projected Outturn £000s				4,039

5.9 January is ten months into the financial year and departments have spent just over 54% of the budget. Spend to date is higher than one of the three previous financial years. Finance officers currently project that outturn will be around £24m.

Department	Spend To November 2022 £	Spend To December 2022 £	Increase £
CS	1,442,571	2,155,220	712,649
C&H	556,294	644,664	88,371
CSF	4,990,998	5,530,308	539,310
E&R	5,519,647	6,015,699	496,052
Total Capital	**12,509,510**	**14,345,891**	**1,836,381**

5. DELIVERY OF 2022/23 SAVINGS

Department	Target Savings 2022/23	Projected Savings 2022/23	2022/23 Expected Shortfall
	£000	£000	£000
Corporate Services	465	380	85
Children Schools and Families	378	178	200
Community and Housing	1,659	405	1,254
Environment and Regeneration	523	393	130
Total	**3,025**	**1,356**	**1,669**

Appendix 6 provides a breakdown on Directorate savings.

1) CONSULTATION UNDERTAKEN OR PROPOSED

- All relevant bodies have been consulted.

2) TIMETABLE

- Following current financial reporting timetables.

3) FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- All relevant implications have been addressed in the report.

4) LEGAL AND STATUTORY IMPLICATIONS

- All relevant implications have been addressed in the report.

5) HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- Not applicable

6) CRIME AND DISORDER IMPLICATIONS

- Not applicable

7) RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

- **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 4 -	Next update at Outturn
Appendix 5a –	Current Capital Programme
Appendix 5b -	Detail of Virements
Appendix 5c -	Summary of Capital Programme Funding
Appendix 5d	Budget Manager Explanation of Forecast Year-End Variance against the Approved 2022/23 Capital Programme Budget
Appendix 6-	Progress on Savings 2022/23 (revised and simplified format)

8) BACKGROUND PAPERS

- Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Council 2022/23 £000s	Current Budget 2022/23 £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 2021/22 £000s
Cost of Borrowing Use for Capital Programme	11,066	11,066	6,455	3,831	10,947	(119)	(119)	(235)
Impact of Capital on revenue budget	**11,066**	**11,066**	**6,455**	**3,831**	**10,947**	**(119)**	**(119)**	**(235)**
		-	-	-	-	-		-
Investment Income	**(396)**	**(396)**	**(231)**	**(1,074)**	**(3,306)**	**(2,910)**	**(2,910)**	**(143)**
Pension Fund	**503**	**503**	**251**	**0**	**110**	**(393)**	**0**	**0**
Provision for Pay Award	3,468	(2,450)	(1,225)	0	0	2,450	1,960	(195)
Corporate Provision for National Minimum Wage	1,500	1,500	750	0	0	(1,500)	(1,500)	(1,500)
Provision for excess inflation	2,500	2,500	1,250	0	500	(2,000)	(2,000)	(250)
Pay and Price Inflation	**7,468**	**1,550**	**775**	**0**	**500**	**(1,050)**	**(1,540)**	**(1,945)**
Contingency	1,500	958	479	0	418	(540)	(540)	(488)
Bad Debt Provision	1,500	1,500	750	0	1,500	0	0	(2,397)
Loss of income - P3/P4	400	400	200	0	0	(400)	(400)	(200)
Loss of HB Admin grant	23	23	11	0	23	0	0	(23)
Apprenticeship Levy	450	450	225	231	250	(200)	0	(69)
Revenuisation & miscellaneous	6,028	5,608	2,804	3,941	4,864	(744)	107	(3,153)
Growth - Provision against DSG	10,543	10,543	5,272	0	7,803	(2,740)	(2,740)	(10,882)
Contingencies and provisions	**20,444**	**19,482**	**9,741**	**4,172**	**14,858**	**(4,624)**	**(3,573)**	**(17,212)**
Other income	0	0	0	(14)	0	0	0	10
CHAS IP/Dividend	(2,223)	(7,723)	(3,862)	(5,740)	(7,723)	0	0	0
Income items	**(2,223)**	**(7,723)**	**(3,862)**	**(5,754)**	**(7,723)**	**0**	**0**	**10**
Appropriations: CS Reserves	(2,167)	(3,200)	(1,600)	(1,032)	(3,200)	0	0	0
Appropriations: E&R Reserves	(1,314)	(1,519)	(759)	(205)	(1,519)	0	0	0
Appropriations: CSF Reserves	(300)	(340)	(170)	(40)	(340)	0		0
Appropriations: C&H Reserves	(104)	(104)	(52)	0	(104)	0	0	0
Appropriations:- Public Health	(93)	(93)	(47)	0	(93)	0	0	0
Appropriations:Corporate	(8,636)	(3,136)	(1,568)	4,976	(3,242)	(106)	(106)	1,972
Appropriations/Transfers	**(12,615)**	**(8,393)**	**(4,196)**	**3,698**	**(8,499)**	**(106)**	**(106)**	**1,972**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**0**	**0**	**(25,593)**	**0**	**0**	**20**
Central Items	**(1,347)**	**(9,505)**	**8,933**	**4,873**	**(18,706)**	**(9,201)**	**(8,248)**	**(17,533)**
Levies	**988**	**988**	**494**	**988**	**988**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**(359)**	**(8,517)**	**9,427**	**5,861**	**(17,718)**	**(9,201)**	**(8,248)**	**(17,533)**
COVID-19 expenditure	0	0	0	37	37	37	(70)	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**(359)**	**(8,517)**	**9,427**	**5,898**	**(17,681)**	**(9,164)**	**(8,318)**	**(17,298)**

APPENDIX 2

Pay and Price Inflation as at January 2023 Monitoring

In 2022/23, the budget includes 2% for increases in pay and 2.5% for increases in general prices, with an additional amount of £2.5m which will be 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 10.1% and RPI at 13.4% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

As reported to Cabinet in December 2022, for 2022/23 the final pay award has now been agreed based on the National Employers' one-year (1 April 2022 to 31 March 2023), final offer. Although 2% was included in the approved budget 2022/23, it was clear that this would be insufficient given the current cost of living and high inflation rates and the agreed pay award of c.6% is estimated to cost an additional £3.960m

Prices:

The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to January 2023, down from 10.5% in December 2022. CPI fell by 0.6% in January 2023, compared with a fall of 0.1% in January 2022. The largest downward contribution to the change in both the CPIH and CPI annual inflation rates between December 2022 and January 2023 came from transport (particularly passenger transport and motor fuels), and restaurants and hotels, with rising prices in alcoholic beverages and tobacco making the largest partially offsetting upward contribution to the change. The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 8.8% in the 12 months to January 2023, down from 9.2% in December 2022. The largest upward contributions to the annual CPIH inflation rate came from housing and household services (mainly from electricity, gas, and other fuels), and food and non-alcoholic beverages. The RPI rate for January 2022 was 13.4%, unchanged from December 2022.

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. The MPC currently uses two main monetary policy tools. First, they set the interest rate that banks and building societies earn on deposits, or 'reserves', placed with the Bank of England – this is Bank Rate. Second, the MPC can buy government and corporate bonds, financed by the issuance of central bank reserves – this is asset purchases or quantitative easing.

At its meeting ending on 1 February 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.5 percentage points, to 4%. Two members preferred to maintain Bank Rate at 3.5%.

In the minutes to the meeting, the MPC state that "UK domestic inflationary pressures have been firmer than expected. Both private sector regular pay growth and services CPI inflation have been notably higher than forecast in the November Monetary Policy Report. The labour market remains tight by historical standards, although it has started to loosen and some survey indicators of wage growth have eased, alongside a gradual decline in underlying output. Given the lags in monetary policy transmission, the increases in Bank Rate since December 2021 are expected to have an increasing impact on the economy in the coming quarters. "

The MPC also published the February 2023 Monetary Policy Report. In this report "the MPC's updated projections show CPI inflation falling back sharply from its current very elevated level, of 10.5% in December, in large part owing to past increases in energy and other goods prices falling out of the calculation of the annual rate. Annual CPI inflation is expected to fall to around 4% towards the end of this year, alongside a much shallower projected decline in output than in the November Report forecast."

The MPC has concerns that core inflation may remain stubborn given the strong pay growth currently persisting. It notes that "while CPI inflation has fallen from 11.1% in October to 10.5% in December, it remains well above the MPC's 2% target. Inflation is projected to fall to just over 8% by June, as previous large increases in energy and other goods prices drop out of the annual comparison. The recent fall in wholesale gas futures prices leads to a lower inflation projection later in the year. Core inflation is expected to fall by less, from 6.3% in December to 5.7% in June. While goods inflation is expected to fall, in part as supply bottlenecks ease across most regions, services inflation is expected to remain strong, partly reflecting the strength in pay growth.

In terms of the short to medium term outlook for inflation the MPC note that although "headline CPI inflation has begun to edge back and is likely to fall sharply over the rest of the year as a result of past movements in energy and other goods prices….the labour market remains tight and domestic price and wage pressures have been stronger than expected, suggesting risks of greater persistence in underlying inflation. The extent to which domestic inflationary pressures ease will depend on the evolution of the economy, including the impact of the significant increases in Bank Rate so far. There are considerable uncertainties around the outlook. The MPC will continue to monitor closely indications of persistent inflationary pressures, including the tightness of labour market conditions and the behaviour of wage growth and services inflation. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required."

The next MPC decision on the Bank Base Rate will be on 23 March 2023.
In its February 2023 Monetary Policy Report the MPC has provided the following forecast for CPI inflation up to the start of 2026 based on its latest assessment of the economic outlook:-

Bank of England (MPC) Quarterly Central Projection - CPI Inflation (February 2023)

%	2023 Qtr.1	2023 Qtr.2	2023 Qtr.3	2023 Qtr.4	2024 Qtr.1	2024 Qtr.2	2024 Qtr.3	2024 Qtr.4	2025 Qtr.1	2025 Qtr.2	2025 Qtr.3	2025 Qtr.4	2026 Qtr.1
CPI	9.7	8.5	6.2	3.9	3.0	1.0	1.7	1.4	1.0	0.8	0.6	0.5	0.4

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 2023)			
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.9	7.4	4.5
RPI	3.1	10.7	6.0
LFS Unemployment Rate	3.2	5.5	4.5
2024 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.3	5.0	2.5
RPI	1.7	5.4	3.5
LFS Unemployment Rate	3.0	5.7	4.6

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

Independent medium-term projections for the calendar years 2023 to 2027 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (February 2023)					
	2023	2024	2025	2026	2027
	%	%	%	%	%
CPI	7.0	3.0	2.2	1.9	2.1
RPI	9.3	4.0	3.3	3.2	3.7
LFS Unemployment Rate	4.4	4.6	4.5	4.5	4.7

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 1 February 2023, the MPC voted to increase Bank Rate by 0.5 percentage points, to 4%.

The next Bank of England MPC base rate decision is on 23 March 2023.

The MPC also published the February 2023 Monetary Policy Report, in which the MPC's updated projections for activity and inflation describe a very challenging outlook for the UK economy.

The MPC clearly sets out its remit "that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. The economy has been subject to a sequence of very large and overlapping shocks. Monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term. Monetary policy is also acting to ensure that longer-term inflation expectations are anchored at the 2% target."

In terms of the outlook the MPC's view is that "In the latest modal forecast, conditioned on a market-implied path for Bank Rate that rises to around 4½% in mid-2023 and falls back to just over 3¼% in three years' time, an increasing degree of economic slack, alongside falling external pressures, leads CPI inflation to decline to below the 2% target in the medium term. There are considerable uncertainties around this medium-term outlook, and the Committee continues to judge that the risks to inflation are skewed significantly to the upside.." Looking further ahead, the MPC will adjust Bank Rate as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit.

In the February 2023 Monetary Policy Report, the MPC's overall forecast summary is as follows:-

	2023(Qtr.1)	2024(Qtr.1)	2025(Qtr.1)	2026(Qtr.1)
	%	%	%	%
GDP	-0.3	-0.7	0.2	0.9
CPI	9.7	3.0	1.0	0.4
LFS Unemployment Rate	3.8	4.4	5.0	5.3
Excess supply/Excess demand	0.0	-1.5	-2.0	-2.0
Bank Rate	3.8	4.3	3.6	3.3

In producing their forecast, the MPC have included the following key judgements and risks:-

Key judgement 1: the level of potential output is being held back by a series of adverse economic shocks. Supply growth is expected to be weak by historical standards over the forecast period.

Key judgement 2: high energy prices and the path of market interest rates continue to weigh on GDP, both at home and abroad, and output is expected to fall slightly throughout 2023 and 2024 Q1. This is nevertheless a much shallower decline than in November, in part reflecting the MPC's reassessment of the outlook for consumption in light of the recent strength of the labour market, as well as the decline in wholesale energy prices.

Key judgement 3: the UK economy is judged to have been in excess demand over recent quarters. Although supply is expected to remain weak, continued headwinds to demand are projected to lead to an increasing degree of economic slack emerging from 2023 Q2.

Key judgement 4: headline inflation will continue to fall as pressures from energy and other external costs ease. But domestic, and potentially more persistent, inflationary pressures are likely to remain strong over the next few quarters and it is uncertain how quickly and to what extent they will abate. In the central projection, the increasing degree of economic slack, alongside falling external pressures, leads CPI inflation to decline to below the 2% target in the medium term, but the Committee continues to judge that the risks to inflation are skewed significantly to the upside.

The Chancellor of the Exchequer has announced that the Spring Budget 2023 will take place on Wednesday 15 March. The Office for Budget Responsibility will also release the latest outlook for the economy and public finances on the same day.

Appendix 5a

Capital Budget Monitoring – January 2023

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Capital	**16,530,004**	**16,648,966**	**(118,963)**	**30,543,550**	**26,307,023**	**(4,236,527)**
Corporate Services	**2,765,444**	**2,986,442**	**(220,998)**	**7,543,780**	**6,680,510**	**(863,270)**
Customer Contact Programme	763,284	0	763,284	1,885,910	1,356,190	(529,720)
Works to other buildings	561,157	689,744	(128,587)	822,570	781,479	(41,091)
Civic Centre	28,497	240,000	(211,503)	773,000	612,796	(160,204)
Invest to Save schemes	296,929	653,762	(356,833)	816,670	716,670	(100,000)
Business Systems	63,934	325,000	(261,066)	582,940	582,940	0
Social Care IT System	98,710	0	98,710	281,000	281,000	0
Disaster recovery site	82,226	94,080	(11,854)	94,080	94,080	0
Planned Replacement Programme	400,848	983,856	(583,008)	1,229,820	1,229,820	0
Financial System	0	0	0	0	0	0
Acquisitions Budget	469,860	0	469,860	469,050	469,050	0
Capital Bidding Fund	0	0	0	0	0	0
Multi Functioning Device (MFD)	0	0	0	0	0	0
Westminster Ccl Coroners Court	0	0	0	588,740	556,485	(32,255)
Corporate Capital Contingency	0	0	0	0	0	0
Compulsory Purchase Order	0	0	0	0	0	0
Community and Housing	**830,198**	**857,600**	**(27,402)**	**1,168,690**	**1,141,330**	**(27,360)**
Telehealth	0	0	0	0	0	0
Disabled Facilities Grant	830,198	843,200	(13,002)	1,066,330	1,112,330	46,000
Major Projects - Social Care H	0	0	0	0	0	0
Major Library Projects	0	0	0	78,360	5,000	(73,360)
Libraries IT	0	14,400	(14,400)	24,000	24,000	0

Capital Budget Monitoring – January 2023

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Children Schools & Families	**6,439,590**	**4,273,568**	**2,166,023**	**9,257,470**	**8,650,060**	**(607,410)**
Primary Schools	**1,508,700**	**1,907,395**	**(398,695)**	**2,602,210**	**2,219,680**	**(382,530)**
Hollymount	565	55,000	(54,435)	55,000	20,000	(35,000)
West Wimbledon	116,939	110,360	6,579	140,000	140,000	0
Hatfeild	69,126	118,840	(49,714)	120,090	90,000	(30,090)
Hillcross	108,606	110,500	(1,894)	186,000	186,000	0
Joseph Hood	3,116	53,000	(49,884)	53,000	5,000	(48,000)
Dundonald	12,269	1,000	11,269	10,000	10,000	0
Merton Park	(809)	0	(809)	0	0	0
Pelham	90,147	89,055	1,092	110,000	110,000	0
Poplar	3,055	30,000	(26,945)	40,000	40,000	0
Wimbledon Chase	101,798	102,000	(202)	210,000	150,000	(60,000)
Wimbledon Park	50,375	106,280	(55,905)	130,030	75,000	(55,030)
Abbotsbury	111,868	94,208	17,660	127,000	127,000	0
Malmesbury	39,904	36,383	3,521	47,000	47,000	0
Morden	13,117	56,250	(43,133)	75,000	40,000	(35,000)
Bond	42,239	31,970	10,269	46,000	46,000	0
Cranmer	80,468	184,080	(103,612)	250,830	250,830	0
Gorringe Park	55,801	40,500	15,301	55,500	55,000	(500)
Haslemere	240,171	239,040	1,131	304,040	285,000	(19,040)
Liberty	(487)	0	(487)	80,490	80,490	0
Links	93,335	62,750	30,585	98,000	98,000	0
Singlegate	103,235	95,000	8,235	105,000	105,000	0
St Marks	10,603	13,760	(3,157)	45,060	45,060	0
Lonesome	148,938	139,000	9,938	171,000	171,000	0
Sherwood	17,491	106,400	(88,909)	110,150	40,000	(70,150)
William Morris	(3,170)	32,020	(35,190)	33,020	3,300	(29,720)

Appendix 5a

Capital Budget Monitoring – January 2023

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Secondary	**100,081**	**178,550**	**(78,469)**	**288,510**	**239,400**	**(49,110)**
Harris Academy Morden	0	50,000	(50,000)	135,000	135,000	0
Harris Academy Merton	0	34,170	(34,170)	34,170	0	(34,170)
Raynes Park	70,358	34,750	35,608	74,000	74,000	0
Ricards Lodge	14,040	21,610	(7,570)	15,200	15,200	0
Rutlish	13,964	23,080	(9,116)	15,200	15,200	0
Harris Academy Wimbledon	1,720	14,940	(13,220)	14,940	0	(14,940)
SEN	**3,802,948**	**1,049,033**	**2,753,916**	**4,986,160**	**4,852,990**	**(133,170)**
Perseid	149,898	222,610	(72,712)	249,490	230,360	(19,130)
Cricket Green	(15,000)	39,040	(54,040)	39,040	0	(39,040)
Melrose	368,918	72,750	296,168	589,000	589,000	0
Melrose Whatley Ave SEN	2,506,409	50,000	2,456,409	3,079,020	3,009,020	(70,000)
Unlocated SEN	0	0	0	0	0	0
Melbury College - Smart Centre	138,884	124,500	14,384	155,000	155,000	0
Medical PRU	352,998	201,700	151,298	431,700	431,700	0
Mainstream SEN (ARP)	300,842	318,433	(17,591)	422,910	417,910	(5,000)
Perseid Lower School	0	20,000	(20,000)	20,000	20,000	0
Other	**1,027,860**	**1,138,590**	**(110,730)**	**1,380,590**	**1,337,990**	**(42,600)**
CSF Safeguarding	505	14,000	(13,495)	231,000	231,000	0
Devolved Formula Capital	1,023,021	1,081,990	(58,969)	1,081,990	1,081,990	0
Children's Centres	279	25,000	(24,721)	40,000	15,000	(25,000)
Youth Provision	4,055	17,600	(13,545)	27,600	10,000	(17,600)

Appendix 5a

Capital Budget Monitoring – January 2023

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Environment and Regeneration	**6,494,772**	**8,531,357**	**(2,036,585)**	**12,573,610**	**9,835,123**	**(2,738,487)**
On Street Parking - P&D	190,873	244,000	(53,127)	386,000	336,000	(50,000)
Off Street Parking - P&D	77,745	99,850	(22,105)	100,000	200,000	100,000
CCTV Investment	106,673	201,000	(94,327)	265,860	185,860	(80,000)
Public Protection and Developm	0	25,000	(25,000)	50,000	50,000	0
Fleet Vehicles	0	0	0	0	0	0
Alley Gating Scheme	0	20,000	(20,000)	46,000	4,000	(42,000)
Waste SLWP	219,259	272,000	(52,741)	340,000	338,432	(1,568)
Street Trees	33,273	34,663	(1,390)	153,990	153,990	0
Raynes Park Area Roads	7,219	0	7,219	43,500	43,500	0
Highways & Footways	3,535,516	4,351,642	(816,126)	6,060,010	4,676,265	(1,383,745)
Cycle Route Improvements	391,161	314,952	76,209	600,640	644,080	43,440
Mitcham Area Regeneration	221,445	519,160	(297,715)	648,950	308,500	(340,450)
Wimbledon Area Regeneration	409,696	775,704	(366,008)	1,080,870	597,720	(483,150)
Morden Area Regeneration	0	25,000	(25,000)	150,000	50,000	(100,000)
Borough Regeneration	340,101	292,912	47,189	538,140	419,110	(119,030)
Property Management Enhancemen	0	25,000	(25,000)	0	0	0
Wimbledon Park Lake and Waters	411,855	416,168	(4,313)	530,210	508,037	(22,173)
Sports Facilities	45,972	212,176	(166,204)	265,220	265,220	0
Parks	503,983	702,130	(198,147)	1,314,220	1,054,410	(259,810)

Appendix 5b

Virement, Re-profiling and New Funding - January 2023

		2022/23 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2022/23 Budget	Narrative
-		£	£		£	£	
Community and Housing							
Major Library Projects - Creation of a Digital Maker Space		**0**		73,360		**73,360**	Funded by Arts Council Grant
Environment and Regeneration							
Borough Regeneration - Haydons Rd Shop Front Impr	**(1)**	**403,130**	(45,000)	(4,000)		**354,130**	Adjustment to coding of Levelling Up Grant
Wimbledon Area Regeneration - Wimbledon Hill Road	**(1)**	**452,540**	45,000			**497,540**	Adjustment to coding of Levelling Up Grant
Total		**855,670**	**0**	**69,360**	**0**	**925,030**	

(1) Requires Cabinet approval

(2) Requires Council Approval

Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed December Monitoring	**11,544**	**18,930**	**30,474**
Community and Housing			
Major Library Projects - Creation of a Digital Maker Space	**0**	**73**	**73**
<u>Environment and Regeneration</u>			
Borough Regeneration - Haydons Rd Shop Front Impr	**0**	**(4)**	**(4)**
Proposed January Monitoring	**11,544**	**19,000**	**30,544**

Appendix 5d

Budget Manager Explanation of Forecast Year-End Variance against the Approved 2022-23 Capital Programme Budget

Project	**Forecast Year End Outturn (Under)/Over Budget £**	**Budget Manager Narrative**
Corporate Services		
Customer Contact Programme		
Spectrum Spatial Analyst Repla	20,000	Forecasting a potential slight overspend against budget due to increased agency staff costs. Funded by Merton
Robotics Process Automation	(110,000)	Unlikely to spend this on the original project but will be needed for the RPA project scheduled for 23-24 it is envisaged that the available budget will be utilised to fund this new scheme. Funded by Merton
Web Content Management System	(22,810)	Will be requesting any unspent budget is slipped into 23-24 as there are still some items that are planning for next FY. Funded by Merton
Customer Contact - Portal	(177,620)	Work on the Portal has been paused pending an assessment of expected benefits, will be requesting that this budget is slipped to 23-24. Funded by Merton.
Customer Contact - Complaints	50,100	Overspend due to complexity of processes and inclusion of some members enquiries functions. Funded by Merton
Cust Contact -Digital Strategy	(109,616)	Work on digital strategy is awaiting the engagement of the new executive directors who will steer strategic direction of the work carry forward to next FY. Funded by Merton
Replace TKDialogue	(2,256)	Officers will be requesting that the remaining budget on this project is slipped to 23-24, where it is need additional funds to complete. Funded by Merton
M365 Tools - PowerBI	(52,518)	Officers will be requesting that any underspend on this budget is slipped into 2023-24 as the new Microsoft Enterprise Agreement will provision councilwide PowerBi licenses and facilitate corporate roll out planned for next. Funded by Merton
Transport Management System	(125,000)	Officers will be requesting that this underspend is slipped into 2023-24 as procurement and implementation spans 2022-23 and 2023-24. Funded by Merton
Social Care IT System		
Mosaic ASC Changes	(11,000)	Officers will be requesting that any underspend on this budget is slipped into 2023-24 as further ASC Mosaic changes needed next year. Funded by Merton
Insights to Intervention	31,000	This overspend is due to the inclusion of the unified data model which was not originally envisioned, but is essential for building a Merton Data Warehouse that can be expanded upon and utilised by many other areas of the organisation. Funded by Merton
SEN Transport Allocation	(20,000)	Please see the commentary on the Transport Management System above. This project and budget will be merged into one project. Funded by Merton
Civic Centre/Works to Other Buildings		
Capital Building Works	7,405	Slight overspend expected at year-end, will draw on next year's budget to fund. Scheme Funded by Merton.
Civic Centre Lightning Upgrade	(210,000)	Project has recently commenced, therefore £90k to be used on lighting for Civic Centre refurbishment (floors 1 & 7). £210k requested to be moved and spread over next 2 years to cover remaining Civic Centre floor refurbishment. Funded by Merton
Workplace Design	1,300	Slightly more spend expected this compared to budget will draw down on next year's funding at year-end. Funded from a Revenue Reserve
Invest to Save schemes - General	(100,000)	GW3 recently approved for LED streetlighting upgrade - £400k to be committed and spent prior to yearend. £100k earmarked to cover the cost of installation in first half of 23 - 24. £100k therefore requested to be re-profiled to 23-24 to cover this. Funded by Merton
Westminster Ccl Coroners Court	(32,255)	The project is being led by Westminster Council/Coroners Court, although chased a number of times the updated outturn projection was provided after the compilation of the December 2022 Monitoring Report. Funded by Merton
Total Corporate Services	**(863,270)**	

Appendix 5d

Budget Manager Explanation of Forecast Year-End Variance against the Approved 2022-23 Capital Programme Budget

Project	Forecast Year End Outturn (Under)/Over Budget £	Budget Manager Narrative
Community and Housing		
Disabled Facilities Grant	46,000	January 2023 spend £16k higher than last year - if it is assumed that March spend with accruals matches last year at £217k then outtun would be £46k above budget - there is sufficient grant to fund this additional spend
Creation of a Digital Maker Space	(73,360)	New Grant Award post December 2022 Monitoring - it is tto late to add to 2023-24 budget for Council approval in March 2023 - this will enable order to be raised until slippage is approved.
Total Community and Housing	**(27,360)**	
Children, Schools And Families		
Schools Capital Maintenance		All Capital Maintenance Works funded by DofE Grant
Hollymount	(35,000)	Tenders process completed but small delay in implementing means spend will largely be in April 2023 rather than March 2023.
Hatfeild	(30,090)	Tenders process completed but small delay in implementing means spend will largely be in April 2023 rather than March 2023.
Joseph Hood	(48,000)	Tenders process completed but small delay in implementing means spend will largely be in April 2023 rather than March 2023.
Wimbledon Chase	(60,000)	Tender process completed and order placed but small delay in lead-in time for materials means spend will largely be in April 2023 rather than March 2023
Wimbledon Park	(55,030)	Fire alarm works – tender process completed but small delay in implementing means spend will largely be in April 2023 rather than March 2023
Morden	(35,000)	Tenders process completed but small delay in implementing means spend will largely be in April 2023 rather than March 2023.
Gorringe Park	(500)	
Haslemere	(19,040)	Security project delayed as it was decided to commission a police report before implementing
Sherwood	(70,150)	Order has been replaced but programme adjusted to undertake works in in Easter holidays (April 2023) to avoid disruption to the school
William Morris	(29,720)	Works slipped as at a late stage school identified a higher priority so delayed to summer holiday 2023
Harris Academy Merton	(34,170)	Final sum for administrator to a contractor for scheme completed some time ago. We are hoping to settle but it has now became clear this is unlikely to be the case by 31 March 2023
Perseid	(10,000)	Scheme delayed as needed to change contractor due to previous contractor not completing
School/ARP Expansions		
Harris Academy Wimbledon	(14,940)	Final sum to a contractor for scheme completed some time ago. We are hoping to settle but it has now became clear this is unlikely to be the case by 31 March 2023. Funded by SCIL
Perseid	(9,130)	Final sum to a contractor for scheme completed some time ago. Final payment held back pending completion of all defects. It has now become clear this is unlikely to be the case by 31 March 2023. Funded by High Needs Grant
Cricket Green	(39,040)	Final sum to a contractor for scheme completed some time ago. Final payment held back pending completion of all defects. It has now become clear this is unlikely to be the case by 31 March 2023. Funded by High Needs Grant
Melrose Whatley Ave SEN	(70,000)	Scheme still subject to agreement of the final account sum. It has now become clear this is unlikely to be settled by 31 March 2023 Funded by High Needs Grant
Raynes Pk Sch ARP	(5,000)	Delay to implementing design works due to need to review the provision need. Funded by High Needs Grant

Appendix 5d

Budget Manager Explanation of Forecast Year-End Variance against the Approved 2022-23 Capital Programme Budget

Project	Forecast Year End Outturn (Under)/Over Budget £	Budget Manager Narrative
Children's Centres		
Family Hubs	(15,000)	Over optimistic in expecting design work to start prior to 31 March 2023. Funded by Specific Grant
Bond Road Family Centre	(10,000)	Needed to re-tender due to lack of response in original tender so works delayed. Tenders now returned but a lead team is required. Funded by SCIL
Other		
Pollards Hill Digital Divide	(17,600)	Cost of design work are not to the expected profile so more spend in 2023/24. Funded by SCIL
Total Childrens, Schools & Families	**(607,410)**	
Environment and Regeneration		
On Street Parking - P&D		
Pay and Display Machines	(50,000)	Project progression has been slow due to delays in manufacture of new machines and decisions regarding machine removal. Scheme Funded by Merton
Off Street Parking - P&D		
Car Park Upgrades	100,000	£100k increase in forecast, to be funded from 2023-24 budget. Costs higher than previously forecast due to resurfacing work being brought forward at 2 Wimbledon car parks which are high revenue generators. Scheme funded by Merton - SCIL Funding of £40,500 for Electric Charging and Cycle Parking (curently applied to 23/24 Budget)
CCTV Investment		
CCTV cameras & infrast upgrade	(80,000)	Procurement of consultant (to advise on upgrades and how new investment dovetails with dark fibre work) has taken longer than anticipated and will be appointed in Feb 23. No major spend until consultants commence work. Scheme Funded by a mixture of Merton and SCIL
Alley Gating Scheme	(42,000)	Rialto Rd/Priestley Rd scheme (40k) cannot be progressed this financial year as the legislation requires further informal consultation before any gates can be installed Scheme Funded by Merton
Waste SLWP		
Replacement of Fleet Vehicles	(1,568)	Spend Complete. Funded by Merton
Highways & Footways		
Accesibility Programme	(5,000)	Construction of 1 scheme (Commonside East crossing £40K) within this programme will take place during the last week in March so may not be fully complete. Funded by TfL
Casualty Reduction & Schools	(19,000)	Four schemes will still be in progress at year-end due to insufficient time to design and programme works following late confirmation of TfL funding (end Oct 2022). TfL Funded Scheme
Repairs to Footways	98,690	After utilising Anti-Skid Budget Underspend will draw down on 2023-24 budget if required. Scheme Funded by Merton
Maintain AntiSkid and Coloured	(60,000)	Will be utilised to fund Borough Roads Overspend. Scheme Funded by Merton
Borough Roads Maintenance	35,000	Will draw down on 2023-24 budget if required. Scheme Funded by Merton
Highways bridges & structures	(380,000)	West Barnes Footbridge (£40K) – Network Rail originally granted possessions for work to be done on their land in March 23. They have now changed this to April/May 23. Streatham Rd (£140k) retaining wall – works delayed due to decisions regarding removal of trees to facilitate works Carshalton Rd bridge (£200k) – construction delayed as we were not able to secure possessions on Network Rail land. These are in place for mid-April 23. Scheme Funded by Merton
Culverts Upgrade	(290,000)	Mitcham Rd culvert (£80k) – EA permit required to carry out work, yet to be granted. EA have made numerous requests for additional technical information. Seely Rd culvert (£210k) – contractor resource issues; FM Conway have not progressed the detailed investigations required to enable the full design of the scheme. Scheme funded by SCIL
Bishopsford Bridge	(21,100)	Final bills from BT and Thames Water have still not been received but are estimated to be lower than we originally thought. Scheme funded by SCIL
Lamp Column Chargers	(403,190)	Contractor works delays – only 300 of 500 chargers are expected to be installed by year-end. Scheme Funded by £753k ORCS Grant and £7k SCIL

Appendix 5d

Budget Manager Explanation of Forecast Year-End Variance against the Approved 2022-23 Capital Programme Budget

Project	Forecast Year End Outturn (Under)/Over Budget £	Budget Manager Narrative
ANPR Cameras School Streets	6,215	Overspend is due to costs associated with equipment required on lamp columns to accommodate the cameras which were not budgeted for. Scheme funded by SCIL
S Wimb Bus Area Wayfinding	(35,360)	Planning permission for signage works submitted in Nov 22, not yet granted. Works should commence soon but will not be fully completed by year-end. NCIL Funded Scheme
Motspur Pk Stat Access for All	(190,000)	Total budget for the scheme is £690k - First payment of £276k now scheduled for April 23. SCIL Funded Scheme
Milner Rd Improvements	(120,000)	Scheme delayed as the scaffolding is still in place at the Madison Heights development. (Storm damage and Spur House H&S part cause of delay). SCIL Funded Scheme
Cycle Route Improvements		
Cycle Improve Residential Stre	43,440	TfL Funded Scheme adead of schedule - will draw down on TfL Funding in 2023-24
Mitcham Area Regeneration		
Canons - Parks for People	(275,450)	Accounts finalised for the two main contractors and Architects/Quantity Surveyors - currently in negotiation with HLF to ensure maximisation of their grant so that the maximum amount can be returned back to SCIL pot and re-applied to schemes in order of periority. Scheme funded by SCIL and HLF Grant.
Elmwood Centre Hub	(65,000)	Age Concern need to secure additional funding to progress the project and it will not commence until 2023-24. NCIL Funded Scheme
Wimbledon Area Regeneration		
Wimb Public Realm Implement	(100,000)	Offiers planned to vire £100k of the Wimbledon TC budget to top up the Haydon's Rd scheme budget of £390k. It is now only expected that £10k is required for design fees on Haydon's Rd. However, the scheme cannot currently be progressed as the cost of labour and materials have increased substantially and the current budget is insufficient. It is anticipated that Civic Pride funds will be used to further increase the scheme budget and it is planned to progress after the football season finishes in 2023. Both schemes are funded by SCIL.
Haydons Rd Public Realm Improv	(383,150)	
Morden Area Regeneration		
Crown Creative Knowledge Exch	(100,000)	Officers are unable to complete the building works of the former HSBC building by year-end due to (Funded by SCIL): 1) planning permission requirement and 2) the need to re-procure a building contractor. Extension of the contract with a previous contractor is not possible
Borough Regeneration		
Wandle Project	(59,030)	This a grant to Merton Priory Chapter House to complete the drainage to support the creation of a performance space. Work delayed as permission from Sainsburys (land owner) has only recently been granted. NCIL Funded Scheme
Carbon Offset Funding	(60,000)	Budget for Green Homes Grant Local Authority Delivery Scheme to retrofit fuel poor homes in Merton (approved by Cabinet on 7 Feb 22). Spend is dependant upon take up of the grant S106 Funded Scheme
Wimbledon Park Lake and Waters		
Wimbledon Park Lake Safety	(20,210)	Anticipated minor (1.5%) underspend of a £1.4m scheme SCIL Funded Scheme
Watersports Fleet	(1,963)	Cost of power boats came in under budget following procurement
Parks Investment		
Resurface Tennis Courts	(150,440)	This is linked to the wider LTA potential funding for borough wide court / MUSA improvements. Merton funded investment on hold pending decision on LTA funding. Funded by a Revenue Reserve
Morley Park Enhancements	(9,370)	Cost of power boats came in under budget following procurement
Sports Drainage	(100,000)	Additional surveys were required to finalise and agree the specification of works with the EA. Furthermore, the works will now commence a little later than planned to accommodate the weather-related extension to football pitch usage. Funded by SCIL
Total Environment & Regeneration	**(2,738,486)**	

Overall Total	**(4,236,526)**	

Appendix 6 Progress on Savings 2022/23

Department	Target Savings 2022/23	Projected Savings 2022/23	2022/23 Expected Shortfall
	£000	£000	£000
Corporate Services	465	380	85
Children Schools and Families	378	178	200
Community and Housing	1,659	405	1,254
Environment and Regeneration	523	393	130
Total	**3,025**	**1,356**	**1,669**

PROGRESS ON SAVINGS IN THE MTFS

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2022/23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Forecast £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG	Comments
Savings due in 22/23										
2019-20 CS04	Reduce strategic partner grant by 10%	78	78	0	G	[redacted]			G	
2019-20 CS28	Cash collection reduction	13	13	0	G	[redacted]			G	
2020-21 CS7	Staff reductions	75	75	0	G	[redacted]			G	
2022-23 CS5	Customer, Policy & Improvement – Registrars Service	32	32	0	G	[redacted]			G	
2022-23 CS6	Customer, Policy & Improvement – Cash Collection	20	20	0	G	[redacted]			G	
2022-23 CS8	Customer, Policy & Improvement – Customer Contact	15	15	0	G	[redacted]			G	
2020-21 CS11	Commercial Services - restructure	50	0	50	R	[redacted]			R	This saving will not be achieved and is being written out of the MTFS as included in the Business Plan report.
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R	20	20	0	G	Defered to 2023/24. Not achievable in year due to covid.
2022-23 CS1	Resources - AD budget	10	10	0	G	[redacted]			G	
2022-23 CS2	Resources - AD budget	15	15	0	G	[redacted]			G	
2022-23 CS3	Resources - Insurance	25	25	0	G	[redacted]			G	
2022-23 CS4	HR - Payroll	15	0	15	R	[redacted]			R	The payroll savings won't be achieved this year as we have been unable to get the last remaining staff that receive paper payslips onto e-payslips. This is because they are typically passenger transport employees who do not have e-mail addresses and we are finding it difficult to find an electronic solution for them.
2022-23 CS9	Corporate Governance - AD Budget	3	3	0	G	[redacted]			G	
2022-23 CS10	Corporate Governance - Electoral Services and Democratic services	15	15	0	G	[redacted]			G	
2022-23 CS12	Corporate Governance - Information Team	29	29	0	G	[redacted]			G	
2022-23 CS13	Corporate items	50	50	0	G	[redacted]			G	
	Total CS Savings for 2022/23	**465**	**380**	**85**		**20**	**20**	**0**		
Ref	**Description of Saving**	**2022/23 Savings Required £000**	**2022/23 Savings Forecast £000**	**Shortfall**	**RAG**	**2023/24 Savings Required £000**	**2023/24 Savings Forecast £000**	**Shortfall**	**RAG**	**Comments**
2019-20 CS18	Facilities Management			0		69		69	G	
2019-20 CS17	Facilities Management			0		77		77	G	
2018-19 CS15	Business Improvement, P & P			0		50		50	G	
Total Corporate Services Deferred Savings Cabinet January 2020		0	0	0		196	0	196		
2020-21 CS10	**Infrastructure & Technology Division - Transactional Services**			0		100		100	G	
Total Corporate Services Deferred Savings Cabinet November 2020		0	0	0		100	0	100		
2022-23 CS7	Customer, Policy & Improvement – Merton link			0		20		20	G	
2022-23 CS11	Corporate Governance - Legal			0		5		5	G	
Total Corporate Services New Savings 2022-23		0	0	0		25	0	25		
TOTAL		465	380	85		341	20	321		

PROGRESS ON SAVINGS IN THE MTFS

CHILDREN, LIFELONG LEARNING AND EDUCATION SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved/ Expected £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG
Savings due in 22/23									
CSF1-22/23	School Meals PFI	100	100	0	G				G
CSF2-22/23	Education - Office Efficiencies	50	50	0	G				G
CSF3-22/23	Education Inclusion - Streamlined Activities	28	28	0	G				G
CSF4-22/23	CSC Placements - Demand Management and Commissioning			0	n/a				
Prior Year savings not delivered in 2021/22									
2021-22 CSF02	rationalisation of Chidren's Centres	200	0	200	G				G
	Total Children, Schools and Families Savings 2022/23	378	178	200		0	0	0	
		2022/23 Savings Required £000	2022/23 Savings Achieved/ Expected £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG
CSF4-22/23	Children's Social Care Placements - demand management and commissioning					340		340	G
Total Children, Schools & Families New Savings 2022-23		0	0	0		340	0	340	
TOTAL		378	178	200		340	0	340	

PROGRESS ON SAVINGS IN THE MTFS

Updated Dec'22 (P9)

DEPARTMENT: Community & Housing Savings Progress 2022/23

Ref	Description of Saving	Division	2022/23 Savings Required £000	2022/23 Savings Forecasted £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG	Comments
(Nov'20)CH100	Review of in-house day care provision	Adult Social Care	700	0	700	R			0	R	Saving deferred to 2023/24 as additional time required to finalise proposals and stakeholder consultation
(Nov'20)CH101	Review of in-house LD Residential provision	Adult Social Care	544	0	544	R			0	R	Saving deferred to 2023/24 as additional time required to finalise proposals and stakeholder consultation
(Nov'20)CH102	Dementia hub re-commissioning	Adult Social Care	55	55	0	G			0	G	Future budgetary requirement being reviewed in context of proposed closure of Eastways.
(Oct'21) CH105	Commissioning and Market Development – Increasing take up of Direct Payments	Adult Social Care	100	100	0	G	150		150	G	Closer collaboration with operational teams to promote uptake is delivering increased number of Direct Payments.
(Oct'21) CH106	Community & Housing - Housekeeping – review of ancillary budget lines	Adult Social Care	50	50	0	G			0	G	Achieved
(Oct'21)CH109	Adult Social Care - Placements	Adult Social Care	100	100	0	G			0	G	Achieved by means of budget being removed at start of year. Continued pressure on budget as a result of rising demand and work ongoing to mitigate.
(Oct'21) CH110	Commissioning and Market Development – Commissioning efficiencies arising from re-procuring a high cost service	Adult Social Care	50	40	10	A			0	A	Provider has been asked to reprice based on LLW applying. Likely to reduce level of saving delivered.
	Subtotal Adult Social Care		1,599	345	1,254		150	0	150		
(Jan'20) CH97	Increase income and better use of technology	Libraries	60	60	0	G				G	Achieved through increased income
	Subtotal Libraries		60	60	0		0	0	0		
	Total C & H Savings for 2022/23		1,659	405	1,254		150	0	150		
		Division	2022/23 Savings Required £000	2022/23 Savings Forecasted £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG	
CH104	Adult Social Care - Discharge to Assess				0		500		500	G	
CH107	Library & Heritage Service - Increase income collection				0		60		60	G	
CH108	Commissioning and Market Development – Self-Funder Brokerage Offer				0		25		25	G	
CH111	Commissioning and Market Development – Commissioning staffing efficiencies				0		65		65	G	
Total Community & Housing New Savings 2022-23			0	0	0		650	0	650		
Total Community & Housing Savings			1,659	405	1,254		800	0	800		

PROGRESS ON SAVINGS IN THE MTFS

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DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG	2024/25 Savings Required £000	2024/25 Savings Forecast £000	Shortfall	RAG	2025/26 Savings Required £000	2024/25 Savings Forecast £000	Shortfall	RAG	Comments
Savings due in 22/23																		
ENV2021-07	Property Management - Increase residential (former Service tenancies) rent (increased income)	100	100	0	G			0		[redacted]								
ENV2021-10	Development Control/Building Control - Savings as a result of the 'Assure' M3 upgrade	15	0	15	R			0		[redacted]								The "Assure" M3 upgrade may now not take place. Terraquest has been appointed to review this as there may be more suitable alternative systems available.
ENV2022-23 05	Highways; Increased income from street permitting through enforcement of utility works.	40	40	0	G			0		[redacted]								
ENV2022-23 07	Future Merton, Policy team: Additional income from planning performance agreements (PPA)	50	0	50	R			0		[redacted]								This income is dependent on the pre-app and PPA fees which are set by Development Control; the additional income won't be met until the fees and charges are reviewed and income spread across the teams.
ENV1819-04	Parking: Reduction in the number of pay & display machines required.	14	14	0	G			0		[redacted]								
ENV2021-08	Parking - Activity to improve On Street parking compliance.	100	100	0	G			0		[redacted]								
E1	Regulatory Services: Investigate potential commercial opportunities	65	0	65	R			0		[redacted]								This saving target will not be met in 2022/23. Contiunued service uplift has been observed accross key service areas within the RSP. The service forecasts a total overspend of £225k owing chiefly to unsupported legacy income targets (totalling £275k) loaded into RSP cost centres. A management structure is now in place following key departures over the last 12 months and will be investigating new commercial opportunities to be developed in the new financial year.
ENV2022-23 01	Public Space - Waste services: Disposal processing savings (Food Waste Recyclate)	104	104	0	G			0		[redacted]								
ENV2022-23 02	Public Space – Greenspaces: Raynes Park Sports Ground - new lease arrangement	35	35	0	G	35		35	G	[redacted]								
	Total Environment and Regeneration Savings 2022/23	**523**	**393**	**130**		**35**	**0**	**35**		**0**	**0**	**0**		**0**	**0**	**0**		

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved £000	Shortfall	RAG	2023/24 Savings Required £000	2023/24 Savings Forecast £000	Shortfall	RAG	2024/25 Savings Required £000	2024/25 Savings Forecast £000	Shortfall	RAG	2025/26 Savings Required £000	2024/25 Savings Forecast £000	Shortfall	RAG	Comments
ENV2021-03	Parking - Review of back office processes and efficiencies					100		100	G	**50**	0	50	G			0		
E1	Regulatory Services Partnership-Investigate potential commercial opportunities to generate income from provision of business advice.					75		75	G			0				0		
ENV2022-23 03	Public Space – Greenspaces: Deen City Farm- Reduction in grant by 50%					8		8	G	9		9		8		8	G	
ENV2022-23 04	Parking: Continue to enforce School Street locations through ANPR camera enforcement.					489		489	G	(111)		(111)		(111)		(111)	G	
ENV2022-23 06	Highways: Advertising - Increased income					10		10	G			0				0		
ENV2022-23 08	Property Management & Review: Rent Review Income					40		40	G			0				0		
	Total - Future Years	**0**	**0**	**0**		**722**	**0**	**722**		(52)	**0**	(52)		(103)	**0**	(103)		
	TOTAL	**523**	**393**	**130**		**757**	**0**	**757**		(52)	**0**	(52)		(103)	**0**	(103)		