

# **Merton Council**

## **Cabinet**

**19 February 2018**

### **Supplementary agenda**

7 Business Plan 2018-22

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**Committee:** Cabinet

**Date:** 19 February 2018

**Agenda item:**

**Wards:** All

**Subject:** Business Plan 2018-22

**Lead officer:** Caroline Holland, Director of Corporate Services

**Lead member:** Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

**Urgent report:**

Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2018/19 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2018-2022. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 28 February 2018 and set a Council Tax as appropriate for 2018/19.

**Key Decision Reference Number:** This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

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**Recommendations:**

1. That Cabinet considers and agrees the response to the Overview and Scrutiny Commission;
2. That the Cabinet resolves that, having considered all of the information in this report and noted the positive assurance statement given by the Director of Corporate Services based on the proposed Council Tax strategy, the maximum Council Tax in 2018/19, equating to a Band D Council Tax of £1,169.36 , which is an increase of 3% for Adult Social Care flexibility, be approved and recommended to Council for approval.
3. That the Cabinet considers all of the latest information and the comments from the scrutiny process, and makes recommendations to Council as appropriate
4. That Cabinet resolves that the Business Plan 2018-22 including the General Fund Budget and Council Tax Strategy for 2018/19, and the Medium Term Financial Strategy (MTFS) for 2018-2022 as submitted, along with the Equality Assessments (EAs), be approved and

recommended to Council for approval subject to any proposed amendments agreed at this meeting;

5. That the Cabinet resolves that, having considered all of the latest information and the comments from the scrutiny process, the Capital Investment Programme (as detailed in Annex 1 to the Capital Strategy); the Treasury Management Strategy (Section 5), including the detailed recommendations in that Section, incorporating the Prudential Indicators and the Capital Strategy (Section 4) as submitted and reported upon be approved and recommended to Council for approval, subject to any proposed amendments agreed at this meeting;
  6. That Cabinet notes that the GLA precept will not be agreed by the London Assembly until the 22 February 2018, but the provisional figure has been incorporated into the draft MTFS
  7. That Cabinet request officers to review the savings proposals agreed and where possible bring them forward to the earliest possible implementation date
  8. That Cabinet note that there may be minor amendments to figures in this report as a result of new information being received after the deadline for dispatch and that this will be amended for the report to Council later in February.
  9. That Cabinet consider and approve the Risk Management Strategy
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## 1. **Purpose of report and Executive Summary**

- 1.1 This report summarises the work that has been undertaken since April 2017 towards formulating the Business Plan 2018-22 including the Budget for 2018/19, Medium Term Financial Strategy 2018-22 and Capital Strategy 2018-22. It describes the steps taken to ensure that business planning is integrated with financial planning. It sets out details of how the budget has been structured to ensure that a balanced budget is set for 2018/19 and progress towards a balanced budget over the medium term. A separate section is provided for Schools budgets.
- 1.2 The report sets out the draft Capital Programme 2018-2022. It details the work that has been undertaken to produce a programme that is aligned with business planning requirements and also integrated with the revenue budget.
- 1.3 The Medium Term Financial Strategy (MTFS) is updated to reflect the Council's anticipated financial outlook over the period 2018-2022.
- 1.4 The Cabinet is being invited to consider the various responses from scrutiny bodies to the draft budget proposals as set out in a separate report on the agenda for this meeting. The Overview and Scrutiny Commission and panels considered the budget savings and growth proposals agreed by Cabinet on 11 December 2017 and the Overview

and Scrutiny Commission also considered the additional information provided in the report to Cabinet on 15 January 2018.

## 2. **Introduction**

- 2.1 At this Cabinet meeting, Members are presented with reports that provide a comprehensive presentation of all issues relevant to the formulation of the Council's Business Plan for the period 2018-2022.
- 2.2 The report includes details about the General Fund revenue budget and explains how this information has been used to produce a draft budget and Council Tax levy.
- 2.3 The Council's Business Plan 2018-22 consists of a number of key elements and the report is structured into three main sections for ease of reference :-
- Section 1: Business Plan 2018-22 including sections on Financial Resources containing the Capital Strategy and Treasury Management Policy Statement; Other Key Resources containing Workforce Strategy and Planning, the Procurement Plan and the Information Technology Strategy; Risk Management; Performance Management Framework; and Service Planning
  - Section 2: The Medium Term Financial Strategy including the General Fund Revenue Budget and Council Tax strategy;
  - Section 3: Schools budgets – funded by Dedicated Schools Grant (DSG)

## 2.4 The Scrutiny Function

- 2.4.1 The Overview and Scrutiny Commission and Panels considered some proposed amendments to previously agreed savings and the draft capital programme 2018-22 during the November 2017 cycle of meetings and feedback from this scrutiny process was considered by Cabinet on 11 December 2017. Cabinet considered revenue savings and growth proposals at its meeting on 11 December 2017 and referred them, along with draft EAs, the capital programme and service plans as part of a pack of measures, to the Overview and Scrutiny Panels and Commission for consideration during the January 2018 cycle of meetings.

During the January 2018 cycle of meetings the available details relating to the MTFs, revenue and capital budgets and the Business Plan have been considered by the Scrutiny Panels on the following dates:-

Healthier Communities & Older People Overview & Scrutiny Panel	11 January 2018
Sustainable Communities Overview & Scrutiny Panel	16 January 2018
Children and Young People Overview & Scrutiny Panel	17 January 2018
Overview and Scrutiny Commission	25 January 2018

## 2.5 Feedback from Scrutiny Process

A summary of findings and recommendations from the Overview and Scrutiny Commission is provided in a comprehensive report on the scrutiny of the Business Plan 2018-22 as a separate report on the agenda for this meeting.

2.6 This report incorporates the outcome of the final Local Government Finance Settlement. Appendix 1 provides the Council Tax resolutions.

2.7 The meeting of the Council, to set the Council Tax and General Fund budget (revenue and capital) for 2018/19, and agree the Business Plan 2018-22 including the MTFs, will be on 28 February 2018.

2.8 Delivery of the Business Plan, including the budget and service plans, will be monitored throughout the year in line with the corporate Performance Management Framework.

## 3. **Business Planning**

3.1 Further information about the Business Plan 2018-22 is included in Section 1 of this report.

3.2 The financial impact of the Business Plan is reflected in the budget proposals in this report.

## 4. **Financial, resource and property implications**

4.1 All relevant implications are included in the report with further details in the appendices.

## 5. **Legal and statutory implications**

5.1 The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

- 5.2 The Localism Act 2011 amended the legislation regarding the calculation of council tax. It also provides for a council tax referendum to be held if an authority increases its relevant basis amount of council tax in excess of principles determined by the Secretary of State. The Secretary of State has ruled that for most principal authorities, which includes Merton council, for 2018-19, the relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2018-19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure), or more than 6%, greater than its relevant basic amount of council tax for 2017-18.
- 5.3 In considering the budget for 2018/19, members must consider the on-going duties under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; and advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations between those who share a protected characteristic and those who do not. Members must consider how the decisions will contribute to meeting these duties in light of other relevant circumstances such as economic and practical considerations.
- 5.4 The Council's processes for the development and adoption of the budget are set out in the Budget and Policy Framework Procedure Rules contained in Part 4C of the Constitution.

## **6. Human Rights, Equalities and Community Cohesion Implications**

- 6.1 In identifying spending reductions, services where at all feasible, have sought to minimise the impact of the reductions on traditionally disadvantaged groups. The proposed budget reflects the Council's spending priorities for the year and the Council's core commitment to equal opportunities in employment and service delivery. The Council has a corporate policy of endeavouring to redeploy staff affected by reorganisation and other staffing changes. Every effort is therefore made to redeploy any staff affected by spending reductions.
- 6.2 A number of meetings with Staff Side have taken place and they have been advised of the Council's savings proposals and consultation is ongoing and they will be further involved in any proposals affecting staff when they are to be implemented.
- 6.3 It is anticipated that the Budget will be set at a level which enables the Council to continue to be Human Rights compliant.
- 6.4 Equality and community issues are also addressed in savings proposals. Equalities assessments of savings proposals have been provided and these were discussed at Scrutiny meetings.

## **7. Risk Management and Health and Safety Implications**

- 7.1 Each saving proposal has been assessed in terms of service impact and reputational impact and these have been included in reports to the Scrutiny Panels.
- 7.2 In setting the budget the level of risk has been an important factor in setting the assumptions on which the overall budget is based. The level of reserves and balances, as well as the level of contingencies available have been taken into account as well as an assessment of pressures identified as part of current year monitoring. Account has also been taken, as far as possible, of the likely impact of expected legislative and technical changes.
- 7.3 Risk management and health and safety implications were considered as part of the Capital Strategy.

## **8. Consultation undertaken or proposed**

- 8.1 Regular reports have been made on progress on the Business Plan to Cabinet on 18 September 2017, 16 October 2017, 11 December 2017, and 15 January 2018.
- 8.2 In addition, Scrutiny Panels and the Overview and Scrutiny Commission have had two rounds of scrutiny on the proposed budget and Business Plan;
- 8.3 There have been and will be further detailed consultations held by Community and Housing and Children, Schools and Families in relation to some of their proposals.
- 8.4 In accordance with statute, consultation has taken place with business ratepayers and a meeting was held on 14 February 2018. A verbal update will be provided at the Cabinet meeting.
- 8.5 Further, regarding the capital programme, meetings of the Capital Programme Board were held, consisting of key officers from each department.



9. **Appendices – the following documents are to be published with this report and form part of the report**

**SECTION 1: BUSINESS PLAN 2018-22**

**SECTION 2: GENERAL FUND BUDGET AND COUNCIL TAX STRATEGY**

Appendix 1:	Draft Resolutions to Council
Appendix 2:	Local Government Finance Settlement 2018-2019
Appendix 3:	Collection Fund, Council Tax Base, NNDR1 and Funding Methodology
Appendix 4:	Other Corporate items in the MTFS
Appendix 5:	Analysis of the transition from Council in March 2017 to a balanced budget
Appendix 6:	Statement of Council Tax requirements and balances
Appendix 7:	Revised MTFS incorporating changes
Appendix 8:	Reserves
Appendix 9:	Budget summaries – These replace the version included in the pack issued to Members in December 2017
Appendix 9a:	Standard Subjective Analysis
Appendix 10:	Risk Analysis for the General Fund

**SECTION 3: Schools budget**

No appendices

**Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report**

Reports to Cabinet  
Budget files in Corporate Services department

# Business Plan

## 2018 / 2022



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# INTRODUCTION

Welcome to Merton Council's Business Plan for 2018-22, which brings together financial information in the form of the council's budget and the Medium Term Financial Strategy, along with the service planning of all of the council's operational services over the next four years. Although it is a four year plan, it will be refreshed every year to ensure we are on target and to take account of changing needs and priorities.

As the work of the council encompasses such a wide and diverse range of services, we have tried to include all the necessary information needed to understand what we are doing and why we are doing it. This information should give you a detailed picture of how the council will operate over the next four years. To help understand some of the more complex areas of the council's business a Glossary of Terms has been included.

The Background and Context section sets the scene for the Business Plan, with some of the key facts relating to Merton.

The Medium Term Financial Strategy incorporates details of the money the council has coming in (revenue) and the money and assets it has in place (capital) and how it will spend and invest this money over the four year planning period, through the Capital and Treasury Management Strategies.

Other key resources in place to enable the council to manage the Business Plan include how we:

- manage and develop staff, through the Workforce Strategy;
- obtain goods and services, through the Procurement Plan;
- design and develop information technology, through the IT Strategy;
- identify and manage the risks the council may face in delivering services, through the Risk Management Strategy; and
- manage and monitor performance against objectives, through the Performance Management Framework.

Each major work area in the council completes a service plan, to give a high level overview of its financial position, what it exists to do, what it hopes to achieve and how it will achieve its major work programmes over the next four years.

We appreciate that there is a huge level of detail in the plan, but hope it helps you to understand what the council is trying to achieve and how we intend to succeed. If you have any comments or questions on the content of this plan, then please contact [zoe.church@merton.gov.uk](mailto:zoe.church@merton.gov.uk)

## TRANSFORMATION STATEMENT

By 2020 Merton Council will be transformed by the fruition of a number of change projects which will maximise the use of information technology and streamline processes and service provision. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by continuing to finding innovative solutions to maximise future efficiency.

The financial reality facing local government dominates the choices the council will make for the future of the borough. The development of the Business Plan 2016/20 is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

- Merton should continue to provide a certain level of essential services for residents. The order of priority of 'must' services should be:
  - i) Continue to provide everything that is statutory.
  - ii) Maintain services – within limits – to the vulnerable and elderly.
- After meeting these obligations Merton should do all that it can to help residents who aspire. This means we should address the following as priorities in this order:
  - i) Maintain clean streets and keep council tax low.
  - ii) Keep Merton as a good place for young people to go to school and grow up.
  - iii) Be the best it can for the local environment.
  - iv) All the rest should be open for discussion.

The financial pressures facing Merton mean we should no longer aim to be a 'place-maker' but be a 'place-shaper'. The council should be an enabler, working with partners to provide services.

Our top priority will continue to be to provide safe services of the best possible quality within financial constraints and the July 2011 principles. We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

The Authority is utilising best practice in project management/ transformation to assess the future direction of services and the required staff, process and IT development to deliver this change. Internal decision making structures have been established to maximise Authority wide assessment and development.

## NATIONAL AND REGIONAL POLICY CONTEXT

Local government continues to be affected by reductions in the level of funding that it receives from central government. Local Government Association (LGA) analysis highlights that government grants to local government has fallen by nearly 40% since 2010 and by 2020 local authorities will have lost 75 pence out of every £1 of core central government funding that it had to spend in 2015. Continued discussions about reshaping the way local authorities are financed and the proposed 100% retention of their business rates will also have a significant impact on the services that the council provides over the lifetime of this Business Plan

The decision for the United Kingdom to leave the European Union means continued uncertainty for local government around the loss of European funding after the guarantees to replace it run out and it is still unclear how challenges for the economy could affect local budgets.

The 2017 Budget announcement contained policy updates that will impact on the council and its work. Some of the key announcements include:

- Lifting HRA borrowing caps for councils in areas of high affordability pressure, so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22;
- In areas where private rents have been rising fastest, the government will increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018/19 and £85 million in 2019/20. This will increase the housing benefit awards of 140,000 claimants in 2018/19, by an average of £280;
- Proposed intervention where there is a failure to progress Local Plans;
- Encouraging the use of brownfield and scarce urban land to increase housing density in urban areas;
- Increasing the frequency with which the Valuation Office Agency will revalue non-domestic properties by moving to revaluations every three years
- Agreement of a pilot of 100% business rates retention in London in 2018-19. The Greater London Authority (GLA) and London boroughs will come together to form a pool and invest revenue growth strategically on a pan London basis;
- No additional funding to social care or any suggestions that there will be changes to the funding threshold;
- Capital funding for local groups of NHS organisations (Sustainability and Transformation Partnerships) to deliver transformation schemes that improve their ability to meet demand for local services;
- An additional £42 million for the Disabled Facilities Grant in 2017/18
- A reduction of the six-week initial wait time for Universal Credit to five weeks and a two-week bridging system for housing benefit;
- Continuation of work with TfL on developing affordable plans for Crossrail 2; and
- An intention to move away from the 1% basic public sector pay award policy. Each Pay Review Body will submit evidence reflecting the different characteristics and circumstances of their workforce.

Regionally, over the past year the Mayor of London has released a number of new and draft strategies for consultation that will impact on all London boroughs and the way they work with the Greater London Authority (GLA).

## **The London Plan**

The Mayor is required to publish a Spatial Development Strategy (SDS), known as the London Plan, and keep it under regular review. This acts as the overall strategic plan for London and sets out an integrated economic, environmental, transport and social framework for the development of the city over the next 20-25 years.

Consultation on the proposed new version of the plan is currently open until March 2018 and will come into being in Autumn 2019. The focus of the new plan is on 'Good Growth'; reducing inequality in health and opportunities, promoting sustainability, building more affordable homes and reducing the impact of climate change.

## **Draft London Environment Strategy**

Published in August its primary aim is to make the capital "greener, cleaner and ready for the future" and the first strategy to bring together approaches to every aspect of London's environment. It is divided into the following areas: air quality; green infrastructure; climate change mitigation and energy; waste; adapting to climate change, and; ambient noise.

## **Mayor's Knife Crime Strategy: putting a stop to knife crime in London**

In June a new Knife Crime Strategy was launched aimed at targeting lawbreakers, working with young people and communities and supporting victims. Measures include empowering communities with funds to do more to protect young people and prevention and police work to crack down on offenders.

## **Draft Health Inequalities Strategy**

The Mayor has launched his Draft Health Inequalities Strategy to help create a healthier and fairer society, and to help make the healthier choice easier for everyone, including the most disadvantaged. The draft strategy has five major goals:

- Every London child to have the best possible start in life
- All Londoners share in a city with the best mental health in the world
- A society, environment and economy that promotes good mental and physical health
- London's diverse communities to be healthy and thriving
- To make the 'healthy choice' the easy choice for all Londoners

## **Police and Crime Plan for London 2017-2021**

In March the Mayor's Office for Policing and Crime (MOPAC) launched its Policing and Crime Plan for 2017-2021 setting out the Mayor's ambitions for the safety of the capital. The top five priorities for London were identified as:

- A better police service for London

- A better criminal justice service for London
- Keeping children and young people safe
- Tackling Violence Against Women and Girls
- Standing together against hatred and intolerance

### **Mayor's Transport Strategy**

In 2018 a new version of the Mayor's Transport Strategy will be published setting out the Mayor's policies and proposals to reshape transport in London over the next 25 years. The focus of the strategy will be on:

- Healthy Streets designed to tackle the physical inactivity crisis
- Reduced traffic on London's streets
- Better air quality and work aimed at making London a zero-carbon city
- A reliable public transport system that can cope with more passengers
- An accessible, affordable and safe transport network
- Investment in transport to support the creation of new homes and jobs



## **THE COUNCIL**

The Council comprises of 60 elected councillors representing 20 wards. The current political composition of the Council as at December 2017 is:

- Labour: 36 councillors
- Conservative: 20 councillors
- Merton Park Ward Independent Residents: Three councillors
- Liberal Democrats: One councillor

The full Council usually meets five times a year, and is responsible for setting the overall direction of the council, including agreeing the rate of council tax. A Cabinet of nine councillors from the administration makes the majority of decisions throughout the year, with Overview and Scrutiny committees in place to hold the Cabinet's decision making to account. Regulatory committees are appointed by Council and carry out planning and licensing functions.

## **THE ORGANISATION**

As at 30 September 2017 the council, excluding schools, has 1,487 FTE (head count 1,664 employees) who work across four departments.

- Children, Schools and Families
- Community and Housing
- Corporate Services
- Environment and Regeneration

Broken down, Children, Schools and Families has the largest number of employees (445 FTE), Corporate Services (443 FTE), Community and Housing (322 FTE), and Environment and Regeneration (275 FTE).

Overall, 69.5% of the council's workforce is female, which is above the London average of 63% as at 31 March 2017. 30.0% are from an ethnic minority background compared to a London average of 39.2%. 5.9% of the workforce is recorded as having a disability, which is above the London average of 4.4%. The majority of employees (42.6%) are aged between 50 and 64, with 27.3% aged between 25 and 39 and 26.1% aged between 40 and 49. 3.1% of employees are below age 25.

## **MERTON: THE PEOPLE AND THE PLACE**

Merton is an outer London borough situated to the south west of central London, neighbouring the boroughs of Croydon, Kingston, Lambeth, Sutton and Wandsworth. Comprising of 20 wards, it covers an area of approximately 14.7 square miles and has a population of just over 208,000 residents living in around 84,000 properties.

Served by 12,070 active businesses as at 2015, the borough's main commercial centres are Mitcham, Morden and Wimbledon, of which Wimbledon is the largest. Other smaller centres include Raynes Park, Colliers Wood, South Wimbledon, Wimbledon Park and Pollards Hill. The borough is predominantly suburban in character, with high levels of commuter flows in and out of central London. Merton has a large number of parks and green spaces, including Wimbledon and Mitcham commons, and almost twice as much of the borough is open space compared to the average in London. Every year Merton plays host to one of the country's most famous sporting events – the Wimbledon Tennis Championships held at the All England Lawn Tennis and Croquet Club, which brings an extra 500,000 people into the borough.

## **MERTON: THE PEOPLE**

### **Population and demographics**

- Merton's population according to the Greater London Authority (GLA) 2017 projection is 208,100 people, living in 84,201 occupied households
- Population density is higher in the wards to the east of the borough compared to the wards in the west
- The average age of residents in the borough is 36.7, above the London average of 36. The proportion of the population that is working-age (16-64) is 67.2%
- GLA 2016-based Housing-led Ethnic Group Population Projections puts Merton's BAME population as 74,998, meaning Black, Asian and Minority Ethnic (BAME) groups make up around 36% of the population
- Merton's population is projected to increase to 212,400 people by 2020. The age profile is also predicted to shift with a notable growth in the proportions under the age of 16 years and those over 50 years old
- Using GLA projections, the BAME population of the borough is expected to be around 37%

### **Deprivation**

- The Indices of Multiple Deprivation (IMD) sets out a relative position for each local authority in the country, reflecting the multidimensional nature of deprivation by giving an overall score for each area. The indices were updated in September 2015 and show that Merton ranks as 'very low' in terms of overall social deprivation compared to other London boroughs. Merton ranks as 7th least deprived out of the 33 London boroughs and ranks 212 out of 354 (where 1 is the most deprived) for the rest of England

- This overall lack of deprivation does, however, hide inequalities in the borough between deprived wards in the east of the borough (Mitcham) and the more affluent wards in the west (Wimbledon). Three wards are more deprived than the average for London: Cricket Green, Figge's Marsh and Pollards Hill
- The level of child poverty in Merton is 25%, which is the eighth lowest in London and below the London average of 31%. 14 of the top 20 local authorities with the highest levels of child poverty are in London

## Health

- The health of people in Merton is generally better than the London and England average. Life expectancy is higher than average and rates of death considered preventable are low. This is largely linked to the lower than average levels of deprivation in Merton
- Linked to deprivation, those in the east of the borough have a much higher chance of serious illness and early deaths from illnesses such as cancer and heart disease
- Life Expectancy at birth in Merton is 80.5 years for males and 84.2 years for females. In the eastern wards life expectancy in men is 78.9 years compared to 81.9 years in wards to the west of Merton. Women's life expectancy is 83.3 years in the east compared to 85.1 years in the west of Merton. There is a gap of 6.2 years in life expectancy for men between the most deprived and least deprived areas in Merton. The gap is 3.9 years for women.
- 97,200 adults are overweight or obese (59.5% of adults). This is a lower proportion compared to London and England

## Education

- As at January 2017 the borough had 28,826 pupils across state funded primary, secondary and special schools and pupil referral units
- In 2016 64.8% of students in Merton achieved A\*-C in Maths and English, the sixteenth highest in the country and above the London average of 60.6%
- 47.3% of primary school pupils and 36.3% of secondary school pupils in Merton have a first language known or believed to be other than English, below the London average of 49.5% and 41.5% respectively
- The percentage of children known to be eligible for and claiming free school meals is 13.4% at primary school and 15.2% at secondary school below the London averages of 15.7% and 17% respectively
- 49 out of the 55 schools (including maintained, academies and special schools) in the borough are judged as 'Good' or 'Outstanding' by Ofsted as at August 2017

## Employment

- Merton residents who are in active full-time employment are distributed all over the borough, however, unemployed residents are concentrated towards the east of Merton, and self-employed residents are concentrated toward the

west

- The employment rate for the borough as at 2015 is 78.8%, above the London average of 72.9%. Unemployment in the borough is 4.6%, below the London average of 6.1%
- Although unemployment in the borough is below the national average, it rises significantly in some of the eastern wards
- As at 2016, the out of work benefits rate for Merton is 5.3. This is below the London average of 7.3
- The latest figure for the Proportion of 16-18 year olds who are Not in Employment, Education or Training (NEET) is 3.5%, which is above the London average of 3.1%
- The median gross annual pay for residents in Merton as at 2016 is £33,989, slightly above the London average of £33,776

## **MERTON: THE PLACE**

### **Green environment**

- Merton has more than 100 parks and green spaces, including Wimbledon and Mitcham commons, with 99.6% of Merton's area within less than 400m distance from a publicly accessible open space. 18% of the borough is open space, compared to a London average of 10%

### **Housing and the built environment**

- The 2011 Census shows that there are 78,757 households within Merton. This number is projected to rise to 99,000 (15%) by 2021, an average annual household growth of 2.2%. This is the fourth highest projected household growth in England with much of the increase expected to be in single person households
- 16% of households are overcrowded in Merton. This is higher in the east (20.4%) than the west of Merton (11.1%)
- Merton's social housing stock is amongst the lowest in London at 14%, compared to a London average of 22%. 58% of social housing and 63% of private rented homes are flats, compared with only 24% in the owner-occupied sector
- The median average house price in Merton in 2016 was £440,000, the seventeenth highest in London and an increase of 7% on the figure for 2015. The average house price in London was £435,000 an increase of 9%
- The ratio of house prices to earnings in Merton is 13.5, which is the sixteenth highest in London and above the London average of 12.8

### **Transport**

- Merton has good connections with the London transport network with Wimbledon being a central transport hub in the South London area. Regular suburban rail services run into central London and both the District and Northern underground lines run through the borough
- The Tramlink provides connections between Wimbledon and Croydon via

Mitcham and Morden, while numerous other over ground stations and bus routes provide easy access to neighbouring boroughs

- The average public accessibility score for the borough is 3.4, placing it seventeenth in London

## **Crime**

- Overall, Merton has a lower overall crime rate (5.4 total notifiable offences per 1,000 population) compared to London (7.7) (2016). However there are variations-with higher rates of crime in the East (6.5) compared to the West (5.2).

## **MERTON PARTNERSHIP**

Merton Partnership brings together a range of key partners from the public, private and community and voluntary sectors in Merton, including the council, Clinical Commissioning Group, and Police. In 2013 the Partnership developed a Community Plan that sets out the overall direction and vision for the borough until 2019. The Community Plan provides the overarching aims that all members of the Partnership will collectively deliver.

The Partnership is chaired by the Leader of the Council and hosts an annual themed conference. It has an Executive Board, also chaired by the Leader of the Council that meets quarterly and whose role is to set the strategic direction of the Partnership and manage the delivery of the priorities and targets set out in the Community Plan.

Within the Partnership there are four thematic subgroups that co-ordinate the activities of their members to ensure that the strategy agreed by the Executive Board is carried out through the relevant Boards and Trusts. These four thematic subgroups mirror the themes of the Community Plan.

### **Children's Trust**

Merton's Children's Trust arrangements began in 2005 in order to bring together all partners involved in providing services to children and families in Merton. The Board encompasses a wide range of different groups and partnerships, overseeing their performance and activities. The Children's Trust is designed to deliver the outcomes set out in Merton's Children & Young People Plan 2016-19 which includes improving outcomes for those subject to the effects of disadvantage, safeguarding children and young people and closing the gap in educational outcomes and opportunity.

### **Health and Wellbeing Board**

Merton Health and Wellbeing Board's full statutory responsibilities have been in place since April 2013, bringing together the Council, Clinical Commissioning Group, HealthWatch and the voluntary and community sector. Health and Wellbeing Boards deliver strategic local leadership to improve health outcomes. The work of the Board is also central in helping to inform the commissioning of health and social care services in Merton. It has a core role in encouraging services across the NHS, social care, public health and other local partners to join-up and work together to reduce health inequalities and support independent living. Its priorities are set out in the Health and Wellbeing Strategy 2015-18.

### **Safer and Stronger Communities**

The Safer and Stronger Partnership incorporates the statutory Community Safety Partnership and is responsible for setting and overseeing the strategic direction for community safety and the community cohesion agenda in the borough. The Community Safety Partnership has a statutory duty to undertake an annual strategic assessment to inform and shape the boroughs approach to addressing crime and disorder issues. Key themes for the Community Safety Partnership include reducing crime and the fear of crime, reducing alcohol related violence in a sustainable manner

whilst supporting those who are affected by alcohol dependency. The Community Safety Partnership also works to address anti-social behaviour and its effects on communities as well as individuals. Alongside these strategic, overarching aims, the partnership are working together to reduce burglary, tackle theft of motor vehicle and deliver the work as directed under the Police and Crime Plan. The Partnership will work with our communities to empower local people to have a greater choice and influence over local decision-making, increase community cohesion and integration.

### **Sustainable Communities and Transport**

The Sustainable Communities and Transport partnership was established to create a more sustainable borough, one which is less reliant on fossil fuel and which reduces its negative impact on the environment and climate change. The Partnership promotes investment into the borough in order to create new jobs, improve the skills and capacity of residents and to improve the condition and supply of housing including affordable housing. The Partnership also works to promote the development of sustainable transport including cycling and walking, as well as public transport in and around Merton.

### **Corporate Capacity**

In addition to the four thematic partnerships, Merton Council has added the theme of Corporate Capacity which looks at ensuring that the council has sound financial management and high standards of governance, effectively recruits, develops and manages staff and that it is continually reviewing its processes to improve them and provide value for money. The theme ensures that customer access, customer services and customer care as well as equalities, diversity and community cohesion underpin the work of the council.

### **Corporate Strategies**

The council has a number of corporate and service-specific strategies and plans that support the work of the council, the Merton Partnership and the four Thematic Partnerships. These strategies and plans draw heavily on the aims set out in the Merton Community Plan, but also reflect central Government policy changes, sub-regional policies (e.g. set by the Mayor of London), new legislative requirements and short term changes to local priorities. The following list is not exhaustive but shows the diversity of strategies and plans currently in place:

<http://www.merton.gov.uk/council/plansandpolicies.htm>

# CAPITAL STRATEGY 2018-22

## 1 Introduction

1.1 Merton's Capital Strategy for 2018-22 has been aligned and integrated with the Business Plan for the period 2018-22. The Business Plan sets out how the Authority's objectives have been shaped by Merton Partnership in the Community Plan. The Community Plan sets out the overall vision and strategic direction of Merton which are embodied into five strategic themes:-

- Children's Trusts;
- Health and Wellbeing Board;
- Safer and Stronger Communities;
- Sustainable Communities and Transport;
- Corporate Capacity

1.2 Merton Partnership works towards improving the outcomes for people who work, live and learn in the borough and, in particular, to 'bridge the gap' between the eastern and western wards in the borough.

1.3 The financial reality facing local government dominates the choices the council will make for the future of the borough. The development of the Business Plan 2018-22 is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

- Merton should continue to provide a certain level of essential services for residents. The order of priority of 'must' services should be:
  - i) Continue to provide everything that is statutory.
  - ii) Maintain services – within limits – to the vulnerable and elderly.
- After meeting these obligations Merton should do all that it can to help residents who aspire. This means we should address the following as priorities in this order:
  - i) Maintain clean streets and keep council tax low.
  - ii) Keep Merton as a good place for young people to go to school and grow up.
  - iii) Be the best it can for the local environment.
  - iv) All the rest should be open for discussion.

1.4 Merton's scrutiny function reflects the five strategic themes above and the themes have been incorporated into the bidding process for capital funding to ensure that scarce financial resources are targeted towards strategic objectives.



## **2 Planning Infrastructure**

### **2.1 Business Plan 2018-2022**

2.1.1 The Business Plan sets out the council's vision and ambitions for improvement over the next four years and how this will be achieved. Business Planning and financial planning frameworks are closely aligned and integrated.

### **2.2 Target Operating Models (TOMs)**

2.2.1 TOMs, or Target Operating Models are a series of strategy documents that set out how the organisation will respond to and manage change over the coming months and years. TOMs have been produced for Service Areas or Departments throughout the council.

2.2.2 A TOM is a statement of how an organisation will deliver its services within a certain structure as a future point in time, TOMs are living documents and will change as the organisation develops. There are a number of elements to a TOM, for Merton these are – Customer Segments, Channels, Services, Organisation, Processes, Information, Technology, Physical Location and People

2.2.3 Developing a TOM is about planning and preparing for change and improvement in a given service. Taking the time to prepare/refresh a TOM allows those within a service to consider its many facets and dependencies and determine how these will change over the coming years. Having an ambitious vision for what the future looks like for the service (which is what a TOM provides), ensures that improvement activity will be more disciplined and controlled and therefore more likely to succeed.

### **2.3 Service Plans**

2.3.1 In developing the Capital Strategy, clear linkages have also been identified with not only the Business Plan, TOMs but also departmental service and commissioning plans beneath this. It reflects the capital investment implications of the approved objectives of those plans, which themselves reflect the council's proposals set out in service based strategies such as the Primary Places Strategy, Local Implementation Plan (Transport), and Asset Management Plans. Priorities for the Corporate Services department are based around how the council manages its resources effectively and how it carries out its wider community leadership role.

2.3.2 This Capital Strategy is a fundamental component of our approach since it reflects our strategic priorities across the council and endeavours to maximise the contribution of the council's limited capital resources to achieving our vision. We will work closely with residents, community organisations and businesses to focus our resources and those of our partners effectively. The strategy also sets out the management arrangements for allocating resources to individual schemes, establishing funding for projects, monitoring progress, managing performance and ensuring that scarce capital resources are allocated efficiently.

### **3 Accounting Definitions and Practices**

3.1 The council's approach to Capital Accounting follows the Code of Practice on Local Authority Accounting, which itself is based on the International Financial Reporting Standards (IFRS) and guidance issued by CIPFA and professional accounting networks.

3.2 As in previous years, there has been continual review of the Capital Programme to ensure that expenditure meets the strict definition and to identify any items which would be more appropriate to be charged to revenue. This has not resulted in any major changes to the future programme.

3.3 The de-minimis of capital expenditure for the authority is set at £10,000 per project. This applies to all schemes within our capital programme, however in exceptional circumstances thresholds below this may be considered where specific items of expenditure are below this de-minimis level but meet proper accounting definitions of capital expenditure.

3.4 Individual schools may choose to adopt the above de-minimis limit or use the limit of £2,000 as mentioned in some Department for Education and HMRC guidance for various types of school.

## **4 Corporate and strategic capital expenditure appraisal planning and control**

### **4.1 Capital Programme Board**

4.1.1 Merton's Capital Strategy is coordinated by the Capital Programme Board. The board, which is effectively a sub-group of the Corporate Management Team (CMT). The composition of the Board and its Terms of Reference were reviewed in 2015/16. The revisions are designed to make the board more strategic and improve communication flows throughout the organisation. The Board now comprises the Directors of Corporate and Environment and Regeneration Services with selected Level 2 managers from each service department.

4.1.2 The Terms of Reference of the Board are:

- Lead on the development and maintenance of the capital investment strategy and ensure it is consistent with the council's strategic objectives, TOMs and service plans.
- Ensure that the capital investment strategy informs and is informed by the asset management plan.
- Ensure there is a transparent and clearly communicated process for allocation of capital funds with clear and well documented criteria and decision making process.
- Monitor progress of capital funded schemes and any other critical schemes as determined by CMT. Receive joint reports from Finance/departmental staff on progress against deliverables, milestones and budget forecasts.
- In conjunction with other governing bodies, consider/approve business cases that involve capital investment.
- Monitor issues arising as a result of changes in accounting treatment of capital expenditure and ensure the organisation responds accordingly.
- Assess capital schemes in the context of the Medium Term Financial Strategy to ensure they are affordable in revenue terms.
- Receive reports from the Property Management and Review Manager relating to capital funds coming from the disposal of property, in collaboration with the Property and Asset Management Board.
- Receive benefits reports from Programme/Project Managers when capital projects/programmes are closed. Monitor key benefits to ensure they are realised for large capital schemes.

4.1.3 The role of the Board is to:

- Set framework and guidelines for capital bids;
- Draft the capital programme for consideration by CMT and Cabinet;
- Review capital bids and prioritise in accordance with the council's strategic objectives;
- Identify and allocate capital funds;
- Monitor progress of capital programmes/projects and key variances between plans and performance;
- Monitor budgets of capital programmes/projects against forecasts;
- Monitor benefits and ensure they are realised. Monitor capital receipts
- Develop and share good practice

4.1.4 The Board will be accountable to the Corporate Management Team who will receive reports and escalated matters from the Board on a regular basis. CMT will set the strategy and direction, the Capital Programme Board will operationalise this and escalate concerns and ideas. The Board will refer to, and take advice from, the Procurement Board on any proposals and/or decisions that have a procurement dimension. The Board will work closely with the Property and Asset Management Board on any property/asset related proposals.

4.1.5 The Board will make agendas and minutes available to the other Governance Boards within 5 working days of the meeting.

4.1.6 During the budget process the Director of Corporate Services recommends to Cabinet an initial view as to how the Capital Programme should be funded. However, this recommendation will be informed by the Capital Programme Board's consideration of the capital receipts available and the forecast of future property disposals and the final funding during the closure of accounts will depend on the precise financial position. At this stage it is intended to utilise internal borrowing, capital grant, direct revenue financing, capital receipts and earmarked reserves. Any capital loans given out by the authority, dependent on the size, will normally be funded from capital receipts as the repayments will be received as capital receipts. It will be reported to Members in advance when it is proposed to use external borrowing.

4.1.7 The council has had a robust policy for many years of reviewing its property holding and disposing of surplus property, this is detailed in the Asset Management Plan (AMP) which also includes policy and procedures for land and property acquisition. All capital receipts are pooled, unless earmarked by Cabinet, and are used either to finance further capital investment or for the payment of premiums on repayment of higher interest loans.

## **4.2 Capital Programme Approval and Amendment**

4.2.1 The Capital Programme is approved by Council each year. Any change which substantially alters the programme (and therefore the Prudential Indicators) requires full Council approval. Rules for changes to the Capital Programme are detailed in the council's Constitution Financial Regulations and Financial Procedures and the key points are summarised here.

4.2.2 For virements which do not substantially alter the programme the below approval limits apply:

- Virements up to £5k can be signed off by the budget manager and the Chief Financial Officer (CFO) is informed of these changes as part of the monthly financial monitoring
- Virements £5k up to £100k must be approved by the Chief Officer of the area or areas affected along with the Chief Financial Officer, typically this will be as part of the monthly financial monitoring report to CMT however approval can be sought from these officers at any time if necessary
- Virements £100k and upwards go to Cabinet
- Any virement which diverts resources from a scheme not started, resulting in a delay to that scheme, will be reported to Cabinet

(Please note virement rules are cumulative i.e. two virements of £5,000 from one code; the latter would require the approval of Chief Officers)

4.2.3 For increases to the programme for existing schemes up to £100,000 must be approved by the Director of Corporate Services. Increases above this threshold must be approved by Cabinet. In accordance with the Prudential Code if the increase in the Capital Programme will substantially change prudential indicators it must be approved by Council.

4.2.4 For new schemes, the source of funding and any other financial or non-financial impacts must be reported and the limits below apply:

- Budgets of up to £50k can be approved by the Chief Financial Officer in consultation with the relevant Chief Officer
- Budgets of £50k up £500k will be submitted to Cabinet for approval
- Budgets over £500k will be submitted to full Council for approval

Approval thresholds are being reviewed as part of the review of processes for the implementation of the new Financial Information System.

## **4.3 Capital Monitoring**

4.3.1 The Council approves the four year Capital Programme in March each financial year. Amendments to the programme are approved appropriately by CMT, Cabinet and Council. Budget managers are required to monitor their budget monthly, key reviews are undertaken in September and November. December monitoring provides the final opportunity for budget managers to re-profile their budgets for the current financial year.

4.3.2 November monitoring information feeds into the Authority's Medium Term Financial Strategy (MTFS) and is used to assess the revenue impact over the period of the strategy with minor amendments in the later months. November monitoring is also used to measure the accuracy of year end projections.

4.3.3 Councillors receive regular monitoring reports on the overall position of capital expenditure in relation to the budget. They also receive separate progress reports on key spend areas.

#### **4.4 Risk Management**

4.4.1 The management of risk is strategically driven by the Corporate Risk Management group. The group collates on a quarterly basis the headline departmental risks and planned mitigation activity from each department, project and partnership. From this information a Key Strategic Risk Register is compiled and presented to CMT quarterly for discussion as part of the financial monitoring report. The Authority's Risk Management Strategy is reviewed and updated annually and presented to CMT, Cabinet and Council.

4.4.2 Risk Appetite - The council recognises that its risk appetite to achieve the corporate priorities identified within its business plan could be described in general as an "informed and cautious" approach. Where significant risk arises, we will take effective control action to reduce these risks to an acceptable level.

### **5 Revenue budget implications of capital investment**

#### **5.1 Revenue cost or savings**

5.1.1 The capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. In 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18, it was possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case alongside the use of capital receipts within the current planning period (up to 2021/22). This will be kept under review as part of general Treasury Management.

5.1.2 The revenue effects of the capital programme are from capital financing charges and from additional revenue costs such as annual maintenance charges. The capital financing charges are made up of interest payable on loans to finance the expenditure and of principal repayments on those loans. The principal repayments commence in the year after the expenditure is incurred and are calculated by the application of the statutory Minimum Revenue Provision. The interest commences immediately the expenditure is incurred. The revenue effects of the capital programme are fully taken account of in the MTFs, with appropriate adjustments for slippage, timing of capital payments and the use of internal investment funds.

The revenue effects of the capital programme are built into the MTFs and are summarised below:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
MRP	3,896	4,706	6,431	7,216
Interest	6,315	6,315	6,315	6,213
<b>Capital financing costs</b>	<b>10,211</b>	<b>11,021</b>	<b>12,746</b>	<b>13,429</b>
Investment Income	(759)	(633)	(509)	(485)
Interest on Housing Company Loan*	0	0	0	0
<b>Net</b>	<b>9,452</b>	<b>10,388</b>	<b>12,237</b>	<b>12,944</b>

\* interest scheduled to start in 2022/23

## 6 Capital resources 2018-22

### 6.1 Variety of sources

6.1.1 Capital expenditure is funded from a variety of sources:-

- Grants which are not ring-fenced to be spent on a specific project or service
- Specific grants - earmarked for a specific project or purpose
- Capital receipts from the disposal of surplus and under-utilised land and property
- Other contributions such as Section 106/CIL
- Council Funding – through revenue funding, use of reserves or borrowing.

### 6.2 Annual Minimum Revenue Provision (MRP) Statement

6.2.1 Under guidance from the Department for Communities and Local Government, authorities are required to prepare an annual statement on their policy on making MRP. This mirrors the existing requirements to report to the council on the Prudential borrowing limit and investment policy.

6.2.2 The statement is set out in the Treasury Management Strategy. This approach is under active review.

## **7 Asset management review**

### **7.1 Capital receipts**

7.1.1 Capital receipts generated from the disposal of surplus and under-utilised land and property are a major source of funding and the potential available capital resources are under constant review and revision. The forecast of capital receipts included in this report are based on a multi-year forecast of planned land and property disposals. In addition, after the transfer of the housing stock to Merton Priory Homes, the council continues to receive a share of the receipts from Right to Buy applications and through future sharing arrangements, receipts from the sales of void properties, sales of development land and VAT saving on expenditure on stock enhancements.

### **7.2 Property as a corporate resource**

7.2.1 The council treats its property as a corporate resource, oriented towards achieving its overall goals, underpinned by:

- Clear links to financial plans and budgets.
- Effective arrangements for cross-service working.
- Champions at senior officer and member level.
- Significant scrutiny by councilors.

7.2.2 It ensures that its properties are fit for purpose by making proper provision and action for maintenance and repair. The organisation makes investment and disposal decisions based on thorough option appraisal. The capital programme gives priority to potential capital projects based on a formal objective approval process.

7.2.3 Whole life project costing was used at the design stage for significant projects where appropriate, incorporating future periodic capital replacement costs, projected maintenance and decommissioning costs.

7.2.4 Whole life costing of significant projects, which span more than one year, also forms part of the regular monitoring reports.

7.2.5 The Asset Management Plan is being reviewed and will include greater emphasis on the use of the council's property assets to support the council's Transformation Programme, regeneration and increased income/revenue generation.

7.2.6 A new IT system for asset accounting has been brought into use and the possibility of this system being used for more widespread asset management will be explored.



## **8 Summary of estimated disposals 2017-2021**

8.1.1 New guidance has been issued from the DCLG on the flexible use of capital receipts which comes into effect from 1 April 2016 to 31 March 2019. This gives local authorities flexibility to spend capital receipts (excluding Right to Buy receipts) from planned new asset sales on the revenue costs of reform projects, subject to the condition that the projects generate on going revenue savings e.g. transforming service delivery to reduce costs or to improve the quality of service delivery in future years. Below is a plan of activities to which the new treatment of capital receipts could be applied:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non- staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

8.1.3 The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform. Officers are considering how to utilise this flexibility to progress key transformation projects.

8.1.4 The Guidance recommends that the Strategy setting out details of projects to be funded through flexible use of capital receipts be prepared prior to the start of each financial year (Flexible Use of Capital Receipts Strategy). Failure to meet this requirement does not mean that an authority cannot access the flexibility in that year. However, in this instance, the Strategy should be presented to full Council or the equivalent at the earliest possible opportunity.

- 8.1.5 As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years. The Strategy should also contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.
- 8.1.6 Due to difficulties in the property market since the economic recession a cautious view has been taken of the potential capital receipts identified. Much of the anticipated capital receipts are as a result of the VAT shelter agreement entered into with Merton Priory Homes as part of the housing stock transfer. There are current proposals for some of the properties under this agreement to be redeveloped which could result in a reduction in receipts from the VAT shelter agreement, however a Development and Disposals Clawback Agreement was entered into as part of the same transfer and this could result in a significant capital receipt should these development plans go ahead. The following table represents an estimate of an anticipated cash flow and therefore these future capital receipts these have been utilised to fund the capital programme:-

<b>Anticipated Capital Receipts</b>	<b><u>2018/19</u></b>	<b><u>2019/20</u></b>	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>
	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>
Sale of Assets	0	0	0	0
Housing Company Loan Repayment	0	0	0	3,665
Right to buy/VAT Shelter	900	900	900	900
<b>Total</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>4,565</b>

As there is currently not a need to enter into external borrowing, investment balances will rise with the addition of capital receipts. Average expected interest rates on investments across the years of the capital programme are approximately 0.5%, as such an increase in receipts of £1m would be expected to generate a £5,000 increase in interest in a full year.

The table below shows the funding of the capital programme utilising capital receipts, capital grants and contributions, capital reserves and revenue provisions.

<b>Capital Expenditure</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>	<b>2021/22 Estimate £000</b>
Capital Expenditure	<b>40,039</b>	<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>
Slippage	<b>(8,448)</b>	<b>(13,035)</b>	5,255	4,524	3,382
Total Capital Expenditure *	31,591	48,231	38,721	17,319	12,226
<b>Financed by:</b>					
Capital Receipts *	12,280	11,284	1,927	1,396	4,557
Capital Grants & Contributions	13,970	21,008	3,826	2,421	681
Revenue Provisions	5,103	1,952	15	7	2
<b>Net financing need for the year</b>	<b>237</b>	<b>13,987</b>	<b>32,953</b>	<b>13,495</b>	<b>6,986</b>

\* Includes finance lease expenditure table in Treasury Management Strategy excludes this expenditure

8.1.7 Under the requirements of the Localism Act 2011 parish councils and local voluntary and community organisations have the right to nominate local land or buildings they would like to see included in a list of assets of community value which is maintained by the Local Authority. Once listed the owner must allow community interest groups up to six months to make an offer before the property can be sold to another. It is envisaged that this may lengthen the disposal time for some properties if they are listed as assets of community value by the council.

## **8.2 Debt repayment**

8.2.1 The council has had a strategy to reduce its level of debt when opportunity arises in the market. The average interest payable on outstanding debt is 5.22%. For the period 2018-22, capital receipts may continue to be used to pay the premiums on the repayment of those authority debts which have high fixed interest charges, if the terms offered will result in appropriate revenue savings. Any decision to repay debt early will be considered alongside the funding however, this is unlikely to be the case in the short to medium term requirement of the programme.

## 9 Grant Funding Capital Resources

### 9.1 Environmental and Regeneration

E&R	2017/18 £000	2018/19 *£000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Heritage Lottery Fund	459	3,150	497	0	0
Transport for London LIP (earmarked) Capital	3,503	1,000	TBA	TBA	TBA
<b>Total: E&amp;R</b>	<b>3,962</b>	<b>4,150</b>	<b>497</b>	<b>TBA</b>	<b>TBA</b>

\* Indicative and likely to reduce  
TBA – To Be Advised

### 9.2 Children, Schools and Families

CSF	2017/18 £000	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
<b>School Condition</b> (non-ringfenced)*	2,043	1,900	1,900	TBA	TBA
<b>Basic Need</b> (non-ringfenced)	4,525	7,471	446	TBA	TBA
<b>Total Grant Funding</b>	<b>6,568</b>	<b>9,371</b>	<b>2,346</b>	<b>TBA</b>	<b>TBA</b>
<b>New School</b> (Expected Ringfenced)*	701	5,149	0	0	0
<b>Devolved Formula Capital</b> (Earmarked)	364	TBA	TBA	TBA	TBA
<b>TOTAL: CS&amp;F</b>	<b>7,269</b>	<b>14,520</b>	<b>2,346</b>	<b>TBA</b>	<b>TBA</b>
<b>Balance added for outstanding grant allocations - CSF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2346</b>	<b>650</b>

\* Based on Indicative Information

TBA – To Be Advised

### 9.3 Community and Housing

C&H	2017/18 £000	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
<b>Better Care Fund</b> including Disabled Facilities Grant*	1,199	TBA	TBA	TBA	TBA

\*It is envisaged that some of this fund will be applied to revenue

## 9.4 Summary of Grant Funding 2018-20212

9.4.1 The new resources notified to date are summarised in the following table. It is expected that there will be additional earmarked resources notified during the financial year 2017/18:

Grant Funding	2017/18 £000	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Environment and Regeneration	3,962	4,150	497	TBA	TBA
Children, Schools and Families	7,269	14,520	2,346	TBA	TBA
Community and Housing	1199	TBA	TBA	TBA	TBA
<b>Total Grant Funding*</b>	<b>12,430</b>	<b>18,670</b>	<b>2,843</b>	<b>0</b>	<b>0</b>
<b>Balance added for outstanding grant allocations - CSF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,346</b>	<b>650</b>

\* This shows the grant funding being received by the authority

## 10 Summary of Total Resources 2018-22:

### 10.1 Summary

10.1.1 The total anticipated resources over the plan period 2018-22, including existing grant funding and anticipated CS&F grants, is summarised in the following table:-

	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Grant & Contributions *	27,222	34,894	14,899	11,546
Council Funding	21,008	3,826	2,421	681
<b>Total</b>	<b>48,231</b>	<b>38,721</b>	<b>17,319</b>	<b>12,227</b>

\* This table shows the grants and contributions applied to fund the programme allowing for slippage.

10.1.2 Projects for which earmarked resources have been notified have been given authority to proceed, subject to a detailed specification and programme of works being agreed which ensures that the maximum benefits accrue to the council within the overall constraints of the approved funding. Those schemes, on their own, represent a considerable capital investment.

10.1.3 The Table below summarises the Indicative Capital Programme for 2021 to 2026. Additional detail is provided as Annex 5:

<b>Merton</b>	<b>Updated Budget 2022/23 £000s</b>	<b>Updated Budget 2023/24 £000s</b>	<b>Updated Budget 2024/25 £000s</b>	<b>Updated Budget 2025/26 £000s</b>	<b>Updated Budget 2026/27 £000s</b>
Corporate Services	2,650	3,900	2,862	3,560	2,920
Community and Housing	380	280	280	630	280
Children, Schools & Families *	650	755	650	650	650
Environment & Regeneration *	4,017	4,017	4,077	8,015	4,052
<b>Total Merton</b>	<b>7,697</b>	<b>8,952</b>	<b>7,869</b>	<b>12,855</b>	<b>7,902</b>

\* Please note these figures do not include any allowance of grant funding for Transport for London and Disabled Facilities.

10.1.4 For every £1 million capital expenditure that is funded by external borrowing it is estimated that there will be annual revenue debt charges of between £216,000 for assets with a life of 5 years to £39,600 for an asset life of 50 years.

## **11 Capital Bids and Prioritisation Criteria**

### **11.1 Prioritisation of schemes 2021/22**

The allocation of capital resources, on those schemes to be funded by borrowing, is focused towards the achievement of the council's key strategic objectives as agreed by councillors as highlighted in section 1 of this strategy.

The prioritisation criteria used in respect of growth were 'Statutory', Need (demand and / or priority), attracts match funding and revenue impact (including invest to save). Due to officers' awareness of the need to restrain the capital programme to affordable levels, the increase put forward over the period 2018-22, on the basis of these criteria by the board to Cabinet was £1.2 million (excluding TfL).

## 12 Detailed Capital Programme 2018-22

### 12.1 Corporate Services

12.1.1 This department is responsible for the administration of finance and staff, together with the corporate buildings including IT and utility services. Its main capital expenditure is on IT software and hardware, and on improvements to buildings (including invest to save schemes).

#### 12.1.2 Business Improvement

Business Improvement are responsible for schemes that develop corporate information technology and are designed to improve efficiency and are detailed in the table below:

Business Improvement	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Customer Contact Programme	1,050	250	0	1,900
Aligned Assets	75	0	0	0
Revenue and Benefits	400	0	0	0
Capita Housing	100	0	0	0
Planning&Public Protection Sys	395	0	0	0
Spectrum Spatial Analyst Repla	42	0	0	42
Social Care IT System	350	0	0	0
ePayments	0	0	125	0
<b>Total Business Improvement</b>	<b>2,412</b>	<b>250</b>	<b>125</b>	<b>1,942</b>

#### 12.1.3 Infrastructure and Transactions

Infrastructure and transactions are responsible for the replacement of existing IT equipment at the end of it's useful life and minor enhancements to existing systems and software to ensure their continued efficiency. The Table below details the capital schemes for this area:

Infrastructure & Transactions	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Planned Replacement Programme	275	200	200	200
Data Centre Support Equipment	300	0	0	0
IT Equipment	510	430	860	770
<b>Total Infrastructure &amp; Transactions</b>	<b>1,085</b>	<b>630</b>	<b>1,060</b>	<b>970</b>

## 12.1.4 Facilities Management

Facilities management are responsible for the capital maintenance of council buildings excluding schools and community centres, the schemes are detailed in the Table below:

Facilities Management	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Repair and Maintenance (R&M)	300	650	650	650
Civic Centre Boilers	300	0	0	0
Civic Centre Lightning Upgrade	0	300	0	0
Invest to Save schemes	2,010	300	300	300
Water Safety Works*	100	0	0	0
Asbestos Safety Works*	250	0	0	0
<b>Total Facilities Management</b>	<b>2,960</b>	<b>1,250</b>	<b>950</b>	<b>950</b>

\* Included with R&M from 2019/20 onwards

## 12.1.5 Corporate Items

There are also budgets held centrally under Corporate Services to ensure funds are available to take up opportunities arising in the local property market, to leverage match funding or to enable transformation of services, these are detailed in the Table below:

Corporate Items	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Acquisitions Budget	5,792	0	0	0
Capital Bidding Fund	1,186	0	0	0
Multi-Functioning Device (MFD)	0	600	0	0
Housing Company	9,587	13,088	1,810	0
Compulsory Purchase Orders*	0	0	0	0
Westminster Coroners Court	460	0	0	0
<b>Total Corporate Items</b>	<b>17,025</b>	<b>13,688</b>	<b>1,810</b>	<b>0</b>

\* Will only be progressed if fully funded



## 12.2 Children, Schools and Families

**12.2.1** This department's main capital focus is the need for increased provision for secondary pupils. The provision in the 2018-22 programme has been revised to that shown in the table below:

<b>Children, Schools &amp; Families</b>	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
<b>Primary School Expansions</b>	650	650	650	650
<b>Secondary School Expansions</b>	7,105	6,352	2,552	0
<b>SEN</b>	7,264	1,000	0	0
<b>Other</b>	139	105	0	0
<b>Children, Schools &amp; Families</b>	<b>15,158</b>	<b>8,107</b>	<b>3,202</b>	<b>650</b>

### 12.2.2 CSF capital programme 2018-22

The requirement to provide sufficient school places is a key statutory requirement. The government provides capital grant to meet some of this need.

### 12.2.3 Primary schools

No further primary school expansion is planned. £650,000 per annum is provided for community primary and special schools this will be limited to urgent health and safety related needs, with the council expecting schools to fund all works below £20,000.

### 12.2.4 Secondary school places

There has been an increase in demand for secondary places since September 2015, current forecasts project a significant increase in secondary age transfer in September 2018 which will flow into all secondary age groups.

The capital programme for 2018/22 includes £15.2 million for secondary expansions including some council funding to enable the new Harris Academy Wimbledon School to be built.

The implementation of secondary school expansion projects will be subject to regular reviews over the capital programme period to ensure that projects are only implemented when there is sufficient certainty that the specific school will meet the required demand.

### 12.2.5 Special school places

The increase in demand for special school provision is proportionally greater for special schools than mainstream schools, though the numbers involved are significantly smaller. Capital funding is provided in the 2018/22 programme for the expansion of SEN. Provision within the borough. The largest planned project is the expansion of Cricket Green School.

### 12.2.6 Other schemes

A small provision exists for the provision of loans to schools.

## 12.3 Environment and Regeneration

This department provides a co-ordinated approach to managing the public realm (all borough areas to which the public has access), as well as the regeneration of our town centres and neighbourhoods.

The individual projects for this department are all listed in Annex 3. Other than the grant funded Transport for London scheme for the upgrade of principal roads, the departments main schemes relate to 14 areas:

<b>Environment &amp; Regeneration</b>	<b>Updated Budget 2018/19 £000s</b>	<b>Updated Budget 2019/20 £000s</b>	<b>Updated Budget 2020/21 £000s</b>	<b>Updated Budget 2021/22 £000s</b>
Parking Improvements	0	60	0	0
Public Protection & Development	0	0	0	35
Fleet Vehicles	542	300	300	300
Alley gating	40	40	40	40
Smart Bin Leases	6	0	0	0
SLWP Waste	5,344	0	0	0
Street Trees	60	60	60	60
Highways & Footways	3,581	3,067	3,067	3,067
Transport for London	1,000	0	0	0
Mitcham Area Regeneration	2,032	301	0	0
Morden Area Regeneration	1,000	3,000	1,000	0
Morden Leisure Centre	6,389	242	0	0
Sports Facilities	407	1,500	250	250
Parks	1,452	491	300	300
<b>Environment &amp; Regeneration</b>	<b>21,853</b>	<b>9,060</b>	<b>5,017</b>	<b>4,052</b>

### 12.3.1 Highways and Footways

Footways and Borough Roads budgets will be spent in accordance with the results of annual condition surveys of the whole of the borough. As a result, items are prioritised and drawn up in programmes of works. These programmes may be amended as circumstances alter.

<b>Highways and Footways</b>	<b>Updated Budget 2018/19 £000s</b>	<b>Updated Budget 2019/20 £000s</b>	<b>Updated Budget 2020/21 £000s</b>	<b>Updated Budget 2021/22 £000s</b>
Street Lighting	509	290	290	290
Traffic Schemes	150	150	150	150
Surface Water Drainage	72	77	77	77
Footways	1,000	1,000	1,000	1,000
Antiskid & Coloured Surfacing	90	90	90	90
Borough Roads	1,500	1,200	1,200	1,200
Highways & Bridges	260	260	260	260
<b>Environment &amp; Regeneration</b>	<b>3,581</b>	<b>3,067</b>	<b>3,067</b>	<b>3,067</b>

### 12.3.2 Regeneration

Regeneration is a major part of the council's strategy. A vision for Morden town centre is being developed and Mitcham town centre will be sustainably developed. The main areas of expenditure over the Capital Programme period will be those below.

<b>Regeneration</b>	<b>Updated Budget 2018/19 £000s</b>	<b>Updated Budget 2019/20 £000s</b>	<b>Updated Budget 2020/21 £000s</b>	<b>Updated Budget 2021/22 £000s</b>
<b>Mitcham Area Regeneration</b>				
Canons Parks for the People	2,032	301	0	0
<b>Morden Area Regeneration</b>				
Transportation Enhancements	1,000	3,000	1,000	0
<b>Total Regeneration Partnerships</b>	<b>3,032</b>	<b>3,301</b>	<b>1,000</b>	<b>0</b>

### 12.3.3 Sports Facilities

An annual provision exists for the capital works at our three leisure centres. In addition there is a one off scheme to de-silt Wimbledon Park Lake.

Sports facilities	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Leisure Centre Plant & Machine	300	250	250	250
Wimbledon Park Lake De-Silting	107	1,250	0	0
<b>Total Leisure Centres</b>	<b>407</b>	<b>1,500</b>	<b>250</b>	<b>250</b>

### 12.3.4 Parks

An annual provision exists for the capital works at our Parks. In addition there is a one off scheme in respect of the Canon's Park.

Parks	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
Parks Investment	308	295	300	300
Parks Bins - Finance Lease	28	0	0	0
Canons Parks for the People	1,117	196	0	0
<b>Total Parks</b>	<b>1,452</b>	<b>491</b>	<b>300</b>	<b>300</b>

## 12.4 Community and Housing

12.4.1 This department aims to provide residents with the chance to live independent and fulfilling lives, in suitable homes within sustainable communities, with chances to learn, use information, and acquire new skills. The departmental Capital Programme for 2018-22 comprises:

Community and Housing	Updated Budget 2018/19 £000s	Updated Budget 2019/20 £000s	Updated Budget 2020/21 £000s	Updated Budget 2021/22 £000s
<b>Adult Social Care</b>				
Telehealth	44	0	0	0
<b>Housing</b>				
Disabled Facilities Grant	629	280	280	280
<b>Libraries</b>				
West Barnes Library Re-Fit	0	200	0	0
Library Self Service	0	0	350	0
Libraries Management System	100	0	0	0
<b>Total Community and Housing</b>	<b>773</b>	<b>480</b>	<b>630</b>	<b>280</b>

## 12.5 Overall Programme

12.5.1 The approved Capital Programme for 2018/22 follows at Annex 1, Annex 3 provides an additional breakdown detail of the approved schemes. The summary is as follows:

Merton	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
	£000	£000	£000	£000
Corporate Services	23,482	15,818	3,945	3,862
Community and Housing	773	480	630	280
Children Schools & Families	15,158	8,107	3,202	650
Environment and Regeneration	21,853	9,060	5,017	4,052
<b>Capital</b>	<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>

12.5.2 The funding details for the programme follow at Annex 2

12.5.3 Within the funding details the authority has anticipated some slippage for schemes that require a consultation process or a planning application or where the implementation timetable is not certain. The slippage anticipated reduces the spend in the year it is budgeted but increases the spend in the following year when it is incurred. When slippage from 2017/18 is approved, the 2018/19 Capital Programme will be adjusted accordingly.

- 12.5.4 Annex 1 Capital Investment Programme - Schemes for Approval
- Annex 2 Funding the Capital Programme 2018-22
- Annex 3 Detailed Capital Programme 2018-22
- Annex 4 Analysis of Growth/(Reduction) from current approved programme
- Annex 5 Indicative Capital Programme 2022-27

### Capital Investment Programme - Schemes for Approval

Merton	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
	£000	£000	£000	£000
Corporate Services	23,482	15,818	3,945	3,862
Community and Housing	773	480	630	280
Children Schools & Families	15,158	8,107	3,202	650
Environment and Regeneration	21,853	9,060	5,017	4,052
<b>Capital</b>	<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>

Merton	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
	£000	£000	£000	£000
Business Improvement	2,412	250	0	1,942
Facilities Management Total	2,960	1,250	950	950
Infrastructure & Transactions	1,085	630	1,060	970
Resources	0	0	125	0
Corporate Items	17,025	13,688	1,810	0
<b>Corporate Services</b>	<b>23,482</b>	<b>15,818</b>	<b>3,945</b>	<b>3,862</b>
Adult Social Care	44	0	0	0
Housing	629	280	280	280
Libraries	100	200	350	0
<b>Community and Housing</b>	<b>773</b>	<b>480</b>	<b>630</b>	<b>280</b>
Primary Schools	650	650	650	650
Secondary School	7,105	6,352	2,552	0
SEN	7,264	1,000	0	0
CSF Schemes	139	105	0	0
<b>Children Schools &amp; Families</b>	<b>15,158</b>	<b>8,107</b>	<b>3,202</b>	<b>650</b>
Public Protection and Development	0	60	0	35
Street Scene & Waste	5,932	340	340	340
Sustainable Communities	15,921	8,660	4,677	3,677
<b>Environment and Regeneration</b>	<b>21,853</b>	<b>9,060</b>	<b>5,017</b>	<b>4,052</b>
<b>Capital</b>	<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>

#### Please Note

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2018/19.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.

<b>Merton</b>	<b>Capital Programme £000s</b>	<b>*Funded by Merton £000s</b>	<b>Funded by grant and capital contributions £000s</b>
<b>2017/18 Current Budget</b>	<b>40,039</b>	<b>22,572</b>	<b>17,467</b>
Potential Slippage b/f	0	0	0
<b>2017/18 Revised Budget</b>	<b>40,039</b>	<b>22,572</b>	<b>17,467</b>
Potential Slippage c/f	(7,274)	(4,093)	(3,181)
Potential Underspend not slipped into next year	(1,175)	(859)	(316)
<b>Total Spend 2017/18</b>	<b>31,591</b>	<b>17,621</b>	<b>13,970</b>
<b>2018/19 Current Budget</b>	<b>61,266</b>	<b>41,924</b>	<b>19,342</b>
Potential Slippage b/f	7,274	4,093	3,181
<b>2018/19 Revised Budget</b>	<b>68,540</b>	<b>46,017</b>	<b>22,523</b>
Potential Slippage c/f	(17,722)	(16,441)	(1,279)
Potential Underspend not slipped into next year	(2,588)	(2,351)	(236)
<b>Total Spend 2018/19</b>	<b>48,231</b>	<b>27,222</b>	<b>21,008</b>
<b>2019/20 Current Budget</b>	<b>33,466</b>	<b>30,624</b>	<b>2,843</b>
Potential Slippage b/f	17,722	16,441	1,279
<b>2019/20 Revised Budget</b>	<b>51,187</b>	<b>47,066</b>	<b>4,122</b>
Potential Slippage c/f	(10,359)	(10,063)	(296)
Potential Underspend not slipped into next year	(2,108)	(2,108)	0
<b>Total Spend 2019/20</b>	<b>38,721</b>	<b>34,894</b>	<b>3,826</b>
<b>2020/21 Current Budget</b>	<b>12,794</b>	<b>10,448</b>	<b>2,346</b>
Potential Slippage b/f	10,359	10,063	296
<b>2020/21 Revised Budget</b>	<b>23,153</b>	<b>20,512</b>	<b>2,642</b>
Potential Slippage c/f	(4,026)	(3,961)	(65)
Potential Underspend not slipped into next year	(1,808)	(1,652)	(156)
<b>Total Spend 2020/21</b>	<b>17,319</b>	<b>14,899</b>	<b>2,421</b>
<b>2021/22 Current Budget</b>	<b>8,844</b>	<b>8,194</b>	<b>650</b>
Potential Slippage b/f	4,026	3,961	65
<b>2021/22 Revised Budget</b>	<b>12,870</b>	<b>12,155</b>	<b>715</b>
Potential Slippage c/f	(300)	(297)	(2)
Potential Underspend not slipped into next year	(343)	(311)	(33)
<b>Total Spend 2021/22</b>	<b>12,226</b>	<b>11,546</b>	<b>681</b>

\*Funded by Merton refers to expenditure funded through Capital Receipts, Revenue Reserves and by borrowing.

## Detailed Capital Programme 2018-22

	Scrutiny	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
<b>Corporate Services</b>		£000	£000	£000	£000
Customer Contact Programme	OSC	1,050	250	0	1,900
IT Systems Projects	OSC	1,012	0	0	42
Social Care IT System	OSC	350	0	0	0
<b>Business Improvement</b>		<b>2,412</b>	<b>250</b>	<b>0</b>	<b>1,942</b>
Works to other buildings	OSC	300	650	650	650
Civic Centre	OSC	300	300	0	0
Invest to Save schemes	OSC	2,010	300	300	300
Water Safety Works	OSC	100	0	0	0
Asbestos Safety Works	OSC	250	0	0	0
<b>Facilities Management Total</b>		<b>2,960</b>	<b>1,250</b>	<b>950</b>	<b>950</b>
Planned Replacement Programme	OSC	1,085	630	1,060	970
<b>Infrastructure &amp; Transactions</b>		<b>1,085</b>	<b>630</b>	<b>1,060</b>	<b>970</b>
ePayments System	OSC	0	0	125	0
<b>Resources</b>		<b>0</b>	<b>0</b>	<b>125</b>	<b>0</b>
Acquisitions Budget	OSC	5,792	0	0	0
Capital Bidding Fund	OSC	1,186	0	0	0
Multi Functioning Device (MFD)	OSC	0	600	0	0
Housing Company	OSC	9,587	13,088	1,810	0
Compulsory Purchase Orders	OSC	0	0	0	0
Westminster Coroners Court	OSC	460			
<b>Corporate Items</b>		<b>17,025</b>	<b>13,688</b>	<b>1,810</b>	<b>0</b>
<b>Corporate Services</b>		<b>23,482</b>	<b>15,818</b>	<b>3,945</b>	<b>3,862</b>
<b>Community and Housing</b>		£000	£000	£000	£000
Telehealth	HCOP	44	0	0	0
<b>Adult Social Care</b>		<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>
Disabled Facilities Grant	SC	629	280	280	280
<b>Housing</b>		<b>629</b>	<b>280</b>	<b>280</b>	<b>280</b>
West Barnes Library Re-Fit	SC	0	200	0	0
Library Self Service	SC	0	0	350	0
Library Management System	SC	100	0	0	0
<b>Libraries</b>		<b>100</b>	<b>200</b>	<b>350</b>	<b>0</b>
<b>Community and Housing</b>		<b>773</b>	<b>480</b>	<b>630</b>	<b>280</b>

\* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2018/19.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.
- 3) Compulsory Purchase orders will only be progressed if fully funded



**Detailed Capital Programme 2018-22 Continued.....**

	Scrutiny	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
Children Schools & Families		£000	£000	£000	£000
Schs Cap Maint & Accessibility	CYP	650	650	650	650
Primary Schools		650	650	650	650
Harris Academy Morden	CYP	844	2,200	0	0
Harris Academy Merton	CYP	321	0	0	0
St Mark's Academy	CYP	200	2,552	2,552	0
Harris Academy Wimbledon	CYP	5,740	1,600	0	0
Secondary School		7,105	6,352	2,552	0
Perseid	CYP	610	0	0	0
Cricket Green	CYP	5,028	0	0	0
Secondary School Autism Unit	CYP	1,330	0	0	0
Unlocated SEN	CYP	296	1,000	0	0
SEN		7,264	1,000	0	0
Admissions IT System	CYP	0	105	0	0
Capital Loans to schools	CYP	109	0	0	0
Children's Safeguarding	CYP	30			
CSF Schemes		139	105	0	0
Children Schools & Families		15,158	8,107	3,202	650

\* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2018/19.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.
- 3) Compulsory Purchase orders will only be progressed if fully funded

## Detailed Capital Programme 2018-22 Continued.....

	Scrutiny	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
<b>Environment &amp; Regeneration</b>		£000	£000	£000	£000
Parking Improvements	SC	0	60	0	0
Public Protection and Developm	SC	0	0	0	35
<b>Public Protection and Developm</b>		<b>0</b>	<b>60</b>	<b>0</b>	<b>35</b>
Fleet Vehicles	SC	542	300	300	300
Alley Gating Scheme	SC	40	40	40	40
Smart Bin Leases - Street Scen	SC	6	0	0	0
Waste SLWP	SC	5,344	0	0	0
<b>Street Scene &amp; Waste</b>		<b>5,932</b>	<b>340</b>	<b>340</b>	<b>340</b>
Street Trees	SC	60	60	60	60
Highways & Footways	SC	3,581	3,067	3,067	3,067
Unallocated TfI	SC	1,000	0	0	0
Mitcham Area Regeneration	SC	2,032	301	0	0
Morden Area Regeneration	SC	1,000	3,000	1,000	0
Morden Leisure Centre	SC	6,389	242	0	0
Sports Facilities	SC	407	1,500	250	250
Parks	SC	1,452	491	300	300
<b>Sustainable Communities</b>		<b>15,921</b>	<b>8,660</b>	<b>4,677</b>	<b>3,677</b>
<b>Environment and Regeneration</b>		<b>21,853</b>	<b>9,060</b>	<b>5,017</b>	<b>4,052</b>
<b>Capital</b>		<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>

\* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2018/19.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.
- 3) Compulsory Purchase orders will only be progressed if fully funded

Annex 4

**Growth/(Reductions) against Approved Programme 2018-21 and Indicative Programme 2021-22**

Merton	Scrutiny	Proposed 2018/19	Proposed 2019/20	Proposed 2020/21	Proposed 2021/22
		£000	£000	£000	£000
Business Improvement	OSC	1,050	250	0	(100)
Facilities Management Total	OSC	0	0	0	0
Infrastructure & Transactions	OSC	0	0	0	0
Resources	OSC	0	0	0	0
Corporate Items	OSC	0	0	0	0
<b>Corporate Services</b>		<b>1,050</b>	<b>250</b>	<b>0</b>	<b>(100)</b>
Adult Social Care	HCOP	0	0	0	0
Housing	SC	0	0	0	0
Libraries	SC	0	0	0	0
<b>Community and Housing</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Primary Schools	CYP	0	0	0	0
Secondary School	CYP	0	0	0	0
SEN	CYP	0	0	0	0
CSF Schemes	CYP	0	0	0	0
<b>Children Schools &amp; Families</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Public Protection and Developm	SC	0	0	0	0
Street Scene & Waste	SC	0	0	0	0
Sustainable Communities	SC	0	0	0	0
<b>Environment and Regeneration</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital</b>		<b>1,050</b>	<b>250</b>	<b>0</b>	<b>(100)</b>

\* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,

## Indicative Capital Programme 2022-27

## Annex 5

	Scrutiny	Proposed Indicative 2022/23	Proposed Indicative 2023/24	Proposed Indicative 2024/25	Proposed Indicative 2025/26	Proposed Indicative 2026/27
<b>Corporate Services</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Customer Contact Programme	OSC	0	0	0	1,000	1,000
IT Systems Projects	OSC	100	75	682	550	0
Social Care IT System	OSC	0	2,100	0	0	0
<b>Business Improvement</b>		<b>100</b>	<b>2,175</b>	<b>682</b>	<b>1,550</b>	<b>1,000</b>
Works to other buildings	OSC	650	650	650	650	650
Invest to Save schemes	OSC	300	300	300	300	300
<b>Facilities Management Total</b>		<b>950</b>	<b>950</b>	<b>950</b>	<b>950</b>	<b>950</b>
Planned Replacement Programme	OSC	900	775	630	1,060	970
<b>Infrastructure &amp; Transactions</b>		<b>900</b>	<b>775</b>	<b>630</b>	<b>1,060</b>	<b>970</b>
Financial System	OSC	700	0	0	0	0
<b>Resources</b>	OSC	<b>700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Multi Functioning Device (MFD)		0	0	600	0	0
<b>Corporate Items</b>		<b>0</b>	<b>0</b>	<b>600</b>	<b>0</b>	<b>0</b>
<b>Corporate Services</b>		<b>2,650</b>	<b>3,900</b>	<b>2,862</b>	<b>3,560</b>	<b>2,920</b>
<b>Community and Housing</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Disabled Facilities Grant	SC	280	280	280	280	280
<b>Housing</b>		<b>280</b>	<b>280</b>	<b>280</b>	<b>280</b>	<b>280</b>
Library Enhancement Works	SC	0	0	0	350	0
Library Management System	SC	100	0	0	0	0
<b>Libraries</b>		<b>100</b>	<b>0</b>	<b>0</b>	<b>350</b>	<b>0</b>
<b>Community and Housing</b>		<b>380</b>	<b>280</b>	<b>280</b>	<b>630</b>	<b>280</b>
<b>Children Schools &amp; Families</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Schs Cap Maint & Accessibility	CYP	650	650	650	650	650
<b>Primary Schools</b>		<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>	<b>650</b>
Admissions IT System	CYP	0	105	0	0	0
<b>CSF Schemes</b>		<b>0</b>	<b>105</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Children Schools &amp; Families</b>		<b>650</b>	<b>755</b>	<b>650</b>	<b>650</b>	<b>650</b>
<b>Environment and Regeneration</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Parking Improvements	SC	0	0	60	0	0
Public Protection and Development	SC	0	0	0	0	35
<b>Street Scene &amp; Waste</b>		<b>0</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>35</b>
Fleet Vehicles	SC	300	300	300	300	300
Alley Gating Scheme	SC	40	40	40	40	40
Waste SLWP	SC	0	0	0	3,998	0
<b>Street Scene &amp; Waste</b>		<b>340</b>	<b>340</b>	<b>340</b>	<b>4,338</b>	<b>340</b>
Street Trees	SC	60	60	60	60	60
Highways & Footways	SC	3,067	3,067	3,067	3,067	3,067
Sports Facilities	SC	250	250	250	250	250
Parks	SC	300	300	300	300	300
<b>Sustainable Communities</b>		<b>3,677</b>	<b>3,677</b>	<b>3,677</b>	<b>3,677</b>	<b>3,677</b>
<b>Environment and Regeneration</b>		<b>4,017</b>	<b>4,017</b>	<b>4,077</b>	<b>8,015</b>	<b>4,052</b>
<b>Capital</b>		<b>7,697</b>	<b>8,952</b>	<b>7,869</b>	<b>12,855</b>	<b>7,902</b>

\* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,

**Please Note**

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant, Transport for London Grant Excludes expenditure budgets relating to Devolved Formula Capital for schools.
- 2) Compulsory Purchase orders will only be progressed if fully funded

# LONDON BOROUGH OF MERTON

## TREASURY MANAGEMENT POLICY STATEMENT

### 1. INTRODUCTION

#### 1.1 Background

London Borough of Merton have adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) definition of Treasury Management, which is:

*“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

The Council is required to update and approve its policy framework and strategy for treasury management, annually, to reflect the changing market environment, regulation, and the Council’s financial position. The key issues and decisions are:

- a) To set the Council’s Prudential Indicators for 2018/19 to 2021/22
- b) Approve the Minimum Revenue Provision (MRP) policy for 2018/19; and
- c) To agree the Treasury Management Strategy for 2018/19. This will include the annual investment strategy, containing the parameters of how the investments are to be managed.

#### 1.2 Statutory Requirement

The Local Government Act 2003 (the Act) as amended and supporting regulations, require the Council to ‘have regard to’

- (a) such guidance as the Secretary of State may issue; and
- (b) such other guidance as the Secretary of State may by regulations specify for the purposes of this provision

<http://www.legislation.gov.uk/ukpga/2003/26/section/15>

The Guidance requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. The Council has adopted CIPFA’s revised Code of Practice on Treasury Management.

#### 1.3 Balanced Budget Requirement

Section 33 of the Local Government Finance Act 1992 requires the Council to set a balanced budget. This means that cash raised during the year will meet cash expenditure. Part of the treasury management function is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Cash yet to be used are invested in low risk and good credit quality counterparties or instruments with the consideration first for security, liquidity and yield.

The other main function of treasury management is the funding of the Council's capital plans. These capital plans provide a guide to the long or short-term borrowing need of the Council, essentially the longer term cashflow planning, to ensure that the Council can meet its capital spending obligations. The management of longer term cash may involve arranging long or short dated loans, or using longer term cashflow surpluses. Subject to S151 Officer's approval, any debt previously drawn may be restructured or repaid to meet the Council's risk or cost objectives.

#### **1.4 Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

##### **Capital Issues**

- To determine the Council's capital plans and prudential indicators for 2018/19 to 2021/22;
- To approve the Minimum Revenue Provision (MRP) policy for 2018/19.

The LG Act 2003 require local authorities to set an affordable borrowing limit (<http://www.legislation.gov.uk/ukpga/2003/26/section/3>).

##### **Treasury Management Issues**

- To agree the Council's treasury management strategy for 2018/19
  - current treasury position as at December 2017;
  - treasury indicators which limit the treasury risk and activities of the Council;
  - prospects for interest rates;
  - borrowing strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling and early repayment of debt review;
  - Annual Investment Strategy and alternative investment instruments (Policy on new lending and borrowing instruments);
  - creditworthiness policy;
  - Treasury Management Practices (**Appendix 5**);and
  - cash flow policy

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

## 2. CURRENT TREASURY POSITION

### 2.1 Use of the Council's Resources and the Investment Position

The application of resources (capital receipts and reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources, for example, asset sales.

The table below shows the position as at December 2017.

Year End Resources	2016/17 Actual £'000	30 November 2017 Actual £'000	31 March 2017/18 Estimate £'000	31 March 2018/19 Estimate £'000
Investments	70,900	98,200	75,432	65,452
Interest on investments	843	265	800	766
Borrowing				
Long-term Borrowing	116,976	113,010	*113,010	113,010
Short-term Borrowing				
<b>Total External Debt</b>	<b>116,976</b>	<b>113,010</b>	<b>113,010</b>	<b>113,010</b>
Interest on External Debt				
Long-term	6,686	6,702	6,315	6,315
Short-term	1	1		
<b>Total Interest on External Debt</b>	<b>6,687</b>	<b>6,703</b>	<b>6,315</b>	<b>6,315</b>

Interest on investments figures above do not include interest from policy investments.

\* Figures exclude £3.966m of long term debt due for repayment within the financial year which was reclassified at year end

## 3. CAPITAL PRUDENTIAL INDICATORS 2018/19 - 2021/22

The Council is required to calculate various indicators for the next 3 years. The aim of prudential indicators is to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential indicators set out in **Appendix 6** are calculated for the Medium Term Financial Strategy (MTFS) period. The indicators relate to capital expenditure, external debt and treasury management.

The Council will monitor performance against the indicators and prepare indicators based on the Statement of Accounts (SoA) at year end.

### 3.1 Capital Expenditure

The Council's capital expenditure plans are fundamental to its treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to provide Council members an overview and confirm the impact of capital expenditure plans.

This indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as reported in the MTFS. Environment and Regeneration figures include projects

relating to Public Health programs however these are fully funded and do not have any MRP implications.

Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Corporate Services	3,889	13,468	23,482	15,818	3,945	3,862
Community & Housing	1,663	1,802	773	480	630	280
Children Schools & Families	12,506	7,062	15,158	8,107	3,202	650
Environment & Regeneration	12,568	17,707	21,853	9,060	5,017	4,052
<b>Total Non-HRA</b>	<b>30,626</b>	<b>40,039</b>	<b>61,266</b>	<b>33,466</b>	<b>12,794</b>	<b>8,844</b>

The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A shortfall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme as at December 2017.

Capital Expenditure	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital Expenditure	30,626	40,039	61,266	33,466	12,794	8,844
Slippage*		(8,448)	(13,035)	5,255	4,525	3,382
Leasing Budgets in Programme after Slippage		(76)	(34)	(600)	0	0
Total Capital Expenditure	30,626	31,515	48,197	38,121	17,319	12,226
<b>Financed by:</b>						
Capital Receipts	12,993	12,280	11,284	*1,342	1,396	4,557
Capital Grants & Contributions	16,333	13,970	21,008	3,826	2,421	681
Capital Reserves	0	0	0	0	0	0
Revenue Provisions	1,300	*5,028	*1,918	*0	7	2
Other Financing Sources	0	0	0	0	0	0
<b>Net financing need for the year (a)</b>	<b>0</b>	<b>237</b>	<b>13,987</b>	<b>32,953</b>	<b>13,495</b>	<b>6,986</b>

\* In the above table slippage includes slippage in from the previous year and out to the following year.

\*\* Funding amended for the leasing adjustment



### 3.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator, Capital Financing Requirement (CFR), is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. In other words, a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR includes any other long-term liabilities like PFI schemes and finance leases which have been brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, it should be noted that these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The Council has no Housing Revenue Account (HRA) and no new PFI scheme in 2018/19 is expected. The 2017/18 forecast movement in CFR shows a decrease of £6,517k because the expenditure to be funded from borrowing in 2017/18 is less than the amount of MRP charged in the year.

The current cashflow projection as at December 2017 for 2017/18 year end is an estimated cash balance of £100m (including all short term deposits). The current forecast has been based on assumptions in the MTF5 and capital programme spend forecast after slippage. The 2017/18 forecast £31.5m, 2018/19 £48.2m, and 2019/20 £38.1m are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects and the level of grant income. Also, fees and charges for the Council may change. Based on current forecasts the earliest the Council may borrow is in 2018/19 in anticipation for 2019/20. However, the Council can borrow in advance of need if rates are likely to rise and borrowing becomes a lot more advantageous than it would be.

The Council is asked to approve the CFR projections in the following table:

	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
<b>Capital Financing Requirement</b>						
CFR (non-housing)	190,890	184,663	193,291	219,160	224,476	222,557
<b>Total CFR</b>	<b>190,890</b>	<b>184,663</b>	<b>193,291</b>	<b>219,160</b>	<b>224,476</b>	<b>222,557</b>
<b>Movement in CFR</b>	<b>(8,792)</b>	<b>(6,227)</b>	<b>8,628</b>	<b>25,869</b>	<b>5,316</b>	<b>(1,919)</b>
<b>Movement in CFR represented by</b>						
Net financing need for the year (above)	0	237	13,987	32,953	13,495	6,986
Less Capital MRP/VRP	7,154	4,902	3,896	4,706	6,431	7,216
Less Other MRP/VRP (leasing, PFI)	998	876	728	1,590	904	784
Less Other MRP/VRP – PFI – Partial termination	640	686	735	788	844	905
Less Other financing movements						
• Adjustment of PFI Liability						
• Adjustment of MRP						
<b>Movement in CFR</b>	<b>(8,792)</b>	<b>(6,227)</b>	<b>8,628</b>	<b>25,869</b>	<b>5,316</b>	<b>(1,919)</b>

#### Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other

long-term obligation costs net of investment income) against the net revenue stream. The indicator shows the proportion of the income received from Council tax, Revenue Support Grant (RSG) and National Non-Domestic Rate (NNDR) and some specific grants that are spent on paying the borrowing associated with delivery of capital investment (i.e. principal and interest charges of long-term borrowing).

The table below shows the monetary values for the above ratio

	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Net Revenue Financing Costs	18,892	15,099	13,621	16,163	16,751	17,267
Net Revenue Stream	148,133	146,066	142,209	139,942	135,735	138,116
Ratio of Financing Costs to Net Revenue Stream (Non HRA)	12.75%	10.34%	9.58%	11.55%	12.34%	12.50%

#### **Estimates of the incremental impact of capital investment decisions on council tax.**

The table below shows the incremental impact of changes in the capital programme (incorporating the effects of changes in treasury forecasts and investment decisions) on the band D Council tax. Merton did not increase Council Tax from 2011/12 until 2017/18 when a 3% increase was applied for Adult Social care purposes therefore there has been little or no incremental impact on Council tax band D properties.

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Incremental Change in Capital Financing Costs (£000)	(683)	(3,792)	(1,478)	2,542	587	516
Council Tax Base	71,327	72,442	74,124	74,495	74,867	75,241
<b>Incremental Impact on Council Tax - Band D*** (£)</b>	<b>(9.58)</b>	<b>(52.35)</b>	<b>(19.94)</b>	34.12	7.84	6.86
Council Tax - Band D (£)	1,106.45	1,139.71	1,173.90	1,209.00	1,233.18	1,257.84

\*\*\*2016/17 and 2017/18 use actual council tax amounts. Future years use assumptions in the MTFS for planning purposes.

#### 4. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The Council has not made any provision for VRP in its capital expenditure.

For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2017 for the subsequent 50 years. Prior to this date capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy followed CLG regulations (option 1). This provided for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the Asset Life Method – CLG regulations (option 3).

This option will be applied for any expenditure capitalised under a capitalisation direction. It should be noted that this option provides for a reduction in the borrowing need over the approximate life of the asset.

The Council is required to have regard for the Local Government Involvement in Health Act 2007. This amended the Local Government Act 2003 enabling the Secretary of State to issue guidance on accounting practices and thus on MRP. Also, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) specifies that “A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent”. Any MRP implications on how the Council will pay for unfinanced capital assets through revenue will be included in the MRP policy.

Category	Depreciation (Years)
<b>Assets valued over £1m</b>	
Buildings	50
Mechanical & Electrical	20
External	20
<b>Assets valued under £1m</b>	
Buildings	40
Infrastructure (roads etc)	25
15 Year Asset	15
10 Year Asset	10
Computer software	5
Computer hardware	5
Large vehicles – e.g. buses, RCVs	7
Small vehicles – e.g. cars, vans	5
Other equipment e.g. CCTV	5

<b>MRP years where there is no depreciation equivalent</b>	
Land	50
Revenue Expenditure Funded by capital Under Statute e.g. Redundancy costs	20

## 5. TREASURY MANAGEMENT STRATEGY

### 5.1 The Prospects for Interest Rates and Economic Forecasts

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Annual Average %	Bank Rate (%)	PWLB Borrowing Rates (%)			
		5 year	10 year	25 year	50 year
Dec 2017	0.50	1.50	2.10	2.80	2.50
March 2018	0.50	1.60	2.20	2.90	2.60
June 2018	0.50	1.60	2.30	3.00	2.70
Sept 2018	0.50	1.70	2.40	3.00	2.80
Dec 2018	0.75	1.80	2.40	3.10	2.90
March 2019	0.75	1.80	2.50	3.10	2.90
June 2019	0.75	1.90	2.60	3.20	3.00
Sept 2019	0.75	1.90	2.60	3.20	3.00
Dec 2019	1.00	2.00	2.70	3.30	3.10
March 2020	1.00	2.10	2.70	3.40	3.20
June 2020	1.00	2.10	2.80	3.50	3.30
Sept 2020	1.25	2.20	2.90	3.50	3.30
Dec 2020	1.25	2.30	2.90	3.60	3.40
Mar 2021	1.25	2.30	3.00	3.60	3.40

Source: Link Asset Services

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. This is dependent on current economic assumptions but could change. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values

as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is

strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

### **Investment and borrowing rates**

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

## 5.2 Borrowing Strategy

### Current Borrowing Portfolio Position

The table below shows the CFR as at December 2017 against the gross debt position of the Council. The gross debt includes other long-term liabilities like PFI and finance lease obligations. Gross debt should not exceed CFR in the medium to long-term.

Estimated debt may change as the capital programme spends and financing changes. The lease balances do not include adjustments for new implications in 2017/18.

Narrative	2016/17 Actual £000s	2017/18 Estimate £000s	2018/19 Estimate £000s	2019/20 Estimate £000s	2020/21 Estimate £000s	2021/22 Estimate £000s
External Debt at 1 April	116,976	116,976	113,010	113,010	113,010	111,010
Expected change in Debt (repayment and new debt)****	0	(3,966)	0	0	(2,000)	(2,000)
<b>Closing External Debt</b>	<b>116,976</b>	<b>113,010</b>	<b>113,010</b>	<b>113,010</b>	<b>111,010</b>	<b>109,010</b>
PFI Balance b/f	19,524	18,664	17,959	17,164	16,480	14,926
In year movement	(860)	(705)	(795)	(684)	(1,554)	(805)
<b>Closing Balance PFI</b>	<b>18,664</b>	<b>17,959</b>	<b>17,164</b>	<b>16,480</b>	<b>14,926</b>	<b>14,121</b>
PFI Partial Termination Balance b/f	15,210	14,613	13,973	13,287	12,552	11,764
In year movement	(597)	(640)	(686)	(735)	(788)	(844)
<b>Closing Partial termination Balance PFI</b>	<b>14,613</b>	<b>13,973</b>	<b>13,287</b>	<b>12,552</b>	<b>11,764</b>	<b>10,920</b>
<b>Total PFI</b>	<b>33,277</b>	<b>31,932</b>	<b>30,451</b>	<b>29,032</b>	<b>26,690</b>	<b>25,041</b>
Finance Leases at 1 April	211	81	44	36	99	140
Expected Change in Finance Leases	(130)	(37)	(8)	63	41	38
<b>Closing Balance Finance Leases</b>	<b>81</b>	<b>44</b>	<b>36</b>	<b>99</b>	<b>140</b>	<b>178</b>
Salix Loan	26	19	12	6	2	0
Salix in year movement	(7)	(7)	(6)	(4)	(2)	0
<b>Closing Balance Salix</b>	<b>19</b>	<b>12</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Actual Gross Debt at 31 March</b>	<b>150,353</b>	<b>144,998</b>	<b>143,503</b>	<b>142,143</b>	<b>137,840</b>	<b>134,229</b>
<b>Capital Financing Requirement</b>	<b>190,890</b>	<b>184,663</b>	<b>193,291</b>	<b>219,160</b>	<b>224,476</b>	<b>222,557</b>
<b>(Under)/over Borrowing</b>	<b>(40,537)</b>	<b>(39,665)</b>	<b>(49,788)</b>	<b>(77,017)</b>	<b>(86,636)</b>	<b>(88,328)</b>

\*\*\*\*£3.966m of long-term debt matures in 2017/18

The table over the page shows the CFR forecast for 2017/18 to 2021/22. Also, there is no maturing debt until 2020/21 hence little borrowing pressure. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

PFI and finance lease portion of the CFR will not be funded by additional loan. Capital forecasts relating to 2019/20, 2020/21 and 2021/22 are very much subject to change at this stage.

The Council's decision to use internal borrowing is prudent as it eliminates the revenue cost of carry as investment returns remain low, there is sometimes slippage on capital programme budgets and counterparty risks remain to a degree. The Council can fund its entire borrowing requirement now if this is affordable. In which case, borrowing will be up to CFR.



## Council's Year End Balance Sheet Position at 31 March 2017

	2015/16	2016/17	Change
	£'000	£'000	£'000
CFR	198,616	190,890	(7,726)
<b>PFI and LEASES</b>	<b>(34,123)</b>	<b>(33,377)</b>	<b>746</b>
<b>Underlying Borrowing Requirement</b>	<b>164,493</b>	<b>157,513</b>	<b>(6,980)</b>
External Borrowing	116,976	116,976	0
Under borrowing / Internal borrowing to date	(47,517)	(40,537)	(6,980)

### Strategy to 'Unwind' Internal Borrowing

Internal borrowing at 31 March 2017 remains at sustainable levels. However, the Council will commence a review of its strategy to 'unwind' internal borrowing.

### Debt Liability Benchmarking

In defining its borrowing strategy, the Council considered the true characteristics of all of the debt instruments in its portfolio, most especially the LOBOs and the various options available to the Council.

Consideration was given to the fact that in the current economic climate the LOBOs in the Council's portfolio will not be called due to their very high interest rate. Should they be called, replacement borrowing will not be required because the council will have cash available in 2018/19 to meet the call options based on the current estimates of the use of internal borrowing for the capital programme.

If all LOBOs are called at once (an unlikely event) then future estimated use of cash to temporarily fund the capital programme is likely to be affected.

The borrowing strategy to temporarily finance its capital programme, led the Council to consider setting a minimum amount of projected liquid cash of £10m. This means that cash outflows for capital purposes would primarily be met from cash investments until £10m was reached, and only at that point, would external borrowing be undertaken except if interest rates were advantageous for long-term loans, then the Council will borrow in advance of need or where interest rates are expected to rise significantly and quickly.

The Council will continue to review, throughout the year, its options around higher and lower levels of cash-backed balances.

## Treasury Risk Analysis - Debt

Whilst it is not mandatory for Local Authorities to adopt the CIPFA Risk Toolkit produced by CIPFA's Treasury Management Panel, the Council will continue to utilise and adopt the risk tool kit and participate in the risk study in 2018/19 as there are some merits for the Council in managing its integrated treasury management portfolio and in considering risk mitigation options for its treasury management review process and benchmarking with its peers.

### 5.3 Treasury Indicators: Limits to Borrowing Activity

**Operational Boundary** - this is the limit beyond which external borrowing is not normally expected to exceed. (The most likely prudent view, not the worst case scenario. Maximum level of external debt projected – Cipfa)

Operational Boundary	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£000s	£000s	£000s	£000s	£000s	£000s
External Debt	116,976	113,010	113,010	113,010	111,010	109,010
Other Long Term Liabilities	33,377	31,988	30,493	29,133	26,830	25,219
Operational Boundary	150,353	144,998	143,503	142,143	137,840	134,229

### Authorised Limit for External Borrowing

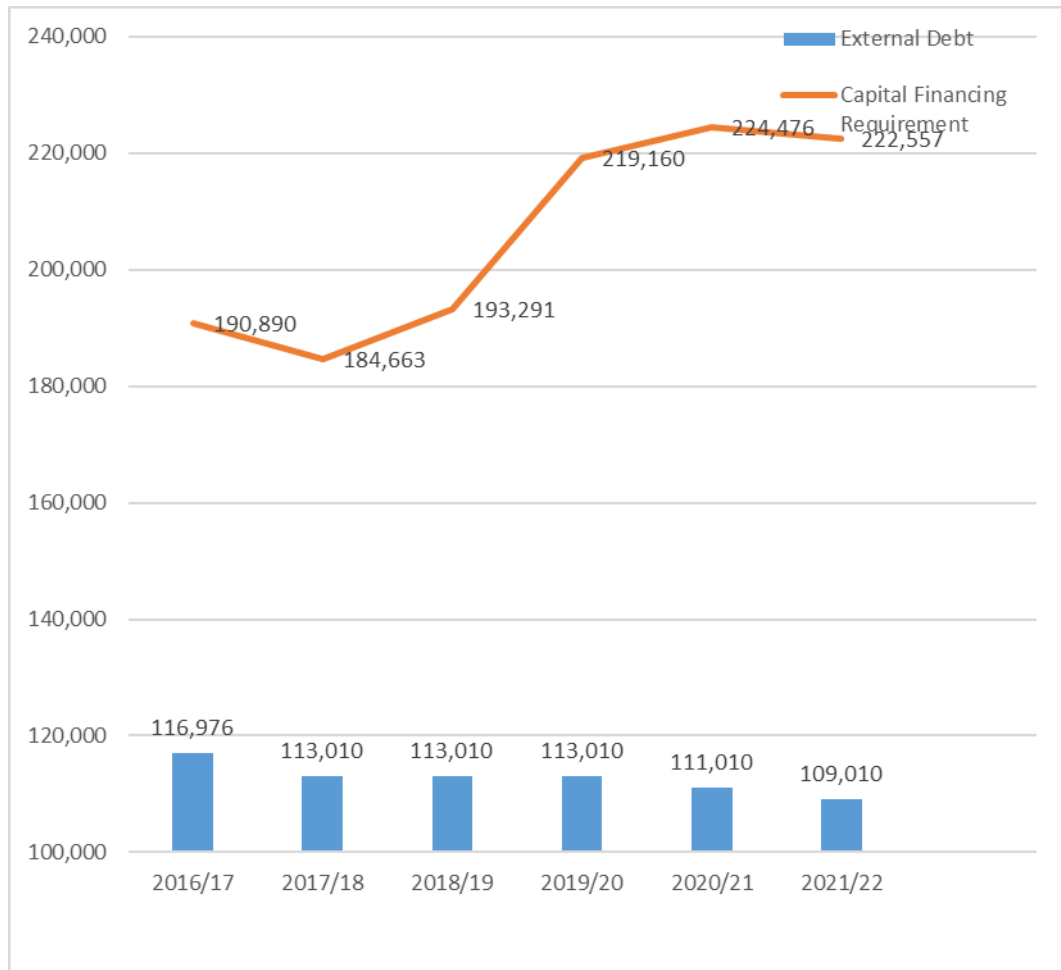
This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents a limit beyond which external borrowing must not go over in the 3 years, and this limit when set is to be revised annually by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. (The operational boundary, plus headroom for unusual cash movements – Cipfa)

The Council is asked to approve the following authorised limit:

	Actual 2016/17 £000s	Estimate 2017/18 £000s	Estimate 2018/19 £000s	Estimate 2019/20 £000s	Estimate 2020/21 £000s	Estimate 2021/22 £000s
Operational Boundary	150,353	144,998	143,503	142,143	137,840	134,229
Headroom for unusual cash movements	53,377	80,000	90,000	100,000	100,000	100,000
Authorised Limit	203,729	224,998	233,503	242,143	237,840	234,229

Members are required to note that these authorised limits show the gross maximum borrowing for the year and, in year regulatory accounting changes which may affect the level of debt in the balance sheet as well as allow for any potential overdraft position and short-term borrowing for cashflow purposes. All of which will be counted against the overall borrowing. The authorised limit also provides headroom for any debt rescheduling which may occur during the year and any borrowing in advance of need.

The following graph shows projection of the CFR and borrowing.



Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council should ensure that its gross debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

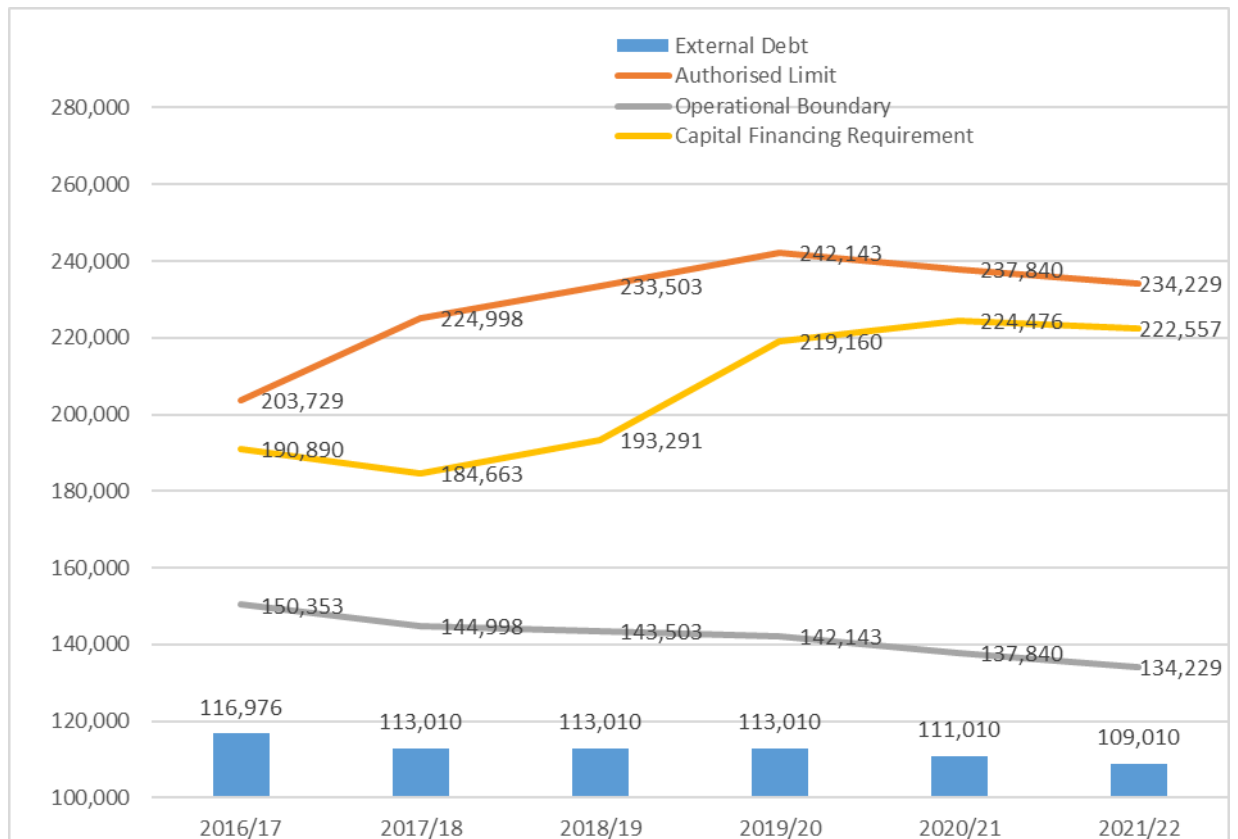
The Director of Corporate Services reports that the Council complied with this key prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget.

## 5.4 Treasury Management Limits on Activity

The table below shows the debt related treasury activity limits.

Members are asked to note that the maturity structure guidance changed in the CIPFA 2011 guidance notes for Lenders Option Borrowers Option (LOBO) Loans, the maturity dates is now deemed to be the next call date.

As interest rates begin to rise, it may be beneficial for the Council to go into some variable rate investments to avoid being locked into long-term investments at low rates in a period of rising interest rates or shorter duration borrowing to gain advantage of low rates.



The table below shows the fixed and variable interest rate exposure

	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Interest Rate Exposures</b>	<b>Upper Estimate</b>	<b>Upper Estimate</b>	<b>Upper Estimate</b>	<b>Upper Estimate</b>	<b>Upper Estimate</b>
<b>Upper limit for fixed interest rates based on net debt</b>	100%	100%	100%	100%	100%
<b>Upper limit for variable interest rates based on net debt</b>	50%	50%	50%	50%	50%
<b>Limits on fixed interest rates:</b>					
• <b>Debt only</b>	100%	100%	100%	100%	100%
• <b>Investments only</b>	100%	100%	100%	100%	100%
<b>Limits on variable interest rates</b>					
• <b>Debt only</b>	50%	50%	50%	50%	50%
• <b>Investments only</b>	50%	50%	50%	50%	50%

The table below shows the Limits on the Maturity Structure of Borrowing

	<b>Maturity Structure of fixed interest rate borrowing 2018/19</b>			<b>Maturity Structure of variable interest rate borrowing 2018/19</b>		
	<b>Actual at 05/12/2017</b>	<b>Lower</b>	<b>Upper</b>	<b>Actual 05/12/2017</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	8.00%	0%	60%	0%	0%	50%
12 months to 2 years	0%	0%	60%	0%	0%	50%
2 years to 5 years	3.45%	0%	60%	0%	0%	50%
5 years to 10 years	23.59%	0%	80%	0%	0%	50%
10 years to 20 years	10.00%	0%	100%	0%	0%	50%
20 years to 30 years	14.39%	0%	100%	0%	0%	50%
30 years to 40 years	24.58%	0%	100%	0%	0%	50%
40 years to 50 years	15.99%	0%	100%	0%	0%	50%

### Local Indicators

In setting the indicators below, the Council has taken into consideration investment risks and returns.

The table below shows target borrowing and investment rates

	2016/17 Actual %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
<b>Average Investment Target Return</b>	0.78%	0.84%	0.75%	0.75%	1.00%	1.25%
<b>Average Investment Target – Property Fund</b>	n/a	3.5%	3.5%	3.5%	3.5%	3.5%
<b>Long Term Borrowing Target</b>						
• <b>Current Portfolio</b>	5.72%	5.72%	5.22%	5.22%	5.22%	5.22%

The average investment target return above is based on the expected target return for the stated periods.

## 5.5 Policy on Borrowing in Advance of Need

London Borough of Merton will not borrow more than, or in advance of its need, purely in order to profit from the investment of the extra sums borrowed.

Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance could be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 24 months in advance of need. Where possible rates will be locked using forward borrowing to reduce the risk of the Council holding cash in low interest rate environment.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. The probability of this happening is low.

However should the Council need to borrow in advance of need, then the following will apply.

Year	Maximum Borrowing in advance	Notes
2018/19	No more than 50% of under borrowing requirement	Borrowing in advance will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 2 years in advance to reduce carrying costs.
2019/20	No more than 50% of under borrowing requirement	
2020/21	No more than 50% of under borrowing requirement	
2021/22	No more than 50% of under borrowing requirement	

## 5.6. Debt Rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Cabinet, at the earliest meeting following its action.

The following table shows the maturity profile of the Council's current debt as at December 2017.

Duration	£'000	% of Debt Portfolio
less than 1 year	*10,000	8.13
1 - 2 years	0	0.00
2 - 5 years	4,000	3.25
5 -10 years	31,010	25.21
10 -15 years	0	0.00
15- 20 years	12,500	10.17
20 - 25 years	0	0.00
25-30 years	13,500	10.97
30 - 35 years	0	0.00
35-40 years	32,000	26.01
40 -45 years	20,000	16.26
45-50 years	0	0
<b>Total</b>	<b>123,010</b>	<b>100.00</b>

\* Short term loans which are excluded from the analysis in other tables apart from the cashflow statement.

All of the Council's LOBOs are past their non call period, however, should all LOBOs be called at their next interest due date then the maturity profile will be as shown in the table below, an event which is very unlikely in the current low interest rate environment.

Duration	£'000	% of Debt Portfolio
less than 1 year	*61,000	49.59
1 - 2 years	0	0
2 - 5 years	0	0.00
5 -10 years	26,510	21.55
10 -15 years	0	0.00
15- 20 years	3,500	2.85
20 - 25 years	0	0.00
25-30 years	0	0.00
30 - 35 years	0	0.00
35-40 years	32,000	26.01
40 -45 years	0	0.00
45-50 years	0	0.00
<b>Total</b>	<b>123,010</b>	<b>100.00</b>

\* £10m Short term loans which are excluded from the analysis in other tables apart from the cashflow statement.

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- \* the generation of cash savings and / or discounted cash flow savings;
- \* helping to fulfil the treasury strategy;
- \* enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

The Council tests the markets for redemption opportunities should they exist. The PWLB loans portfolio was elected for the early redemption review as at December 2017. A total loan value of £52m would incur redemption costs of £25million in addition to any accrued interest due.

The high cost of early redemption is not economically viable in current markets. However there may be cases where the Council is able to negotiate with the counterparty (**Appendix 1**).

The Director of Corporate Services will continue to review and identify any potential for making savings and provide Cabinet with updates when such opportunities arise. Any rescheduling activity will be reported to Cabinet at the earliest meeting following the transaction.

#### Use of Derivatives

The Council may use derivatives for risk management purposes in line with relevant statutory powers, recommended accounting practices and legal opinions on the use of derivatives by Local Authorities in the UK.

### **5.7 Borrowing Options**

The Council will use a number of borrowing sources. These include the Public Works Loans Board (PWLB maturity, EIP or annuity loans), Market loans, Municipal Bond Agency, Retail Bonds, Loans from other Local Authorities and temporary loans. It is hoped that borrowing rates will be lower than those offered by the PWLB. The Council intends to make use of this new source of borrowing as and when appropriate.

### **5.8 Changes Which May Affect Treasury Management**

- Future Regulatory Changes to Money Market Fund Valuation  
Proposed EU legislative changes will require money market funds with constant net asset value to change to variable net asset value. This will mean that investors in the fund will be liable for their share of losses as a result of counterparty failure. Consultation continues on the expected changes.



- Proposed Changes to Leasing

Future changes to accounting for leasing may mean that the cost of service will increase along with increases in MRP and CFR which will affect the Council's underlying borrowing requirement. It is anticipated that there may be some impact on both capital and revenue income and the changes will require all leases to be included on the balance sheet and be measured on PV of future lease payments. The new lease standard (IFRS 13) issued in 2015 is not anticipated to be adopted until 2019/20.

- Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

- Future Challenges to Local Government Funding

Future challenges to local government funding and their effect on cash flow remains a challenge.

## **6. ANNUAL INVESTMENT STRATEGY**

### **6.1 Investment Policy**

London Borough of Merton's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

### **6.2 Investment Strategy**

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations**

Bank Rate is forecast to stay flat at 0.50% until Q4, 2018 and not to rise above 1.25% by Q1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	<b>Now</b>
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

### **6.3 Alternative Investment Instruments**

The Council has in the past restricted its treasury activities to simple investment structures like fixed deposits and money market funds.

However, in the current market, regulatory and economic environment, the Council may be required to utilise various instruments. **Appendix 5** of this report gives a detailed overview of the types of instrument and investment options available to the Council.

The global financial crisis of 2008 led to a major overhaul of regulation, market practices and financial institutions across the world. The changes have been aimed at promoting greater transparency and investor confidence.

Some of these measures include more institution-level regulatory changes like stringent capital, leverage and liquidity requirements in addition to The European Union (EU) Directives on Bank Recovery and Resolution (BRRD) and Deposit Guarantee Schemes (DGSD) among a few are key in this reform. Although these changes are ultimately designed to make financial systems more robust, they are not expected to have a fundamental impact on insolvency creditor hierarchy.

Although the Council does not expect a fundamental change in type of instruments it uses in the delivery of its treasury management activities, a number of new instruments have been included to provide flexibility should there be changes in the economic environment which may warrant their use.

As with any investment, there are varying degrees of risk associated with each instrument or investment options.

Should the Council decide to invest in any asset class a comprehensive analysis will be conducted to understand the associated risk and each instrument will be signed off by the Director of Corporate Services prior to any activity.

**6.4 Investment Treasury Indicator and Limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

	31 Dec 2017 Actual £'m	2017/18 Estimate £'m	2018/19 Estimate £'m	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m
Estimated Principal sums invested greater than 364 days	5m	18m	40m	40m	30m	30m

In addition to fixed deposits, a number of other financial instruments like Property funds will fall under the category of investments with duration exceeding 364 days. In addition to using money market funds, call accounts and notice accounts, the Council will seek to utilise other liquid and transferable instruments like certificate of deposits and gilts for its cashflow balances.

**6.5 Use of Specified and Non-Specified Investments**

Investment instruments identified for use in the financial year are as follows:

**Specified Investments**

These are sterling investments of not more than one-year maturity, or those which could be for a longer period where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended with:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- The investment is not a long-term investment;
- The making of the investment is not defined as capital expenditure]; and
- The investment is made with a body or in an investment scheme of high credit quality or with one of the following public-sector bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined under section 23 of the 2003 Act).

**Non-Specified Investments**

Non-Specified investments are defined as those not meeting the above criteria and exceeding 365 days in duration.

**6.6 Investment Risk Benchmarking**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change

Revenue Pressures – 0.1% improvement on £20m is £20k income generated and the cost of no risk is lost revenue therefore risks must be balanced to the Council's risk appetite.

Security - The Council's maximum security risk benchmark for the current portfolio:

- Liquidity – in respect of this area the Council seeks to maintain:
  - Bank overdraft - £1m
  - Liquid short-term deposits of around £5m or more available with one day access.

## **6.7 Risk Management and Creditworthiness Policy**

This Council applies the creditworthiness service provided by Link Asset Services (formerly Capita Asset Services). This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money Limit	Time Limit
<b>Banks</b>	yellow	£35m	5yrs
<b>Banks</b>	purple	£25m	2 yrs
<b>Banks</b>	orange	£25m	1 yr
<b>Banks – part nationalised</b>	blue	£25m	1 yr
<b>Banks</b>	red	£10m	6 mths
<b>Banks</b>	green	£5m	100 days
<b>Banks</b>	No colour	Not to be used	
<b>Limit 3 category – Council’s banker</b>	Lloyds bank	£5m	1 day
<b>Other institutions limit</b>	-	£5m	1yrs
<b>DMADF</b>	AAA	unlimited	6 months
<b>Local authorities</b>	n/a	£5m	1yrs
	Fund rating	Money Limit	Time Limit
<b>Money market funds</b>	AAA	£35m	Instant
<b>Enhanced money market funds with a credit score of 1.25</b>	Dark pink / AAA	£25m	Instant
<b>Enhanced money market funds with a credit score of 1.5</b>	Light pink / AAA	£10m	Instant

The Link Asset Services’ creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency’s ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

### **6.8 Country and Sector Limits**

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in **Appendix 3**. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

### **6.9 Banking Arrangements**

The Council's bankers are Lloyds bank. The Council's bank accounts include some school accounts and client bank accounts managed as part of its Appointeeship role for residents that require this support. All schools are responsible for the management of their bank accounts.

From time to time the Council may open bank accounts with other banks for specific reasons, subject to approval by the Director of Corporate Services.

### **6.10 Lending to Community Organisations, Other Third Parties and RSLs - Any loans to or investments in third parties will be made under the Well Being powers of the Council conferred by section 2 of the Local Government Act 2000 or Localism Act of 2011.**

The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations, schools, local enterprises, local companies or even individuals. Loans of this nature will be under exceptional circumstances and must be approved by Cabinet or by delegated authority to the Director of Corporate Services. Authorisation from the Financial Conduct Authority (FCA) will also be sought where applicable.

Where it is deemed necessary, additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company. The Council will also consider other factors like the statutory powers in place, reasonableness of the investment, FCA, objective and revenue earnings for the Council, MRP requirements, accounting issues and categorisation of the expenditure as capital or revenue.

In other instances, the Council may receive soft loans from government agencies.

#### **6.11 Non-Treasury Investment Lending**

The Council may be required to make policy investments for the good of its community by lending to local organisations and in some cases schools. Legal agreements are drawn which stipulate the terms of the loan which includes the ability of the organisation to make repayments. The Council may also lend to its wholly owned companies.

#### **6.12 Comparative Reviews** - The Council participates in various comparative and benchmarking clubs.

### **7. Cashflow Management**

#### **7.1** CIPFA requires all monies to be under the control of the responsible officer and for cashflow projections to be prepared on a regular and timely basis. Cashflow provides outline of operations. Actuals and forecast are recorded using Logotech systems. At the end of each day the net receipts and payments is either invested or borrowed to ensure that the Council's bank account is kept at a minimum.

Forecasts are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects. The Council can borrow in advance of need if rates fall and borrowing becomes a lot more advantageous than it currently is.

#### **7.2 Purchase and Corporate Credit Cards**

The use of corporate credit cards like other accounts payable methods carries significant risks. The Director of Corporate Services is responsible for ensuring that the Council has appropriate controls in place to protect the Council's funds.

### **8. Policy on the use of External Service Providers**

The Council recognises CIPFA's guidance on Treasury Management that the responsibility for Treasury Management cannot be delegated outside the authority and recognises that any external service provider used by the Council is to support the in-house Treasury Management function. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. The Council is aware of the CIPFA Treasury Management Advisors Regulation and Services issued in March 2010.

The Council is also mindful of the requirements of the Bribery Act 2011 as amended in its dealings with external providers. A copy of the Council's policy can be found in the link below.

[http://www.merton.gov.uk/democratic\\_services/w-agendas/w-nonexecreports/1115.pdf](http://www.merton.gov.uk/democratic_services/w-agendas/w-nonexecreports/1115.pdf)

## 9. Training

A key outcome of the recent investigations into Local Authority investments is the need to ensure that all relevant Treasury Management staff receive appropriate training and knowledge in relation to these activities. Training is provided in-house on the job, via CIPFA seminars and training courses, treasury adviser seminars and training courses and sometimes counterparties conduct training. In addition, members of the team attend national forums and practitioner user groups.

## 10. The Localism Act

10.1 A key element of the Act is the “General Power of Competence”: “A local authority has power to do anything that individuals generally may do.” CIPFA emphasise that where the legality of the use of derivatives is confirmed, then there is a need for a framework for their use. The Council currently does not use derivatives. Should the need for the use of derivatives arise as a requirement for managing its interest rate exposure or hedging its investments, the Council will take legal advice and report to members before use.

## 11. Treasury Management Practices

11.1 The 2011 Code reinforces a framework of 12 Treasury Management practices (TMPs), which define the manner in which authorities seek to achieve the policies and objectives outlined in their Treasury Management policy statement. The Council’s detailed Treasury Management practices approved in March 2012/13 can be found on the Council’s intranet. An updated version is included as **Appendix 5**

## 12. Appendices

12.1 Appendix 1– Early Repayment of Debt Estimate

Appendix 2 – Policy Investments (Non-Treasury Management Investments)

Appendix 3 – Approved Countries for Investment

Appendix 4 – The Treasury Management Role of the S151 Officer

Appendix 5 – Treasury Management Practices 2018/19

Appendix 6 – Prudential Indicators for 2017/18 to 2020/21

Appendix 7 – Glossary

Appendix 8 – Cashflow Forecast

## 13. Background Papers

- CIPFA Prudential Code for Capital Finance in Local Authorities 2013 Edition
- 2017/18 Treasury Management Strategy report
- The Guide to Local Government Finance (2013 Edition) Module 4: Treasury Management
- CIPFA Practical Considerations in Using Financial Instruments to Manage Risk in the Public Sector
- London Borough of Merton Capital Strategy 2018/22



## APPENDIX 1 – Early Repayment of Debt Estimates for a Selection of Debt

### PWLB loan Early Redemption Estimates at 30 November 2017

Internal Reference No.	Lender	Last Date Interest was Paid	Loan Start Date	Loan Term (yrs)	Loan Maturity Date	Loan Principal Outstanding (£)	Loan Rate (%)	Term left on Loan (Yrs)	Next Interest Due Date	Discount Rate (%)	Accrued Interest to 30 Nov 2017 (£)	Premium/Discount (£)	Total Due (£)
1000484711	PWLB	31/10/2017	13/11/2000	24	31/10/2024	5,000,000	5.000	6.9	30/04/2018	0.89	28,767.12	1,369,386.87	6,398,153.99
1000484981	PWLB	31/10/2017	30/11/2000	24	31/10/2024	1,500,000	4.750	6.9	30/04/2018	0.89	8,198.63	385,827.25	1,894,025.88
1005489969	PWLB	20/11/2017	20/05/2005	30	20/05/2035	2,500,000	4.450	17.4	20/05/2018	1.69	6,705.48	1,038,441.13	3,545,146.61
1005490706	PWLB	21/11/2017	21/11/2005	26	21/11/2031	1,000,000	4.250	13.9	21/05/2018	1.51	2,445.21	343,322.01	1,345,767.22
1005490967	PWLB	25/07/2017	10/01/2006	50	25/07/2055	10,000,000	3.950	37.6	25/01/2018	1.64	151,506.85	6,465,579.57	16,617,086.42
1005490976	PWLB	25/07/2017	10/01/2006	50	25/07/2055	5,000,000	3.950	37.6	25/01/2018	1.64	75,753.42	3,232,789.79	8,308,543.21
1006491475	PWLB	28/10/2017	28/04/2006	45.5	28/10/2051	7,000,000	4.400	33.8	28/04/2018	1.71	37,972.60	4,826,644.11	11,864,616.71
1097480120	PWLB	30/09/2017	15/10/1997	25.5	31/03/2023	310,000	6.625	5.3	31/03/2018	0.72	4,107.50	95,019.86	409,127.36
1097480121	PWLB	30/09/2017	15/10/1997	26.5	31/03/2024	12,000,000	6.500	6.3	31/03/2018	0.83	156,000.00	4,167,798.32	16,323,798.32
1097480232	PWLB	30/09/2017	11/11/1997	26.5	31/03/2024	1,700,000	6.750	6.3	31/03/2018	0.83	22,950.00	616,471.52	2,339,421.52
1098480925	PWLB	31/10/2017	30/04/1998	26	30/04/2024	6,000,000	5.875	6.4	30/04/2018	0.83	40,561.64	1,878,553.71	7,919,115.35
						52,010,000					534,968.45	<b>24,419,834.14</b>	76,964,802.59

**APPENDIX 2 – Policy Investments (Non-Treasury Management Investments)**

Type	Duration	
Joint Development Companies	One month to 10 years	Subject to specific terms
Loans to Registered Landlords	One month to 5 years	Subject to specific terms
Open Loan Facility to RCL's with an affiliation with Merton	One month to 5 years	Subject to specific terms
Loans to wholly owned companies	One month to 30 years	Subject to specific terms
Loan to any other type of organisation	One month to 10 years	Subject to specific terms

### **APPENDIX 3 – APPROVED COUNTRIES FOR INVESTMENTS (as at 30 November 2017)**

Below is the current list of approved countries for investments for use by the Council's treasury team. The countries on the Council's approved list may change from time to time as Sovereign ratings change.

This list is based on those countries which have sovereign ratings of AA- or higher and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

#### **AAA**

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

#### **AA+**

- Finland
- U.K.
- U.S.A.

#### **AA**

- Abu Dhabi (UAE)
- France
- Qatar

#### **AA-**

- Belgium

## **APPENDIX 4**

### **Treasury Management Role of the Section 151 Officer**

#### **The S151 Officer (Director of Corporate Services)**

- recommending clauses, Treasury Management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of Treasury Management external service providers.
- Approval of appropriate money market funds for the Council to invest in.

## APPENDIX 5

### **LONDON BOROUGH OF MERTON** **TREASURY MANAGEMENT PRACTICES 2018/19**

#### **TMP 1: RISK MANAGEMENT**

The Director of Corporate Services – the responsible officer will implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

#### **1.1 Credit and Counterparty Risk Management**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Policy on the use of credit risk analysis techniques

- The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- Credit ratings will be used as supplied from all three rating agencies - Fitch, Moody's and Standard & Poor's.
- Treasury management consultants will provide regular updates of changes to all ratings relevant to the Council.
- The treasury manager will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

#### **1.2 Liquidity Risk Management**

The Council will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business

case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The treasury management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the main bank account.

Bank overdraft arrangements – A £1 million net overdraft at 2% over base rate on debit balances has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts. Separate facilities are available for the Pension Fund bank account.

a. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market.

b. Special payments

Where an urgent clearing house automated payment system (CHAPS) payment is required, a CHAPS payment request form must be completed and forwarded to the Head of Transactional Services who then checks for correct required signatures and supporting paperwork. Further guidance can be found on the Council's intranet.

c. Inter account transfer

From time to time, transactions occur between the Pension Fund and the Council. Reimbursement where necessary is by inter-account transfers between both bank accounts.

### **1.3 Interest Rate Risk Management and use of Derivatives**

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council does not use derivatives, the Council's S151 Officer will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives when used will be clearly stated to members. The treasury management strategy has full details of interest rate exposure limits.

Policies concerning the use of instruments for interest rate management.

- **Forward Dealing**  
Consideration will be given to dealing for forward periods depending on market conditions. When forward dealing is more than a 364 day period forward, the approval of the Director of Corporate Services is required.
- **Callable Deposits**  
The council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

### **Policy on Use of Lender's Option Borrower's Option (LOBO) Loans**

LOBOs give the lender the option to propose an increase in the interest rate at pre-determined dates, and the borrower, the option to accept the new rate **or** redeem the loan without penalty.

Use of LOBOs is considered as part of the Council's annual borrowing strategy. All long-term borrowing must be approved by the S151 Officer.

#### **1.4 Exchange Rate Risk Management**

Occasionally, the Council has to make foreign exchange payments, the Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure.

#### **1.5 Refinancing Risk Management**

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms at renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage the relationships with counterparties in such a manner as to secure the above objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for rescheduling include:

- a) to generate cash savings at minimum risk;
- b) to reduce the average interest rate; and
- c) to amend the maturity profile and/or the balance of volatility of the debt portfolio

Any rescheduling will be reported to the Council at the meeting immediately following the action.

## **1.6 Legal and Regulatory Risk Management**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 1.1 Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The Council will ensure that its treasury management activities comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council.

The Council's powers to borrow and invest are contained in the Local Government Act 2003, section 12 and Local Government Act 2003, section 1. The treasury management scheme of delegation is contained in the Corporate Services Scheme of Delegation. This document contains the officers who are authorised signatories. The Council's monitoring officer is the Assistant Director Corporate Resources while the S151 Officer is the Director of Corporate Services.

## **1.7 Fraud, Error and Corruption, and Contingency Management**

Treasury tasks are segregated and adequate internal checks have been implemented to minimise risks and fraud. Procedures are documented and staff will not be allowed to take up treasury management activities until they have had proper training and are subject to an adequate and appropriate level of supervision.

Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out. Periodic backups will be made to ensure contingency of systems is available.

### **Details of Systems and Procedures to be Followed, Including Internet Services**

The Council uses Logotech Treasury systems as its treasury management recording tool.

- The Corporate Services Scheme of Delegation sets out the delegation of duties to officers and the Council's constitution details delegated authority of treasury management to the Section 151 Officer.
- All loans and investments are negotiated by the Treasury Manager or other authorised persons.
- All long-term loans must be authorised by the Section 151 Officer.



## **1.8 Market Risk Management**

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect it from the effects of such fluctuations. This is controlled mainly by setting limits on investment instruments where the principal value can fluctuate. The limits are detailed in the Treasury Management Strategy

### **TMP 1: SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS**

This is included in the Treasury Management Strategy.

### **TMP 2: PERFORMANCE MEASUREMENT**

#### **2.1 Evaluation and Review of Treasury Management Decisions**

##### **Periodic Review During the Financial Year**

The Director of Corporate Services will hold treasury management review meetings with the Treasury Manager, periodically or as required to review actual activity against the Treasury Management Strategy Statement (TMSS) and cashflow forecasts. This will include:

- Total debt (both on-and off- balance sheet) including average rate and maturity profile.
- Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.
- Cashflow forecast against the actual.

##### **Annual Review After the end of the Financial Year**

Annual Treasury Report will be submitted to the Full Council each year after the close of the financial year.

##### **Comparative Review**

Each year or on a quarterly basis, comparative review is undertaken to see how the Council's performance on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are set locally). Such reviews are: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- CIPFA Risk Study
- Other

## **2.2 Benchmarks and Calculation Methodology**

### **2.2.1 Debt management**

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

### **2.2.2 Investment**

The performance of investment earnings will be measured against any of the following benchmarks:

- In-house benchmark and when necessary other benchmarks such as Bank of England base rate, 7-day LIBID un compounded, 7-day LIBID compounded weekly, 1-month LIBID and 3-month LIBID compounded quarterly

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers using the CIPFA treasury management benchmark service.

## **2.3 Policy Concerning Methods for Testing Value-for-money in Treasury Management**

The process for advertising and awarding contracts will be in-line with the Council's Contract Standing Orders and procurement guidelines.

### **2.3.1 Money-broking Services**

From time to time, the Council will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of firm of brokers is maintained by the Treasury Manager. The list takes account of both prices and quality of service. No firm of brokers will be given undue preference.

### **2.3.2 Consultants / Advisers Services**

The Council's treasury management adviser is Link Asset Services (formerly Capita Asset Services).

## **TMP 3: DECISION-MAKING AND ANALYSIS**

### **3.1 Funding, Borrowing, Lending, and New Instruments/Techniques**

#### **3.1.1 Records to be kept**

The following records will be retained:

- Daily cash balance forecasts for the day and previous day
- Money market deal booking and deal approval confirmation emails
- Dealing slips for all investment and borrowing transactions

- Brokers' confirmations for all investment and temporary borrowing transactions made through brokers
- Confirmations from borrowing / lending institutions including money market fund portals
- PWLB loan confirmations
- PWLB interest due schedule
- Certificates for market loans, local bonds and other loans
- Deal confirmation letters for deals over one month
- Banking and other contract documents which the treasury team has responsibility for.

### **3.1.2 Processes to be pursued**

- Cashflow analysis
- Debt and investment maturity analysis
- Ledger/Logotech/Bank reconciliations
- Review of counterparty limits in addition to monitoring of counterparties
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc)
- Treasury contracts management

### **3.1.3 Issues to be addressed**

#### **3.1.3.1 In respect of all treasury management decisions made the Council will:**

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive; and
- f) Ensure that adequate investigation on security of the Council's funds has been conducted

**3.1.3.2 In respect of borrowing and other funding decisions, the Council will:**

- a) Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, use of reserves, leasing and private partnerships; and
- d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

**3.1.3.3 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions; and
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital

**TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

**4.1 Approved Activities of the Treasury Management Operation**

- . Borrowing;
- . Lending;
- . Debt repayment and rescheduling;
- . Consideration, approval and use of new financial instruments and treasury management techniques;
- . Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- . Managing cash flow;
- . Banking activities;
- . Use of external fund managers (other than Pension Fund)
- . Leasing;
- . Undertaking all treasury management activities for the Pension Fund including its strategy setting.

**4.2 Approved Instruments for Investments**

**English and Welsh authorities:** The Annual Investment Strategy has a list of approved instruments.

**4.3 Approved Techniques**

- . Forward dealing
- . LOBOs – Lender's Option, Borrower's Option borrowing instrument
- . Structured products such as callable deposits

#### 4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Bonds administered by the Municipal Bond Agency	●	●
Stock issues	●	●
Local (temporary)	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

#### **Other Methods of Financing**

Government and EC Capital Grants  
Lottery monies  
PFI/PPP  
Operating and Finance leases  
Revenue Contributions

Borrowing will only be done in British Pound Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Corporate Services has delegated powers in accordance with Financial Regulations, Standing Orders and Scheme of Delegation to Officers to take the most appropriate form of borrowing from the approved sources.

#### 4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

#### 4.6 Borrowing Limits

The Treasury Management Strategy Statement and Prudential and Treasury Indicators state all appropriate limits.

## TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

### 5.1 Allocation of Responsibilities

#### (i) Council (Budget)

- Receiving and reviewing reports on treasury management policy, practice and activity; and
- Approval of annual strategy

#### (ii) Cabinet

- Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practice;
- Budget consideration and approval;
- Approval of the division of responsibilities; and
- Receiving and reviewing regular monitoring reports and acting on recommendations.

#### (iii) Overview and Scrutiny Commission (Financial Monitoring Task Group)

- Reviewing all treasury management reports and making recommendations to the Cabinet

### 5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties are undertaken by separate officers: -

Tasks	Duties	Responsible Officer
Dealing	• Negotiation and approval of deal	Treasury manager
	• Entering of deal into Logotech	Treasury manager/ Fund officer
	• Sending confirmation letter to counterparty (to be signed by authorised signatory)	Treasury manager/ Fund officer
	• Checking of brokers and counterparty confirmation notes against Logotech	Fund officer
	• Reconciliation of FMIS Codes and reconciliation to bank statement	Fund officer Treasury manager
	• Sign off of reconciliations	Fund officer

Accounting Entry	<ul style="list-style-type: none"> <li>• Processing of accounting entry into FMIS (bank reconciliation team)</li> </ul>	Bank reconciliation team
Authorisation / Payment of Deal	<ul style="list-style-type: none"> <li>• Inputting CHAPS on Lloyds link</li> <li>• Approval of CHAPS on Lloyds link and CHAPS form authorisation</li> </ul>	Treasury manager/Fund officer
		Authorisers per bank mandate

### 5.3 Statement of the Treasury Management Duties/Responsibilities of Each Treasury Post

#### 5.3.1 Responsible Officer

The Responsible Officer is the person charged with professional responsibility for the treasury management function and in this Council it is the Director of Corporate Services and is also the S151 Officer. This person or delegated persons will carry out the following duties: -

- a) Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
- b) Submitting regular treasury management policy reports
- c) Submitting budgets and budget variations
- d) Receiving and reviewing management information reports
- e) Reviewing the performance of the treasury management function
- f) Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) Ensuring the adequacy of internal audit, and liaising with external audit
- h) Recommending the appointment of external service providers.
- i) The Responsible Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The Responsible Officer may delegate her power to borrow and invest to members of her staff. The Treasury Manager, the fund officer. Treasury management team staff must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave / sickness.
- k) The Responsible Officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that

the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

### **5.3.2 Treasury Manager**

The responsibilities of this post will be: -

- a) Drafting the treasury management strategy and annual report
- b) Execution of transactions
- c) Adherence to agreed policies and practices on a day-to-day basis
- d) Maintaining relationships with counterparties and external service providers
- e) Supervising treasury management staff
- f) Monitoring performance on a day-to-day basis
- g) Submitting management information reports to the Responsible Officer; and
- h) Identifying and recommending opportunities for improved practices

### **5.3.3 Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented; and
- b) Ensuring that the Responsible Officer reports regularly to the full Council / Cabinet or General Purpose Committee on treasury policy, activity and performance.

### **5.3.4 Monitoring Officer**

The responsibilities of this post will be: -

- a) Ensuring compliance by the Responsible Officer with the treasury management policy statement and treasury management practice and that they comply with the law
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice; and
- c) Giving advice to the Responsible Officer when advice is sought

### **5.3.5 Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practice
- b) Reviewing division of duties and operational practice
- c) Assessing value for money from treasury activity; and
- d) Undertaking probity audit of the treasury function

## **5.4 Absence Cover Arrangements**

Cover for treasury management staff will be to specific delegated staff.



## **5.5 Dealing Limits**

- No investment deal must exceed £5million per transaction
- No borrowing deal at any point in time must exceed £10 million except when existing loans are being repaid.

## **5.6 List of Approved Brokers**

A list of approved brokers is maintained by the Treasury team and a record of all transactions conducted with them can be obtained from Logotech.

### **Policy on Brokers' Services**

It is the Council's policy to rotate business between brokers.

## **5.7 Policy on Taping of Conversations**

The Council currently does not tape conversations with brokers **but** ensures that confirmations are received from counterparties.

## **5.8 Direct Dealing Practices**

The Council will deal direct with counterparties if it is appropriate and the Council believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts
- Call Accounts
- Money Market Funds
- Gilt/CD purchase via custodian; and
- Fixed period account e.g. 15-day fixed period account

## **5.9 Settlement Transmission Procedures**

A confirmation letter signed by an authorised signatory per the Council's bank mandate must be sent to the counterparty if the deal period exceeds one month. Copy of forms folder located in H:/techaccy/treasury/Daily Treasury for PF

For payments, any transfer to be made via Lloyds link CHAPS system must be completed by 2.00 p.m. on the same day to ensure it is authorised. Money market funds may have earlier cut-off time/deadlines.

## **5.10 Documentation Requirements**

For each deal undertaken, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker and confirmation fax, email or letter.

## **5.11 Arrangements Concerning the Management of Third-Party Funds.**

The Council holds a number of trust funds, appointeeship and custody bank accounts. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded.

## **TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

### **6.1 Annual Treasury Management Strategy Statement**

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the cabinet and then to the Council (budget) for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - a) Prudential and Treasury Indicators
  - b) Current Treasury portfolio position
  - c) Borrowing requirement
  - d) Prospects for interest rates
  - e) Borrowing strategy
  - f) Policy on borrowing in advance of need
  - g) Debt rescheduling
  - h) Investment strategy
  - i) Creditworthiness policy
  - j) Policy on the use of external service providers
  - k) Any extraordinary treasury issue
  - l) MRP strategy
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives.

### **6.2 Annual Investment Strategy Statement**

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) Which specified and non specified instruments the Council will use
- c) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- d) Which credit rating agencies the Council will use
- e) How the Council will deal with changes in ratings, rating watches and rating outlooks

- f) Limits for individual counterparties and group limits
- g) Country limits
- h) Levels of cash balances
- i) Interest rate outlook
- j) Budget for investment earnings
- k) Policy on the use of external service providers

### **6.3 Annual Minimum Revenue Provision Statement**

This statement sets out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

### **6.4 Policy on Prudential and Treasury Indicators**

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The Responsible Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Responsible Officer shall submit the changes for approval to the full Council.

### **6.5 Other Reporting**

- Annual report on treasury management activity
- Other management information reports

## **TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 Statutory / Regulatory Requirements**

The accounts are drawn up in accordance with IFRS. The Council has adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to the Council's treasury management activity.

## **TMP 8: CASH AND CASHFLOW MANAGEMENT**

### **8.1 Arrangements for Preparing Cashflow**

Cashflow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous year's cashflow records, adjusted for known changes in levels of income and expenditure, new grant allocations and changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised

amounts to be paid or received as and when they are known. Logotech is used to record cashflow.

## **8.2 Bank Statements Procedures**

The Council receives daily bank statements on a daily basis, download into the folder below. Estimates on Logotech cashflow is updated with actuals from bank statement.  
**H:\TECHACCY\TREASURY\Daily Treasury for GF General Fund Daily**

## **TMP 9: MONEY LAUNDERING**

### **9.1 Proceeds of Crime Act 2002 and Amendments**

See Council's website and intranet for money laundering process and associated policies  
[http://intranet/anti\\_money\\_laundering\\_policy.pdf](http://intranet/anti_money_laundering_policy.pdf)

### **9.2 The Terrorism Act 2000 and Amendment order**

See Council's website and staff intranet on policy. Staff should note that all individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

### **9.3 The Money Laundering Regulations 2007 and Updates**

The Council's money laundering officer is the Head of Audit. See Council's website and intranet for details [http://intranet/anti\\_money\\_laundering\\_policy.pdf](http://intranet/anti_money_laundering_policy.pdf)

Treasury management and banking staff are required to familiarise themselves with all money laundering regulations.

### **9.4 Procedures for Establishing Identity / Authenticity of Lenders**

It is not a requirement under Proceeds of Crime Act (POCA) for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, the Council does not accept loans from individuals except during a bond issue.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on [www.fca.gov.uk](http://www.fca.gov.uk).

### **9.5 Methodologies for identifying Deposit Takers**

Other than those organisations mentioned in para section 6.10 and Appendix 2 of the treasury strategy, in the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list.

These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA Register can be accessed through their website on [www.fca.gov.uk](http://www.fca.gov.uk).

All transactions will be carried out by CHAPS, faster payments or BACS for making deposits or repaying loans.

## **TMP 10: TRAINING AND QUALIFICATIONS**

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

In addition, training may be provided on-the-job, and it is the treasury manager's responsibility to ensure that treasury management staff receive appropriate training.

### **10.1 Details of Approved Training Courses**

Treasury management staff and members will go on courses provided by the Council's treasury management consultants, CIPFA, money brokers etc.

### **10.2 Records of Training Received by Treasury Staff**

Staff will keep records on their training.

### **10.3 Member Training Record**

Member training will be provided as required.

## **TMP 11: USE OF EXTERNAL SERVICE PROVIDERS**

### **11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Custodian Banks, Consultants, Advisers**

This Council may employ the services of other organisations to assist it in the field of treasury management. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Council, especially in terms of being objective and free from conflicts of interest.

#### **11.1.1 Banking Services**

- a) The Council's supplier of banking services is Lloyds Bank. The bank is an authorised banking institution authorised to undertake banking activities in the UK by the FCA
- b) The branch address is:  
Lloyds Banking Group  
25 Gresham Street, London  
EC2V 7HN

### **11.1.2 Money-Broking Services**

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

### **11.1.3 Consultants'/Advisers' Services**

#### **Treasury Consultancy Services**

The Council receives mail shots on credit ratings, economic market data and borrowing data. In addition, interest rate forecasts, annual treasury management strategy templates, and from time to time, the Council may receive advice on the timing of borrowing, lending and debt rescheduling. The performance of consultants will be reviewed by the treasury manager to check whether performance has met expectations.

### **11.1.4 Custodian Banks**

The Council will use the services of custodian banks when trading in most transferable instruments like treasury bills. Due procurement process will be followed in the procurement of this service. It should be noted that it is the borrower that pays in most cases and not the lender. Property fund on the other hand do not require custody services, the investor pays all fee.

### **11.1.5 Credit Rating Information**

The Council receives notifications of credit ratings from Link Asset Services.

## **11.2 Procedures and Frequency for Tendering Services**

See TMP2

## **TMP 12: CORPORATE GOVERNANCE**

### **12.1 List of Documents to be Made Available for Public Inspection**

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. The Council has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

## APPENDIX 6

## PRUDENTIAL INDICATORS FOR 2017/18 TO 2021/22

PRUDENTIAL INDICATORS	2017/18 Probable Outturn £'000	2018/19 Forecast £'000	2019/20 Forecast £'000	2020/21 Forecast £'000	2021/22 Forecast £'000
<b>1 CAPITAL EXPENDITURE</b>					
a) Capital Expenditure (includes expenditure funded by supported, unsupported borrowing and other sources)					
i) General Fund estimated as at 22/12/17 (Net of Leasing)	31,515	48,197	38,121	17,319	12,226
<b>Total as at 22/12/17</b>	<b>31,515</b>	<b>48,197</b>	<b>38,121</b>	<b>17,319</b>	<b>12,226</b>
b) In year Capital Financing Requirement (CFR)					
i) General Fund (Gross of MRP costs)	237	13,987	32,953	13,495	6,986
<b>Total in year CFR</b>	<b>237</b>	<b>13,987</b>	<b>32,953</b>	<b>13,495</b>	<b>6,986</b>
c) Capital Financing Requirement as at 31 March (Balance Sheet figures)					
i) General Fund (Net of MRP costs)	184,663	193,291	219,160	224,476	222,557
<b>Total</b>	<b>184,663</b>	<b>193,291</b>	<b>219,160</b>	<b>224,476</b>	<b>222,557</b>
<b>2 AFFORDABILITY</b>					
a) Ratio of Financing Costs to net Revenue Streams					
i) General Fund	10.34%	9.58%	11.55%	12.34%	12.50%
b) General Fund Impact of Prudential (Unsupported) Borrowing on Band D Council Tax Levels (per annum)					
i) In year Increase £	(52.35)	(19.94)	34.12	7.84	6.86
ii) Cumulative Increase (includes MRP costs) £		(72.29)	(38.17)	(30.32)	(23.46)

## APPENDIX 6

## PRUDENTIAL INDICATORS FOR 2017/18 TO 2021/22 Continued.....

PRUDENTIAL INDICATORS	2017/18 Probable Outturn £'000	2018/19 Forecast £'000	2019/20 Forecast £'000	2020/21 Forecast £'000	2021/22 Forecast £'000
<b>3 LONG-TERM EXTERNAL DEBT</b>					
a) Debt Brought Forward 1 April	116,976	113,010	113,010	113,010	111,010
Debt Carried Forward 31 March	113,010	113,010	113,010	111,010	109,010
<b>Additional Borrowing</b>	<b>(3,966)</b>	<b>0</b>	<b>0</b>	<b>(2,000)</b>	<b>(2,000)</b>
b) Operational Boundary for External Debt (Excludes Revenue Borrowing)					
i) External Debt 31 March	113,010	113,010	113,010	111,010	109,010
ii) Other Long-term Liabilities	31,988	30,493	29,133	26,830	25,219
c) Total Operating Boundary (Excludes Revenue Borrowing)	144,998	143,503	142,143	137,840	134,229
<b>Add</b> margin for cashflow contingency	80,000	90,000	100,000	100,000	100,000
Affordable Borrowing Limit (Includes Revenue Borrowing)	224,998	233,503	242,143	237,840	234,229
Authorised Limit for External Debt (Includes Revenue Borrowing)					
- Gross Debt 31 March	144,998	143,503	142,143	137,840	134,229
- Headroom for Unusual Cash Movements	80,000	90,000	100,000	100,000	100,000
<b>Authorised Borrowing Limit</b>	<b>224,998</b>	<b>233,503</b>	<b>242,143</b>	<b>237,840</b>	<b>234,229</b>
<b>4 TREASURY MANAGEMENT</b>					
a) Borrowing Limit – Upper Limit for Fixed Interest Rate Exposure Expressed as: Net Principal re Fixed Rate Borrowing/Investments	224,998	233,503	242,143	237,840	234,229
b) Borrowing Limit – Upper Limit for Variable Interest Rate Exposure Expressed as a %: Net Principal re Variable Rate Borrowing/ Investments	50%	50%	50%	50%	50%
c) Lending Limit – Upper Limit for Total Principal Sums Invested for Over 364 Days Expressed as a % of Total Investments	50%	50%	50%	50%	50%



APPENDIX 6

PRUDENTIAL INDICATORS FOR 2017/18 TO 2021/22 Continued.....

	<i>LOWER LIMIT</i>	<i>UPPER LIMIT</i>
d) Maturity Structure of new Fixed Rate Borrowing, if Taken During 2018/19		
i) Under 12 Months	<i>0</i>	<i>10%</i>
ii) 12 Months to 24 Months	<i>0</i>	<i>20%</i>
iii) 24 Months to 5 Years	<i>0</i>	<i>30%</i>
iv) 5 Years to 10 Years	<i>0</i>	<i>40%</i>
v) 10 Years and Above	<i>0</i>	<i>100%</i>

## **APPENDIX 7**

### **GLOSSARY OF TREASURY MANAGEMENT TERMS**

#### **Accrued Interest**

Any interest that has accrued since the initial purchase or since the last coupon payment date, up to the date of sale/purchase

#### **Basis Point**

One hundredth of 1% e.g. 0.01%

#### **Certificate of Deposit (CD)**

A Tradable form of fixed deposit. They can be sold before maturity via the secondary market at a rate that is negotiable. Often issued by banks and Building Societies in any period from 1 month to 5 years.

#### **Coupon**

The total amount of interest a security will pay on a yearly basis. The coupon payment period depends on the security.

#### **Covered Bond**

Covered bonds are conventional bonds (fixed or floating) issued by financial institutions that are backed by a separate group of loans, usually prime residential mortgages or public sector loans.

#### **Credit Rating**

A measure of credit worthiness of a borrower. A credit rating can be assigned to a country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch and Moody's.

#### **Credit risk**

This is the risk that the issuer of a security becomes temporarily or permanently insolvent, resulting in its inability to repay the interest or to redeem the bond. The solvency of the issuer may change over time due to various factors.

#### **Debt Management Office (DMO)**

Debt Management Office is an executive agency of HM Treasury. They are responsible for debt management in the UK, in the form of issuing Treasury Bills and Gilts.

#### **Financial Strength Rating**

Rating criteria used by Moody's ratings agency to measure a bank's intrinsic safety and soundness.

### Floating Rate Note (FRN)

An instrument issued by Banks, Building Societies and Supranational organisations which has a coupon that re-sets usually every 3 months. The refix will often be set at a premium to 3 month LIBOR.

### Gilt

A UK Government Bond, sterling denominated, issued by HM Treasury

### Index Linked Gilts

A government bond issued by the DMO whose coupon and final redemption payment are related to movement in the RPI (Retail Price Index)

### Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rate. Interest rate risk affects the value of bonds more directly than stocks, and it's a major risk to all bond holders. As interest rates rise, bond prices fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond decreases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate

### LIBOR

London Interbank Offered Rate: set on a daily basis. The rate at which banks lend to each other for different periods

### Long Term

Duration in excess of 1 year

### Net Asset Value (NAV)

Often used when funds or investment assets are valued. This term generally means the total assets less total liabilities.

### Premium

The sale/purchase of an asset at a level that is above the par value or original price. If a security is trading at a premium, current market interest rates are likely to be below the coupon rate of the security.

### Short Term

Duration of up to 1 year

### Support Rating

Fitch Ratings Agency's assessment of extraordinary support given to a financial institution either by the parent and or sovereign.

### Supranational Bond

A bond issued by a Supranational organisation (multi-lateral development banks). They are AAA rated organisations in which the share capital is jointly owned and guaranteed by leading developed nations in their respective region.

### Treasury Bill (T-Bills)

A Treasury Bills is a short dated instrument issued by HM Treasury. They are issued at a discount, therefore they are not coupon bearing.

### Viability Ratings

Assessment of a bank's intrinsic creditworthiness applied by Fitch Ratings Agency. Its aim was to enhance visibility on benefits of support. This replaced the individual ratings.

### Yield Curve

The yield curve represents the relationship between yield and maturity. The conventional shape being that as the maturity lengthens, the yield will increase. Each security will have its own yield curve, depending on the yield in every time period available.

Description	2016/17 Actual £000	2017/2018 Actual £000	2018/2019 Actual £000	2019/2020 Actual £000	2020/2021 Actual £000
<b>Payments</b>					
Payroll Related Payments (including payroll element of Schools' advances)-net pay	100,288	114,843	117,140	119,483	121,872
Payroll related-HMRC	39,820	39,459	40,248	41,053	41,874
Payroll related-Teachers Pensions Authority	11,500	13,828	14,105	14,387	14,674
Payroll related-pension fund and disbursements and including back funding and added years	23,431	21,796	22,232	22,677	23,130
Service payments- (Premises, Transport, Supplies and Services and Third Party payments)	308,115	289,320	290,128	300,994	303,925
Transfer Payments-Housing Benefits	83,882	94,589	96,481	98,410	100,379
Bank Charges & Related Expenditure	284	288	294	300	306
Precepts and Levies - CTAX (GLA) and NDR(GLA,CLG) and levies	78,869	86,778	88,514	90,284	92,090
Business Rates and CTax Refunds	6,780	6,176	6,300	6,426	6,554
Capital Payments	30,626	30,962	40,337	38,121	17,319
<b>Total Payments</b>	<b>683,595</b>	<b>698,039</b>	<b>715,778</b>	<b>732,133</b>	<b>722,123</b>
<b>Receipts</b>					
Business Rates Receipts	(95,056)	(99,641)	(101,634)	(103,666)	(105,740)
Council Tax Receipts	(105,428)	(109,179)	(111,363)	(113,590)	(115,862)
DWP - Housing Benefit Subsidy & Admin Grant & Discretionary Housing Payment grant&S31 Grant)	(90,683)	(95,048)	(96,949)	(98,888)	(100,866)
Grants (Including Capital Grants and Public Health Grants)	(218,825)	(221,347)	(225,774)	(230,289)	(234,895)
Other receipts-fees and charges	(71,681)	(60,874)	(69,129)	(53,330)	(52,992)
Payroll Recoupment	(83,304)	(88,323)	(90,089)	(91,891)	(93,729)
VAT Reimbursement	(18,205)	(18,897)	(19,497)	(20,008)	(18,953)
<b>Total Receipts</b>	<b>(683,182)</b>	<b>(693,309)</b>	<b>(714,436)</b>	<b>(711,663)</b>	<b>(723,036)</b>
<b>1. Net Cashflow (Revenue and Capital Cash)-(inflow) Outflow</b>	<b>413</b>	<b>4,730</b>	<b>1,342</b>	<b>20,471</b>	<b>(914)</b>
<b>Debt Repayment</b>					
Interest Received on investments	(609)	(561)	(371)	(259)	(144)
Interest on Pooled Property Investment	(234)	(239)	(395)	(395)	(395)
Interest Paid on Debt inc DME	6,797	6,702	6,315	6,315	6,315
<b>2. Interest-net (Net cash flow)-(Inflow) Outflow</b>	<b>5,954</b>	<b>5,902</b>	<b>5,549</b>	<b>5,661</b>	<b>5,776</b>
<b>3. Debt repayment</b>	<b>1,034</b>	<b>3,966</b>	<b>0</b>	<b>0</b>	<b>2,000</b>
B/F Cash Deposits Balance (SoA Note 9 Financial Instruments)	85,400	70,900	62,144	54,821	28,689
B/F Bank Balance (SoA Note 14 Cash and cash equivalents)	23,311	30,410	24,568	25,000	25,000
B/Fwd Total	108,711	101,310	86,712	79,821	53,689
Change in cash and investments (1+2+3)- (Inflow) Outflow	7,401	14,598	6,891	26,132	6,862
C/F Cash Deposits Balance (SoA Note 14 Financial Instruments)	70,900	62,144	54,821	28,689	21,827
C/F Bank Balance (SoA Note 14 Cash and Cash Equivalents)	30,410	24,568	25,000	25,000	25,000
C/Fwd Total	101,310	86,712	79,821	53,689	46,827

# WORKFORCE STRATEGY

## 1. INTRODUCTION

Welcome to Merton's Workforce strategy, which outlines our aims for the period 2018 – 2021 and shows how we will support, engage with and develop our workforce, so they are equipped to meet the challenges of continuing to deliver high quality services to our customers and local communities.

The people, who work for, work with, volunteer with, and wish to work for Merton Council, are vital for us to reach our goals. All of our achievements as a council, and the excellent services we deliver to our public, are reliant on us having a suitably skilled, able and equipped workforce, who demonstrates our values and behaviours. The Council has won a number of awards, which is testament to the commitment, and professionalism of our people. This strategy aims to build on the success and dedication of the current workforce, and ensure that we have the structures and resources to meet the challenges of the future.

Through our Merton 2015 programme we have transformed the way we work and what we do - successfully delivering savings and new approaches to the services we offer our residents, while maintaining customer satisfaction. In order to achieve further changes, council departments have designed Target Operating Models, which are focussed on providing the highest quality services to the public, operating with efficiency and accountability.

The Council's ambition to be London's Best Council provides the Council with the momentum to continue to strive to be the best that we can be individually and collectively. Being London's Best Council provides a structure, which is supported by the themes from the workforce strategy.

The strategy shows how departments, managers and human resources will jointly contribute towards achieving our organisational priorities, and addresses six key areas:

- Workforce planning
- Recruitment and Retention
- Organisation and Workforce Development
- Morale, Health and wellbeing
- Leadership
- Apprenticeships

Through the action plans and outcome measures that we are proposing, we believe that we will equip Merton Council with the modern and dynamic workforce that is needed to take on the challenges of delivering excellent public services for years to come.

**Ged Curran**

**Chief Executive**

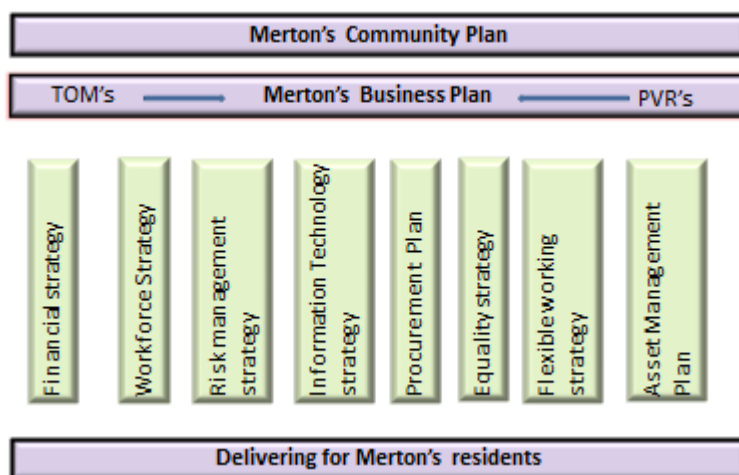
# WORKFORCE STRATEGY

## 2. BACKGROUND

Merton Council is undergoing a period of sustained and conscious transformation in order to best respond to the changing environment (especially financial) and customer expectations. We are working together to shape services and the organisation to ensure a successful future for our residents and staff.

### 2.1 Key Council priorities

The key priorities for the borough are captured within the Community Plan, developed by the Merton Partnership. The strategy is closely aligned to the Community Plan, which sets the overall long-term direction and vision for the borough to 2021 it links with the medium term financial strategy.



The Community Plan identified the first four priority areas, with Corporate Capacity having been added by the Council.

- Children and Young People – Better opportunities for youngsters
- Health and Well Being – A healthy and fulfilling life
- Sustainable Communities and Transport – Keeping Merton moving
- Safer and Stronger – Being safe and strong
- Corporate Capacity

The theme of Corporate Capacity encompasses the effective recruitment, development and management of staff. This Workforce Strategy outlines how we will transform the Council's workforce and be fit for purpose in 2021.

### 2.2 How the Council has changed in the last 3 years

We take a proactive approach to planning for our future. Since our Workforce Strategy was published in 2015, we have been continuing to manage our transformation programme through the Merton Improvement Board and Departmental Management Teams. Despite reducing our workforce to (1500 fte) our quest to continuously improve has remained. The annual residents' survey states that the vast majority of Merton residents are satisfied with their local area as a place to live (92%). This is a positive finding and is 12-percentage points higher than the national benchmark of 80% (LGA polling Feb 17). The 2016 staff survey shows that we have a committed workforce who are willing to go the extra mile to deliver services to our customers (89%). The Council is now aiming to be London's Best Council.

Continued delivery of quality and value for money services for our residents has been achieved through reviewing our service delivery models and developing innovative solutions, including shared services, partnership working and the development of volunteering in the borough. Continuous improvement is at the

## WORKFORCE STRATEGY

heart of our approach and we have introduced lean methodology to drive out waste from our processes and now work in a highly focused and lean operation.

Our employees shown themselves equal to the challenges, and as we plan the future shape of our services and organisation, we are laying the foundations to ensure that the workforce continues to enable the Council to best serve our residents.

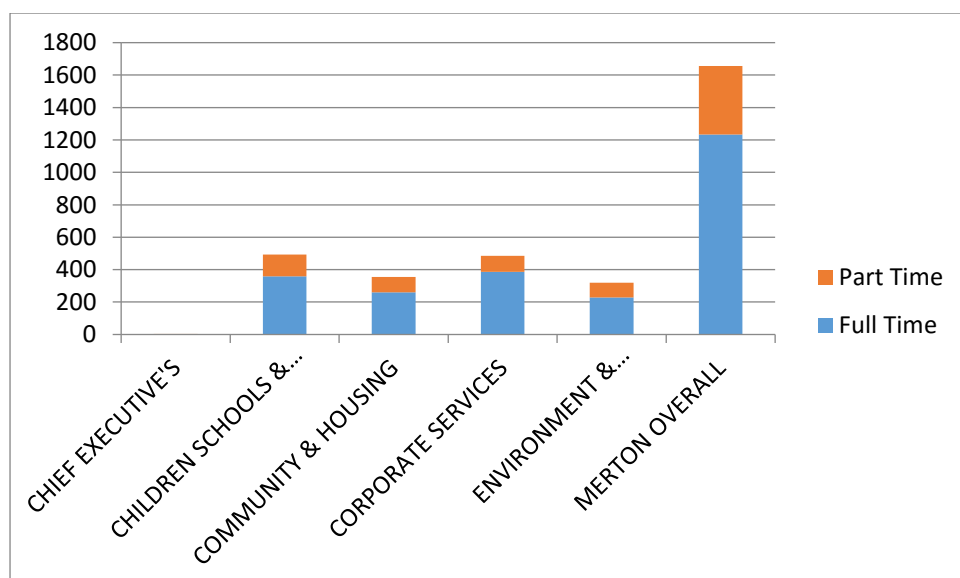
### 3. HIGH LEVEL SHAPE OF THE WORKFORCE

The workforce in Merton has changed over the last three years. In particular:

- We have transferred out staff who worked in our Waste and Greenspaces teams to third party contractors. This will have an impact on the demographics of our workforce.
- Changes in the education provision with an emphasis on Early Years
- We host a number of shared services with other boroughs such as Regulatory Services and Legal Services
- We have reduced our agency spend over the period – through a combination of temp-perm recruitment, targeted advertising campaigns and the transfer out of teams that had high agency usage. We have also negotiated a reduction in the cost of that contract
- The Council is still in the early stages of adjusting to the new IR35 regulations and these will doubtless have an impact on the shape of our workforce.
- The workforce is ageing with an increasing number of employees over the age of fifty.
- Merton’s sickness remains high and remains above the London average.

#### COMPOSITION OF THE WORKFORCE

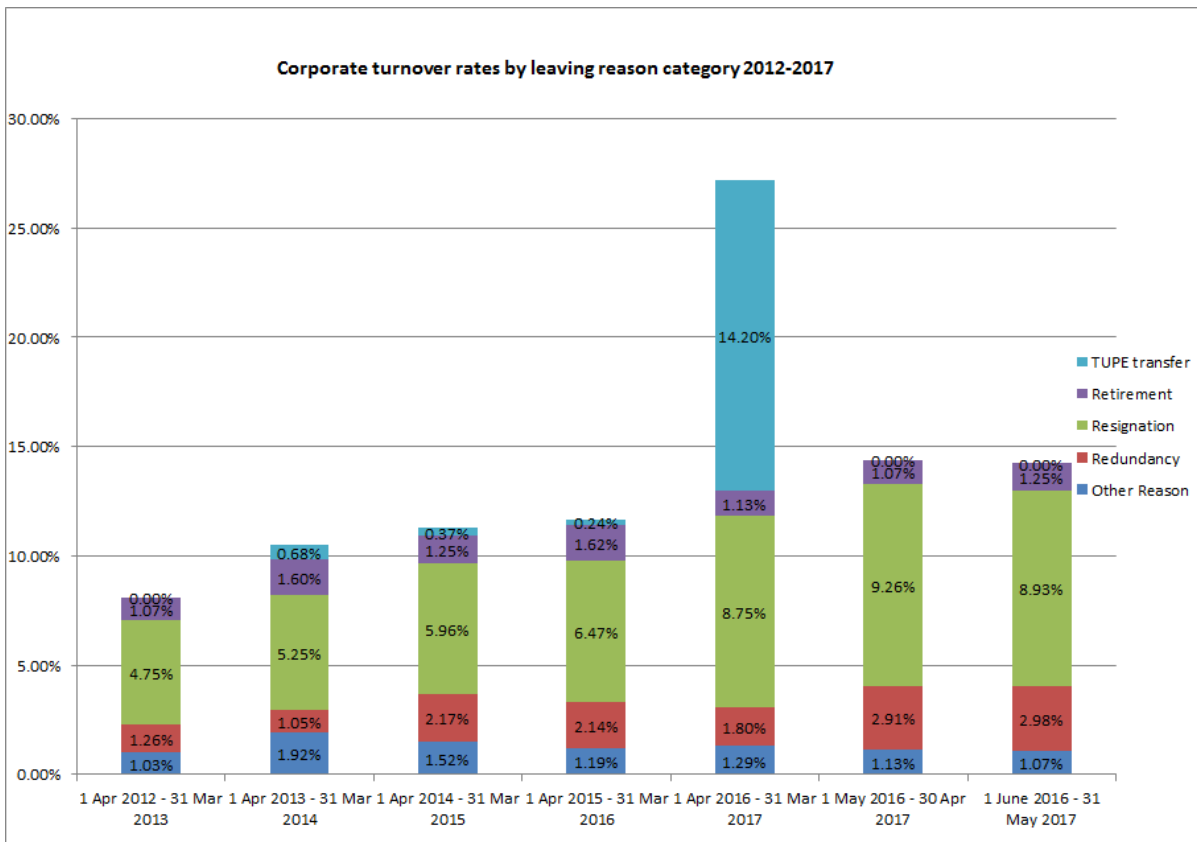
Number of Employees by Department, Part Time and Full Time as at 30<sup>th</sup> June 2017





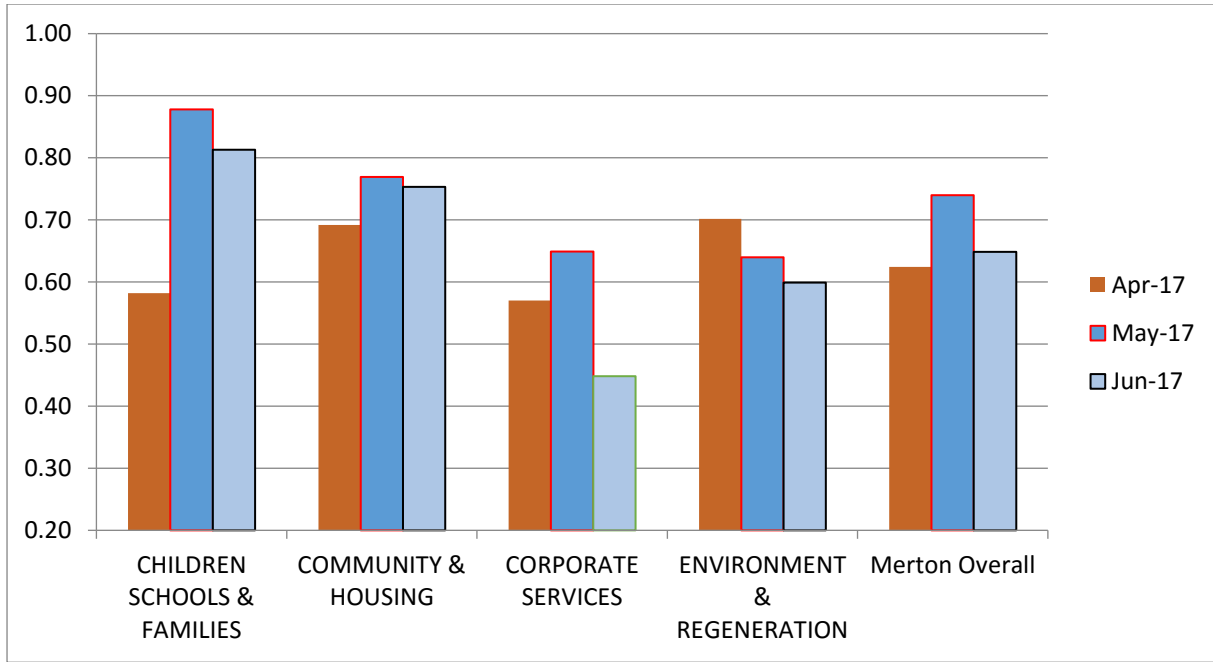
# WORKFORCE STRATEGY

## Turnover rates by Leaving Reason 2012-2017



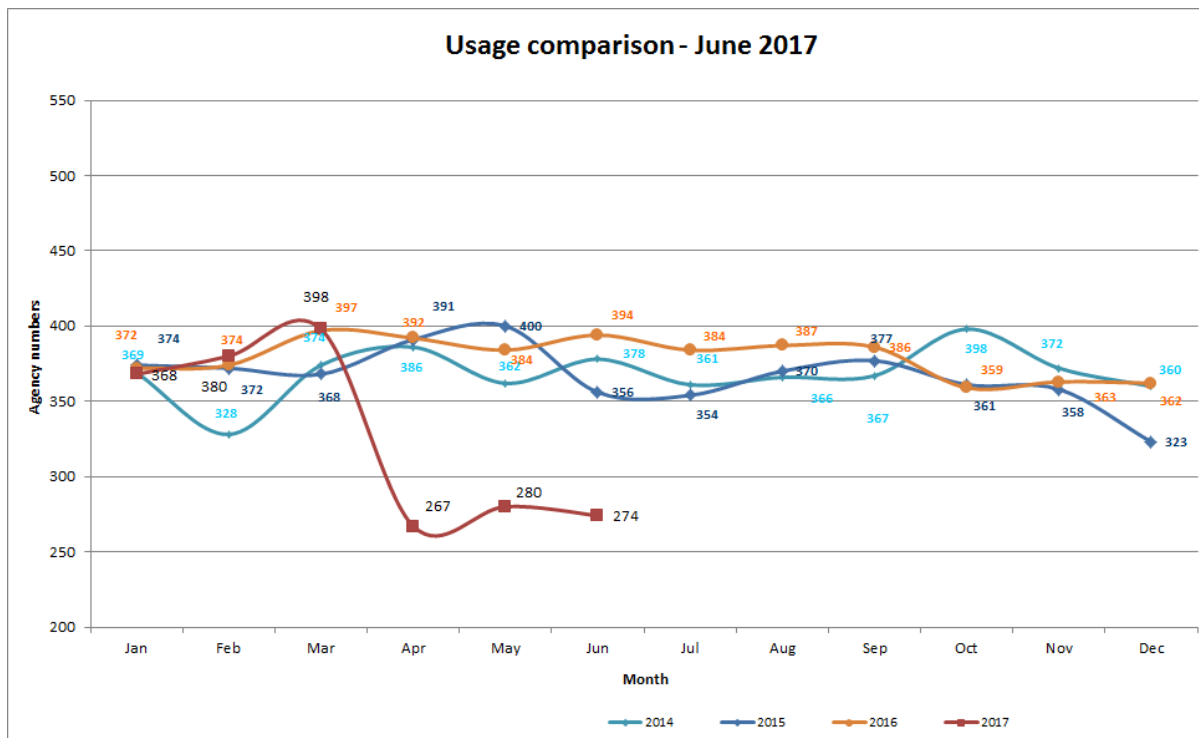
# WORKFORCE STRATEGY

## Workforce monthly sickness trends since April 2017: working days lost per FTE



Annual sickness rates are higher than London averages and remain a corporate priority.

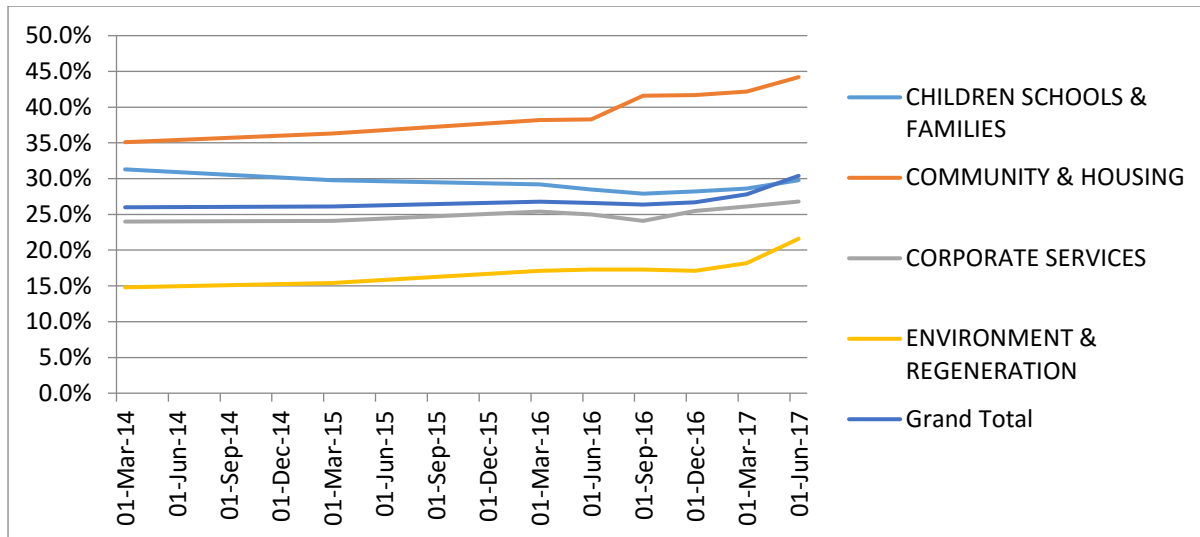
## Agency Worker Usage 2014-2017



The number of agency workers has reduced with the transfer out of Front Line services.

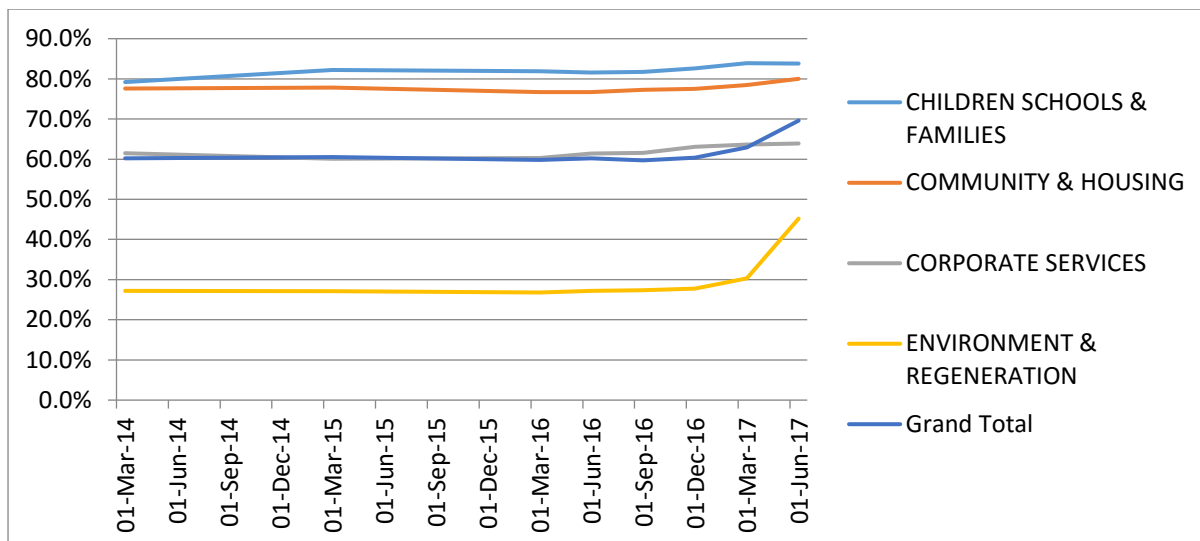
# WORKFORCE STRATEGY

## Workforce BME Employee trend 2014-2017.



There has been a steady ongoing increase in the % BME employees, with a more marked increase with the transfer out of Green Spaces and Waste Services in February/March 2017.

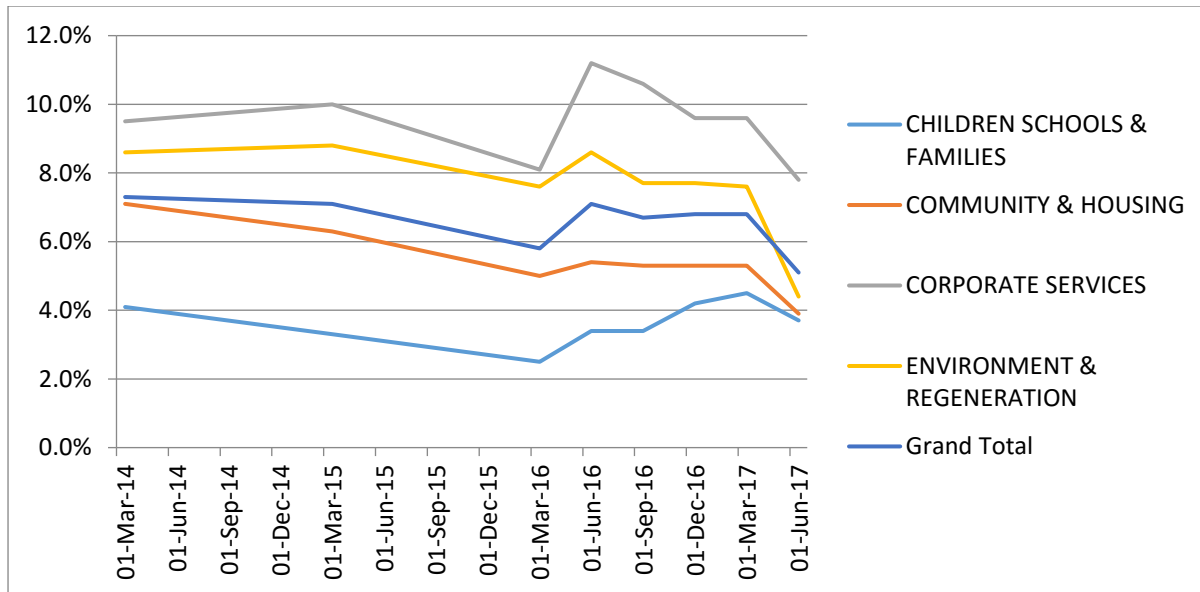
## Workforce Gender trend 2014-2017



After remaining stable for many years, the percentage of female employees in the workforce increased with the mainly male Green Spaces and Waste services in February/March 2017.

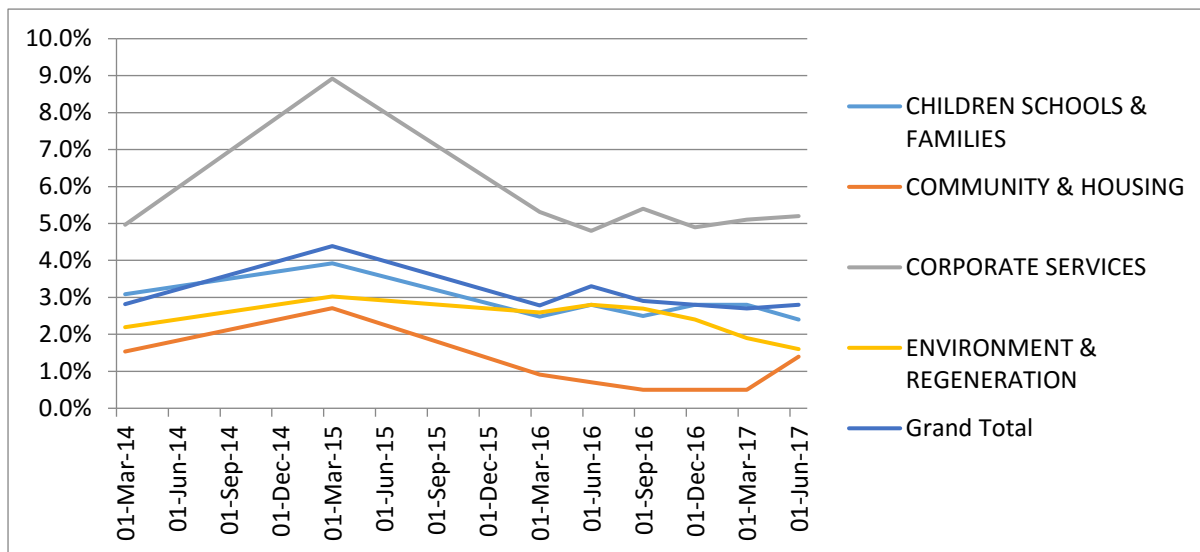
# WORKFORCE STRATEGY

**Workforce Disabled trend 2014-2017**



The proportion of employee who have declared a disability has been declining for some years, with a more marked decrease following the Green Spaces/Waste transfers.

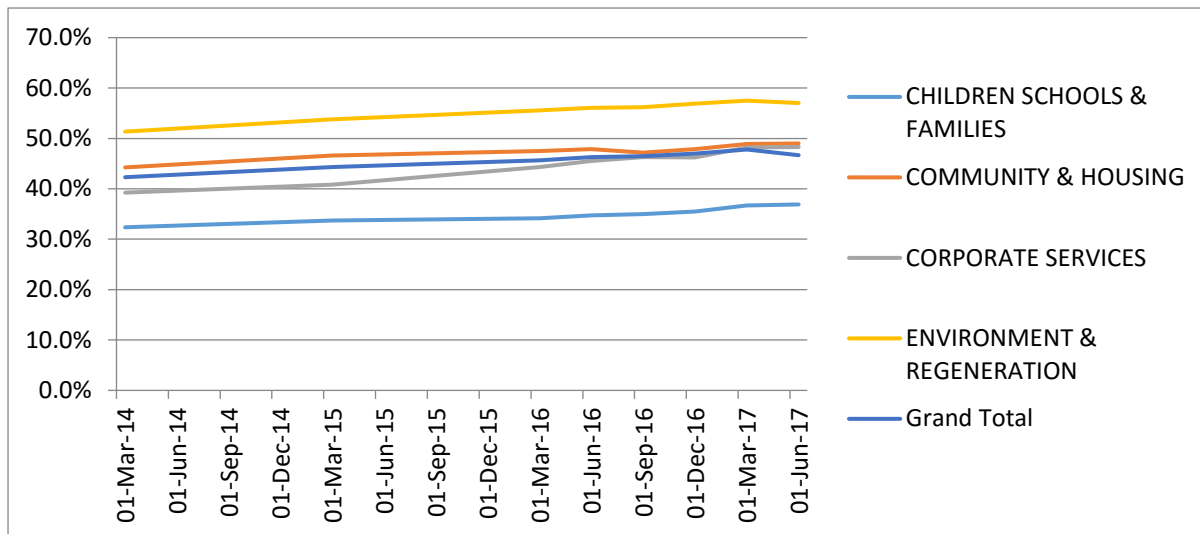
**Workforce younger employees age 16-24 trend 2014-2017**



After a peak during 2014/2015 due to the recruitment of apprentices, the proportion of young people in the workforce has declined. A fresh intake of entry-level apprentices is planned for 2017/2018.

# WORKFORCE STRATEGY

## Workforce older employees age 50+ trend 2014-2017



Whilst the proportion of young people in the workforce has decreased, the proportion of older employees has been showing a slow but steady increase – driven in part by more employees remaining in post beyond the age of 65 due to the removal of the compulsory retirement age.

## 4. STRATEGY

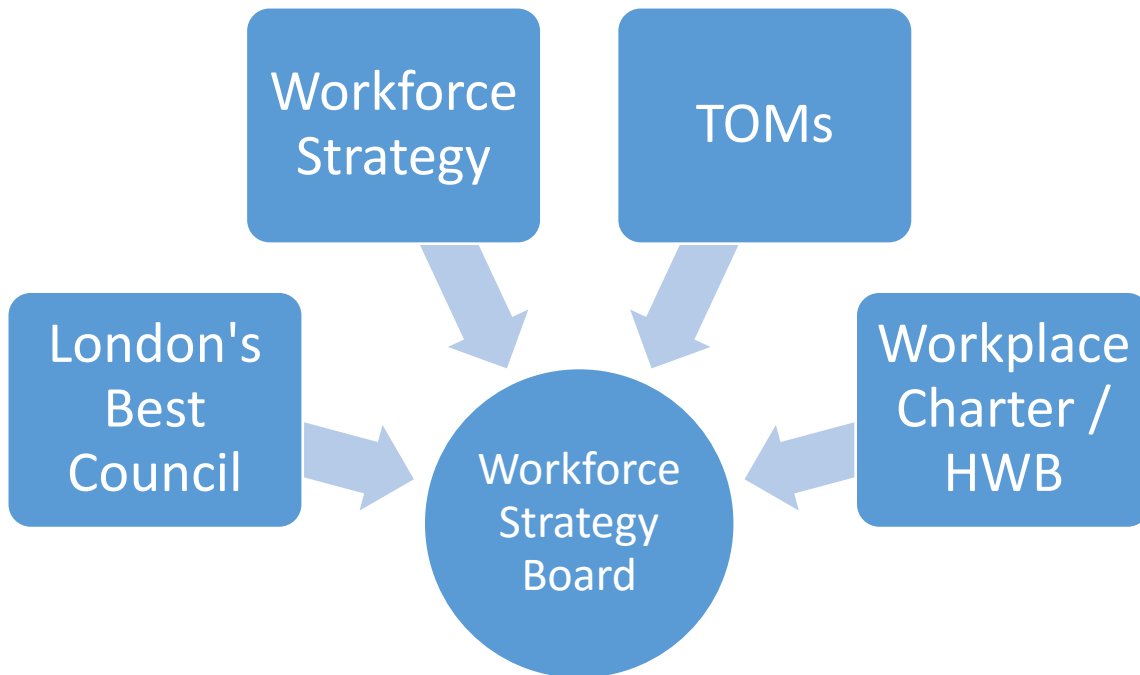
The direction for the workforce strategy is the same as for the council as a whole; to be London’s best council and in this context to have London’s best workforce

### 4.1 Model for achieving the strategy

The Council has a two-pronged model for achieving its workforce strategy. The workforce strategy board has a strategic oversight of all people issues in the local authority. It also manages the interface between key corporate boards and priorities and the DMTs to ensure that there is a consistent process.

It is supported in this by DMTs as we recognise that they are the driver of change and improvement in the local authority. DMTs are responsible for employee engagement, recruitment and development with the Board providing the infrastructure to support this ambition. This can be seen on the following diagram:

## WORKFORCE STRATEGY



In addition to this, the workforce strategy board will monitor the action and outcomes identified within this document, setting targets and monitoring delivery. This will take place quarterly.

## 5. KEY WORKFORCE PRIORITIES FOR THE FUTURE

We have identified six priorities for workforce transformation to support the realisation of the Council's plans for the future:

- Workforce planning
- Recruitment and Retention
- Organisation and Workforce Development
- Morale, Health and wellbeing
- Leadership
- Apprenticeships

What we want to achieve, why this is a priority, what actions we will take and who will be responsible to lead each action are outlined in the following sections.

### 5.1 Workforce planning

The shape of the workforce in Merton is developing to reflect new service delivery models and to support the organisation to achieve its business objectives and outcomes. We will still deliver similar services, but through a number of new ways for example through our partners, shared services and efficient delivery models.

#### What we want to achieve

- Correct alignment of workforce size, skills base
- An agile workforce, which is responsive to changing needs
- A workforce which is representative of and sensitive to the community which it serves
- HR policies which are clear and consistent, and which are focussed on a manager-led approach to managing staff issues.

# WORKFORCE STRATEGY

## Why this is a priority?

The composition of Merton’s current workforce requires changes to ensure our continued success, meet future requirements and to better reflect our communities. We need to be able to accurately predict the shape of the workforce we will need to deliver our strategic plans and our services.

Work has been done to expand and improve the HR data provided to CMT and various council committees but there is recognition that this can be improved further. In addition, management information about the work of the HR service would supplement this.

## Actions and outcomes

Action	Outcome
Based on departmental TOMs, design the future shape of the workforce to best match its service delivery plans and financial context;	A new workforce structure is in place supporting future service plans
Determine organisational structures, which support future delivery models - determine the desired combination of directly employed staff, shared services, externalised work, agency workers and volunteers, as well as appropriate spans of control for each service area;	A structure is in place that allows us to recruit intelligently and with an element on long term planning rather than being reactive.
Review and action requirements to reflect legislative and regulatory changes as they emerge (e.g. Care Bill, BSF and Children and Families Act);	We are proactively training our workforce to ensure that they are appropriately skilled for the work they do. Better Training Needs Analysis
Manage the transition from the current to the future structure;	Smooth well, managed and on time transition supporting our staff and saving the organisation money
Establish on-going monitoring for workforce arrangements through accurate and relevant management information for decision-making e.g. workforce, equality, productivity and financial data;	Better decision making, more forward planning

## 5.2 Recruitment and retention

The organisation has a clear and effective recruitment and retention focus and plan of key workforce skills and behaviours. This includes succession planning, and managing turnover.

### What we want to achieve

- Make Merton an employer of choice through creating an innovative and positive brand image;
- Ensure future key talent is successfully recruited, retained and developed in appropriate roles within the Council to deliver effective services to residents and that capacity is built across the future workforce to implement new service delivery models;
- Establish inter-organisational collaboration to ensure that Merton’s residents are served by the best people, whether within the Council or through our partners;
- Reduce recruitment and turnover costs and agency use;

# WORKFORCE STRATEGY

## Why this is a priority

We want to recruit, develop and retain talented people to enable us to deliver outstanding services to our residents. As our requirements and service delivery models change, our recruitment activity needs to evolve and respond to meet demand as cost effectively as possible. We want to attract the right people with the right skills and behaviours. We want to build leadership and strategic capacity. In specific divisions within the Council we have a high level of turnover, retention needs to be understood and stabilized.

## Actions and Outcomes

Action	Outcome
Continue to optimise technological solutions and embed the functionality of our applicant tracking system to meet hiring managers' and candidates' needs;	HR processes are easy to self-serve and managers need less administrative support
Develop our employer brand, value proposition to become an employer of choice, building on the success of recent awards;	Merton Council perceived to be an employer of choice, attracting high quality candidates;
Given financial constraints, focus work on reward and remuneration for hard to recruit and retain roles by analysing market trends and developing cost effective solutions; sustain effective recruitment and retention of key staff groups, e.g. qualified social workers and children's specialist functions;	Core professional and business critical skills are retained and available within the Council  Reduction and better targeting in the use of agency staff – reduction in agency rates in social work roles;
Collaborate with strategic partners to develop a mobile and agile workforce serving the residents of Merton, develop new models, such as inter-organisational working, partnerships and volunteering;	The structure and size of the Council meets current requirements and is adaptable to future needs  Talented people are delivering our services through direct employment or other service delivery models including partnership working, shared services or volunteering;
Create new approaches for staff to develop and progress up the organisation, in the context of an organisation which is reducing in size and where opportunities to create suitable vacancies are more limited. It may need to be accepted that where we invest in staff career development, in some cases those staff may then move on to new opportunities outside the organisation.	Balanced workforce in terms of skills, age and experience, addressing current concerns in workforce demographics;  Employees are more satisfied with opportunities to develop themselves and progress their employability;

## 5.3 Organisational and workforce development

The workforce must be equipped with the skills and behaviours enable the Council to achieve new and improved service delivery models (e.g. flexible working, customer service, IT).

Key to delivering certain elements of this training with fewer resources is to consider different ways of learning such as blended learning, e-learning and webinars, not only to reduce costs but to offer greater flexibility to staff in how and where they can access learning opportunities. Use of apprenticeship levy funding to develop existing staff can also be used to ease pressure on learning and development budgets

Consideration should be given to whether any funding for training and/or development should be requested up front so that L&D expenses to be frontloaded within these change projects. It should be noted in this context that control of the L&D budget, and release of any funding, rests with Human Resources.



# WORKFORCE STRATEGY

## What we want to achieve

- Accurate mapping of future workforce function, form, skills and behaviours to alternative business delivery models
- Ensure staff work in a modern, flexible way to improve productivity and efficiency and equip them with key future skills and behaviours to enable them to do so
- Provide first class customer service to meet our residents' needs, through new service channels where appropriate
- Best practice in safeguarding is embedded in all relevant roles and activities
- Develop staff to undertake skilled hard to recruit roles
- Promote diversity and cultural awareness for staff and managers
- Change management and communication training should champion best practice in the continuing transformation within the council and to support staff through this.

## Why this is a priority

It is crucial for Merton's success that our workforce has the right skills, behaviours and adaptability to meet the demands of the transformation and new service delivery models. Our managers need the skills and resources to effectively lead our teams and we need to be able to respond to organisational as well as legislative changes. The requirements on organisational and workforce development are changing, with more focused and flexible options becoming the norm.

## Actions and Outcomes

Action	Outcome
Managers' capability development specifically on building strategic capacity through future planning, accurate workforce planning and designing spans of control	Increased customer satisfaction with effectively delivered services.
Develop first class customer service behaviours to meet our residents' needs, through new service channels where appropriate;	Increased customer satisfaction with effectively delivered services.
Embed the management and staff behaviours across the organisation to support performance	Leaderships behaviours are clearly demonstrated and performance improved;
Ensure that all statutory CPD requirements are met;	A statutorily compliant workforce
Establish effective change management practices to support employees through the transformation;	Employees feel supported through organisational change and report that communication was effective;  Employees report that they feel supported in performing their roles in a day-to-day basis and through organisational changes
Prioritise learning and development spending to best support the Council's objectives and transformation;	Learning needs are effectively identified and support the organisations' overall objectives in the most cost effective way;  Outcomes of learning and development activity can be clearly linked to the delivery of our priorities and key workforce objectives;

## WORKFORCE STRATEGY

Action	Outcome
	<p>Learning and development accessible to all staff and partners where appropriate;</p> <p>Performance of staff is increased through development of key skills and behaviours supported through honest performance appraisal conversations;</p>
Further develop commercial and commissioning skills as these are key priorities for the workforce of the future	Savings are achieved and commissioned services are improved.
Run a diversity and cultural awareness programme including training	A more cohesive workforce able to serve our communities better
Develop the Council's future leaders	Potential future leaders have been identified, ensure equal access to opportunities and people are engaged on a talent management programme

### 5.4 Morale, health and wellbeing

We need to ensure that the organisation understands what a healthy workforce looks like and supports staff to achieve this.

#### What we want to achieve

- An improved understanding of the issues underpinning workforce wellbeing, and develop actions to optimise wellbeing, productivity, engagement and attendance.
- Improved morale and employee engagement

#### Why this is a priority

We want to be a healthy and motivated workforce, able to meet the demands of the Council, its residents and customers. We want to understand and address the root causes of sickness and act to enhance engagement and support the wellbeing of staff and improve attendance rates.

#### Actions and outcomes

Action	Outcome
Promote a healthy workplace, including initiatives on mental health and wellbeing	<p>A healthier workforce with a reduction in number of days lost through sickness – a stretch target of moving to the bottom quartile from the upper quartile for London.</p> <p>Employees are aware of available support structures and make use of these as required e.g. Employee Assistance Helpline</p>
Improve access to data and information for managers, to help them manage sickness better – embedding an attendance and performance culture	A healthier workforce with a reduction in number of days lost through sickness – a stretch target of moving to the bottom quartile from the upper quartile for London,
Provide policies and practices that reflect the requirement for new ways of working and service delivery	Employees are more satisfied with their work / life balance

## WORKFORCE STRATEGY

Action	Outcome
	Flexible working practices are effectively implemented and have a positive impact on morale
Review employee engagement initiatives and develop ways to increase engagement and morale	We have a culture of employee engagement: Staff Attitude Survey results improving each time with a stretch target of 80% satisfaction

### 5.5 Leadership

To lead the changes outlined in this strategy, the Council requires its leaders to be able to engage with staff; even in times of ambiguity and significant change. Merton requires its leaders to be solutions focussed, inspirational and be able to work collaboratively with other leaders and partners to deliver seamless services to our employees, partners, residents and customers.

#### What we want to achieve

We want to provide strong leadership, clear direction, trust and confidence to the workforce and members. We want our leaders to be open, fair, transparent and clear about the vision and the journey. We want our leaders to have integrity and a good understanding about the services they deliver to our residents and customers

#### Why this is a priority

We want to ensure that we are able to provide good services during a time of financial constraint and in an environment, which is volatile, uncertain, chaotic and ambiguous (VUCA).

#### Actions and Outcomes

Action	Outcome
Development of programme for leaders	More collaborative working Less silo working Build collective ownership Reduction in blame
Improve project delivery	More success in the Council's delivery of large and small projects
Managing our resources effectively	Budgets are well controlled, staff are well supported, contracts are well managed.

### 5.6 Apprenticeships

With the introduction of the government's apprenticeship levy from April 2017, the Council will be making levy contributions of £577k per annum.

#### What we want to achieve

In order to maximize "claw back" of monies the Council will expand its apprenticeship program to include higher-level apprenticeships for existing employees addressing a number of identified training needs including, developing management and commissioning skills, and professional development. Apprenticeships will also be used to develop staff to carry out hard-to-recruit roles in the workforce.

#### Why this is a priority

The Government requires all organisations to increase the number of apprentices within their workforce.

## WORKFORCE STRATEGY

In addition, the use of apprentices, and especially higher level apprentices, provides Merton with an opportunity to upskill our workforce at a time when other budgets to support this are reducing. Apprenticeships also help with elements of workforce planning and enable us to meet our duties corporate parents and to school leavers in Merton.

### Actions and Outcomes

Action	Outcome
Leverage the opportunities for development arising from shared services and partnerships, and the new apprenticeship frameworks;	More apprentices
Increase apprenticeships through our contracting	More commitments to apprenticeships within specifications, contracts and well monitored
Develop a menu of higher level apprenticeships	Ensure take up of higher level apprentices across the organisation
Working closely with CSF to ensure provisions are made for apprenticeships for vulnerable people	Well-supported young people progressing well through apprentice training.
Aim to replace longstanding agency assignments with apprentices	Less agency staff and more apprentices

## 6. Conclusion

Delivering the actions in this strategy will:

- enable the Council to realise its ambition to be London's Best Council.
- support the changes we need to make to ensure deliver effective services efficiently
- promote and develop a flexible and dynamic workforce

## PROCUREMENT STRATEGY 2017

### Section 1 – Introduction

Procurement is defined in the National Procurement Strategy as:

“The process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole cycle from identification of need, through to the end of a service contract or the end of the useful life cycle of an asset. It involves options appraisal and the critical ‘make or buy’ decision which may result in the provision of services in house in appropriate circumstances”

Although the definition is primarily about procurement, it also about the need to secure sustainable services, products and outcomes which meet the needs of the community we serve. Strategic procurement also encompasses collaboration, including the need to develop partnerships, consider delivery options and ensure value for money for every pound spent.

This document sets out the Council’s strategic approach to procurement for the next three years. It is not intended to be a procurement manual; however, the principles should be applied to all procurement and commissioning, recognising that procurement must work closely with our health and social care colleagues to deliver value for money from all commissioning and procurement.

Consideration of this strategy is not optional and it should be read in conjunction with the Council’s Contract Standing Orders (CSO’s).

The Procurement Strategy emphasises the continuing importance of sustainable procurement being used to support wider social, economic and environmental objectives in ways that offer real long term benefits to the residents of this borough.

Cost reduction and efficiency targets will not be achieved if the Council fails to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships, which are available from working with others in the public, private and Voluntary, Community and Faith Sectors (“VCFS”).

This strategy provides a corporate focus for procurement. It embraces the Council’s commitment to strategic procurement and sets out the Council’s aspirations. It is not a ‘user manual’. More detail on procurement processes and issues will be found within the Contract Standing Orders and on the procurement intranet.

The strategy will contribute to delivering the long term goals of:

- The Business Plan 2018-22
- The MTFS
- Community Plan
- London’s Best Council by 2020

## COMMERCIAL SERVICES

The principal means of disseminating detailed procurement guidance are the Commercial Services Team (CST), and the intranet.

### Section 2 – Objectives and Benefits

The overarching objectives of this strategy are:

- To evaluate and improve current procurement practices to achieve better value for money and to ensure customer/client needs are met
- To ensure best practice examples are identified and applied consistently across the organisation
- To align procurement activities with other strategies adopted and to ensure that corporate objectives are addressed
- To ensure that current and future procurement activities are planned, monitored, and reviewed effectively including identifying opportunities for collaboration with both private and public sector bodies as well as the VCFS
- To ensure the delivery of a category management approach to commissioning and procurement, across the entire organisation

In taking this strategy forward, the Council expects to realise the following benefits:

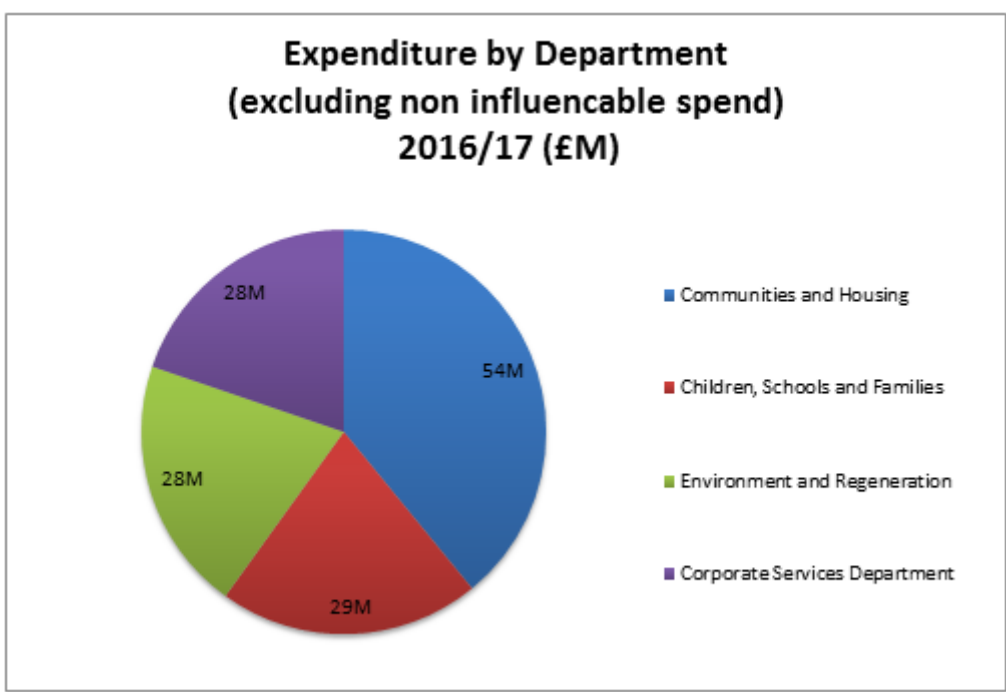
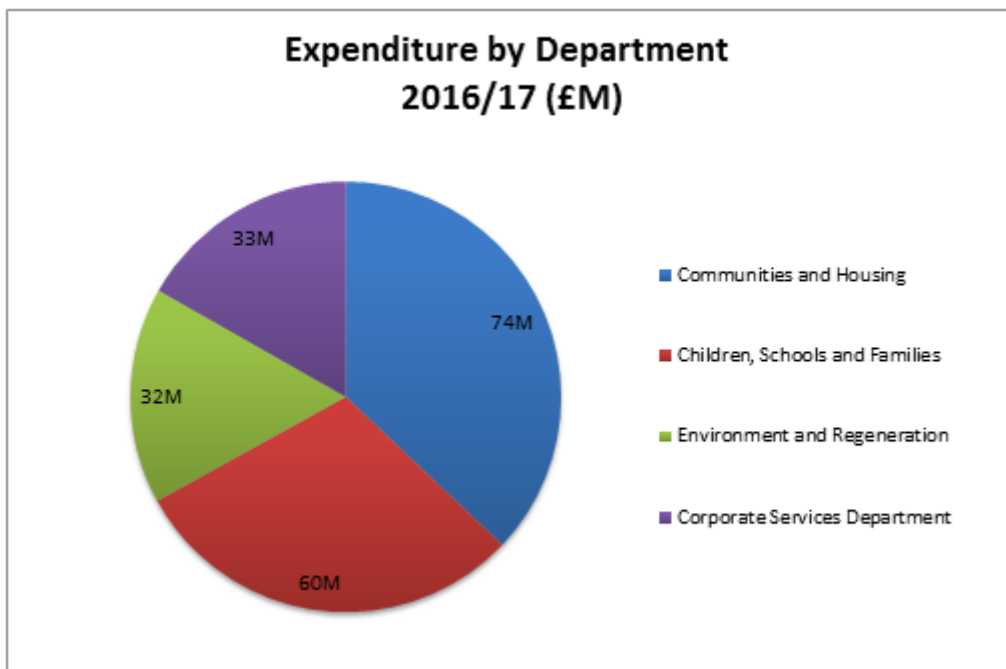
- Demonstrate continuous improvement and achieve value for money through the efficient procurement of goods and services
- More efficient procurement processes
- Better risk management
- Strategic procurement planning
- Effective spend analysis and measurable cash savings
- Proactive contract management
- Greater use of standard processes and templates
- Compliance with appropriate legislation
- Compliance with the Council's Contract Standing Orders
- Collaboration, including with other authorities, local businesses and the VCFS
- Greater use of the e-Tendering system
- Encourage communication and interaction with local and national suppliers to understand their views
- Develop relationships between the Council, the business community and the broader voluntary sector which create mutually advantageous, flexible and long term relations

Our vision for procurement is to provide a first class service for our residents whilst we build on best practice to ensure value for money in all our procurement exercises.

### Section 3 - Overview of Procurement

The London Borough of Merton spends approximately £200m each year on goods and services on behalf of Merton’s residents. Of that £200m, the Council can influence approximately £140m. The range of goods and services is varied but includes services for schools; waste collection; care services for children and adults; maintaining the highways, parks and services; encouraging business growth; and major construction works.

*Updated expenditure 1 April 2016 – 31 March 2017*



## COMMERCIAL SERVICES

CST is part of the Infrastructure & Transactions division of Corporate Services department and was set up specifically to provide procurement support, advice and guidance to the departments and responsible officers. Procurement in the Council takes place across all departments and was undertaken in what is called a 'devolved' model. This means that responsible officers in the departments undertake day-to-day operational procurement.

Following a review in 2017, it was agreed to pursue a Centre-led approach.

The consolidated category management approach for high value, high risk expenditure with devolved responsibility for low risk, low value expenditure will ensure a common strategic approach to sourcing and supplier management, driving much needed Value for Money and savings.

The revised approach will provide Departments with a level of local control and influence with respect to commissioning, brokerage and contract management, whilst providing specialist support through a professional central resource able to assist in the development and implementation of sourcing strategies.

CST has recently undergone a restructure so as to better support the agreed delivery model for procurement and is expected to be fully recruited to by March 2018.

The main objectives of the CST are to:

- provide professional procurement resources to support and advise internal and external partners such that all Merton's procurement decisions deliver:
  - Council objectives by demonstrating value for money
  - Synergies with the Council's MTFS
  - The effective use of resources
  - Expenditure that is managed strategically to achieve social and community benefits
  - Continuous improvement in service delivery
  - Deliver efficiency savings over a three-year period through the implementation of category management
- lead the implementation of the Council's Category Management approach and its Make or Buy agenda by providing a professional procurement service to all clients across the Council.
- be responsible for the development and delivery of robust, overarching Category Management plans, working alongside clients to profile and deliver the service areas procurement and commissioning strategies.
- provide strategic commercial advice as and when required
- provide specific advice on EU Regulations, UK Public Contracts Regulations, and associated areas, including latest case law
- drive best practice in procurement
- provide spend data and analysis and to assist in the Identification of potential savings opportunities and areas of collaboration



## COMMERCIAL SERVICES

- ensure the Council's contracts register is kept up to date by working closely with colleagues via departmental OPGs. Responsibility for entering information onto the contracts register and ensuring that the information is up to date and accurate, rests with the departments
- engage with partners and potential partners with the objective of streamlining the procurement process, i.e. making the Council an easier organisation with which to deal
- ensure that officers involved in procurement hold the correct level of knowledge, and to provide skills training where appropriate
- provide up to date support via the intranet, toolkits, procurement guidance and advice.

Procurement is not simply about lowest price; rather it is a strategic tool to ensure that we receive best value whilst putting the needs of Merton's residents first.

Effective procurement is about managing the whole life cycle of the goods and services we procure, and also ensuring that specifications are right and fit for purpose with clear outcomes and purposes.

January 2012 to May 2013, saw a number of improvements implemented, including a strengthened Procurement Board, an enhanced Contracts Register and the implementation of a new e-Tendering system.

Furthermore, the Council also adopted a Procurement Governance and Gateway process which comprises four key elements, the Procurement Board, the Procurement Gateways, the Operational Procurement Groups (OPGs) and the Risk Assessment Tool. These four elements are designed to work together to enable the Procurement Board to exercise effective oversight, control and to provide direction to procurement activity Council wide.

Throughout 2017/18 the use of departmental OPGS has been reinforced and 2018/19 will see the implementation of category management across the organisation.

## Section 4 – Key Themes

### a. Value for Money (VFM)

In the unprecedented economic climate, the Council will need to make substantial year on year savings for the foreseeable future. Every pound spent must deliver true value to the community, whether that is by better management of our existing contracts, proactive spend analysis, being more commercially aware, or through reviewing current services and potential delivery models.

Knowing how, where and on what our money is spent will be used to drive a supplier review to maximise savings. Furthermore, we intend to review the supply base and drive additional efficiencies by reducing the overall number of suppliers and to utilise the additional leverage obtained. This exercise will also help us to develop and shape supply markets, define the skills to develop the market and to negotiate better outcomes for the Council and service users.

#### ***Principal Objectives***

- Undertake regular spend analysis of the Council's full non-pay spend with recommendations in how to identify and capture efficiencies
- Supply base review and rationalisation
- Make/buy reviews of services
- Challenge specifications and assumptions around strategic contracts

### b. Category Management

By grouping together products and services according to their function (e.g. care, construction, transport, professional services etc.) the Council can better manage the overall spend, whilst maximising our buying power and achieving economies of scale.

A 'Category' is an area of spend determined by known market boundaries separating different products or services. Category Management recognises that suppliers within a certain market are likely to have similarities which enable a tailored approach to procurement.

We are developing our capacity and capability in Category Management to support the major commercial decisions the Council is facing. We will add value to projects we support, bringing commercial insight and support throughout the commissioning lifecycle. Recognising this challenge, we will also develop our staff through a revised professional training programme. It will also enhance their relationship and partnership building skills. This means they will spend less time involved in the administrative task of running tenders and spend more time with customers, commissioners and our major suppliers.

### ***Principal Objectives***

- Develop a suite of category strategies to drive further savings and efficiencies
- Embed a category management approach across the Council
- Category Management specific training programme

### **c. Contract Management**

We will manage our major contracts more actively to drive continuous improvement in performance and efficiency and further develop contract management across the Council. We will provide greater visibility of the performance of our top contracts to help to improve the management of major suppliers and ensure they are delivering against the agreed performance standards.

By reviewing strategic contracts and adopting a more commercial approach to the management of our key contracts we will ensure that improvements and efficiencies are delivered.

We will also work with operational contract managers in departments to build on best practice and provide training in contract management techniques.

The outcome of this change will be measured by the monitoring of contract performance and by the identification of improvements in performance levels and additional efficiencies during the life of a contract. Furthermore, as we develop stronger relationships with our key suppliers, we will be recognised as their 'customer of choice' which may lead to increased market intelligence and therefore improve our opportunities for innovation in the marketplace.

Through a clear commercially led approach to contract management, we will ensure a greater focus is directed towards obtaining the required outcomes. This will include increased monitoring and management of supplier performance through robust SLA's and KPI's (including the delivery of community benefits) and where performance is not being achieved, an action and improvement plan will be implemented.

### ***Principal Objectives***

- Reduce non-contracted spend
- Embed contract management principles across the Council
- Hold regular performance meetings with suppliers
- Set clear and proportionate KPI and SLA targets for suppliers
- Link payment to performance (where appropriate)

### d. Partnering and Collaboration

Partnering means the creation of sustainable, collaborative relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services; carry out major projects; or acquire supplies and equipment.

Partnerships can be beneficial and integrated in service delivery, but it needs to be recognised that this is not an easier contract style; indeed, partnering agreements are likely to be more challenging than traditional contracts. A partnership agreement will therefore require careful preparation and procurement. Partnering should be considered when engaging in best value reviews of services as a potential alternative to established methods of service delivery.

When formulating our procurement strategies, we will ensure that we take account of potential opportunities afforded by partnering and collaborating. We will also look at existing framework agreements when considering any future options for procurement and where appropriate the use of any national, regional or pan London procurement arrangements that fit with the Council's strategy.

Collaboration describes the various ways in which councils and other public bodies come together to combine their buying power, to procure or commission goods, works or services jointly or to create shared services.

Collaboration is a form of public partnership; its major benefits are economies of scale and accelerated learning.

We will ensure that contractors and partners have priorities which align with those of the Council and that they understand how they contribute to the Council's performance.

The Council will actively participate with other authorities and organisations where appropriate and feasible, to seek economies through joint procurement, joint commissioning, framework agreements and shared services.

#### ***Principal Objectives***

- Work with other public bodies to seek joint partnering and collaboration opportunities
- Investigate the greater use of collaborative contracts
- Look to use existing framework agreements where appropriate

### e. Market Management

The Council will continue to work with more diverse providers of services. In some areas there are strong markets but in others they are either small or not yet developed. The Council will make full use of all the different methods of delivery available, including joint ventures, public, private and VCFS options. Through procurement, we will support the growth of local businesses and other organisations by encouraging the use of local suppliers. While staying within the legal constraints of public sector procurement, the Council will encourage local suppliers to work with us, recognising and exploiting the ability to create a positive climate for firms based in Merton. The Council will endeavour to support a thriving local business sector, providing opportunities for suppliers to develop the capacity to win future contracts from the Council and other public sector partners.

This approach recognises that by encouraging sustainable high quality local employment, the Council is reducing the demand and thus cost of other public services. The Council will seek to encourage innovation, improve skill levels in Merton, create jobs and retain money in the local economy.

#### ***Principal Objectives***

- Identify where market capacity may be weak and where new markets may need to be developed
- Encourage suppliers to develop innovative approaches
- Foster a collaborative approach to procurement
- Work to increase the proportion of spend with SME's and VCFS
- Take steps to promote and encourage local economic growth e.g. reducing the barriers to SME and VCFS participation
- Hold regular supplier engagement events

### f. Supplier Relationship Management

The Council will build strong, long term, positive relationships with suppliers across all sectors, not just when actively procuring goods and services but also when considering alternative delivery models e.g. social enterprises.

The Council will establish strategic relationships with suppliers to ensure that both parties are delivering against the commitments within the contract and also build upon mutual experience and knowledge to embed continuous improvement practices throughout the contracted period. Effective engagement with suppliers will also inform future specifications. This will ensure that the Council is approaching the market place with requirements which meet clearly defined needs and are commercially attractive to potential bidders.

The Council commits to making all procurement activity fair and transparent and to encourage a diverse range of potential bidders to participate.

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A suite of standardised documents and contracts will be developed for use across the Council to ensure consistency and to make the procurement process more accessible to suppliers.

### ***Principal Objectives***

- Engage with key suppliers in all sectors
- Robust contract management
- Explore new models of service delivery and welcome dialogue with communities and suppliers to establish new and innovative procurement practices
- Encourage a diverse range of suppliers to work with the Council

## **g. Developing People and Improving Skills**

Procurement is a key activity in sourcing the skills, services and supplies required by the Council to deliver community outcomes. The officers who undertake procurement and contract management activity are vital to the successful delivery of the Council's strategic procurement objectives.

The required capacity and skills will continue to be developed in departments with support and guidance from CST.

CST will develop other ideas to encourage officer participation. These will include the offering of regular 'drop-in' sessions, which will allow any topic of interest to be discussed informally. Also, specific targeted training will be developed and made available to officers/teams and divisions as required.

Regular procurement forums for all Merton responsible officers will continue to be offered. Active participation will be encouraged by the use of focus and working groups on specific topics of interest; such as toolkits, market engagement and benchmarking.

The forums will:

- Bring together all professionals across the Council working on procurement activity into a single forum
- Provide a platform for evidence sharing and best practice (both internal and external)
- Introduce and embed a co-ordinated and consistent Merton approach to procurement
- Identify savings and efficiencies opportunities

The forum is a reference group, accountable to the Procurement Board, with recommendations and updates to be fed bilaterally.

### ***Principal Objectives***

- Provide a career path for practitioners of procurement with clear roles and responsibilities
- Provide skills and training and learning & development opportunities for officers
- Ensure that procurement best practice advice is available via the Procurement Toolkit

## **h. Systems and Processes**

Continued use of the e-Tendering system has improved compliance and at the same time it has streamlined the tendering processes.

The contracts register has received a refresh and is now part of the e-Tendering suite which is in the public domain so that any interested parties may view it. This has led to greater visibility of Council spend which will be fed into procurement and resource planning and should lead to greater opportunities for efficiency savings.

It will also make it easier for members of the public to have their requests under the Freedom of Information Act 2000 (Fol's) answered quickly and efficiently.

Ensure council and departmental rolling 1-3-year procurement plans are produced each financial year and kept up to date.

### ***Principal Objectives***

- Maintain an up to date contracts register
- Increased use of the e-Tendering system
- Investigating the strategic use of e-Auctions
- Training in the use of the procurement toolkit
- Develop a comprehensive rolling 1-3-year procurement plan

## **Section 5 - Governance Framework**

Merton's procurement is governed by EU law, UK Law and by Merton's Contract Standing Orders. These are mandatory for officers of Merton to follow.

### **a. The Corporate Management Team**

The Corporate Management Team (CMT) will continue to initiate and lead all procurement activity and endorse and support adherence to the procurement strategy across the Council. CMT will set the strategic direction of the Council, empower officers and hold officers to account in the delivery of the strategy.

### **b. Contract Standing Orders**

The Council will comply with the wide range of legislation, regulation and guidance which governs procurement. The Council's Contract Standing Orders, last fundamentally revised in April 2012, have been reviewed and updated to take into account the Public Contracts Regulation 2015 (PCR2015), the Social Value Act 2012, the Concession Contracts Regulations 2016 (CCR2016), lessons learnt over the past three years as well as emerging best practice principles. The revisions to the Council's CSOs were approved by Full Council on 22 November 2017 and came into effect as of 1 December 2017.

Adherence to the Contract Standing Orders will be enforced to ensure the highest standards of probity and compliance, one of Merton's principles underpinning procurement activity.

### **c. The Procurement Board**

The Procurement Board is the primary strategic agent through which procurement activity is governed. The Procurement Board is made up of senior management officers and procurement professionals and is chaired by a Director.

The main functions of the Procurement Board are:

- Oversee the production and management of the procurement strategy
- Assure that procurement is managed competently and legally
- Ensure changes in legislation e.g. The Social Value Act (2012) and best practice are embedded in the Council's procurement practices
- Assessing whether procurement is achieving best value for the Council
- Ensuring that staff engaged in procurement have the required skills
- To be responsible for the Operational Procurement Groups (OPG)

### **d. Departmental Management Teams**

Departmental Management Teams will receive regular reports from their Operational Procurement Group representatives and ensure that the Procurement Strategy is being delivered effectively within their respective departments.

### **e. Operational Procurement Group**

The OPG's are the operational arm of the Procurement Board, and are the means through which departmental procurement activity is planned and coordinated. One OPG exists for each department and the Groups co-ordinate, risk assess and manage the flow of all procurement activity. Each group is championed by a departmental procurement lead who also attends the Procurement Board.



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### f. Procurement Gateway process

It is a risk based approach which uses a series of minimum criteria and risk triggers to determine which procurement activities will come to the Procurement Board.

Currently projects need to be brought to the Procurement Board for review where:

- the total value is over £2m (or annual value over £750k) (*thresholds under review*)
- or the decision to award the contract is to be made by Cabinet or
- three or more risk triggers are assessed at amber level or greater. These include: political or reputational risk, impact of failure on service user and maturity or volatility of the market.
- The contract is for a concession

### g. Financial Regulations and Procedures

The Financial Regulations and Procedures are the internal rules applicable to Merton's financial processes and these have also been reviewed to take account of current and recent changes in procurement practice e.g. use of Framework Agreements. Within the options appraisal carried out for each procurement project there will be included due consideration to the methods of financing the project available i.e. capital borrowing, leasing, and other alternatives.

### h. Procurement Plans

These plans identify the required strategic procurement activities for a period extending 1-3 years into the future. The departmental procurement plans inform the Corporate Procurement Plan, which will encompass all major procurements due in the following 1-3 years. This will allow for enhanced planning and scheduling, improved visibility and improved risk management for the Council's major procurement activities. The Corporate Procurement Plan is overseen by the Procurement Board.

### i. Procurement Templates and Toolkits

The 'Procurement Toolkit' is available to officers via the Procurement Intranet pages and it provides specific procedural guidance and templates for procurement activity.

The Council will review and keep these up to date. It is against this procedural guidance that individual compliance will be measured to ensure best practice, legal compliance and whether there is any off contract spend.

The CST will be working with departments to improve the current toolkit and templates.

### **j. The Contracts Register**

The Contracts Register is a Council-wide record of all contracts that the Council has entered into above the value of £5,000.

The Contracts Register is currently part-hosted via the London Tenders Portal as part of the Council's e-Tendering system. Responsible Officers must ensure that all contracts are entered onto it and that they are kept up to date.

The Contracts Register will continue to be a key component to co-ordinate and risk manage procurement activity at the corporate level and will assist with Fols.

### **k. e-Procurement**

During 2015 the Council re-let its contract for Pro-Contract. The system provides officers and suppliers with an effective and efficient way to electronically manage tender and quote processes. The system is designed to allow staff to conduct requests for quotations and tenders online, much more quickly and also to allow potential suppliers to respond without the need to complete numerous paper forms.

We will ensure that the benefits of e-Tendering continue by the promotion and monitoring of the system. The use of the e-Tendering system was made mandatory as of 1 April 2012.

Improved use of the e-Tendering system will provide corporate visibility on spend and prevent duplication of processes. Improved corporate visibility will in turn allow greater scrutiny of the management of spend across the Council.

### **l. Looking to the Future**

We are investigating greater use of e-Auctions and Dynamic Purchasing Systems as a way of saving additional monies.

## **Section 6 – Key Actions**

A procurement action plan will cover the principal objectives detailed in this strategy document.

To help us achieve our vision, there are six key actions we are taking:

1. Implement our people development plan, putting in place a new programme of training, coaching and mentoring
2. Roll out stronger contract and supplier management across the Council for key contracts, identifying clear roles and responsibilities and providing professional support for service teams
3. Develop a rolling three-year corporate procurement plan, incorporating robust departmental plans

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4. Provide an updated procurement toolkit and templates for responsible officers
5. Increased use of partnerships and collaboration with other organisations to drive greater efficiencies
6. Implementing a category management approach to commissioning and procurement across the Council.

By 2022, we will have:

Delivered substantial cost savings through strategic contracting, to help meet the Council's budget targets

Developed a best-in-class service which is highly responsive to the needs of customers, and is valued by them as a strategic partner in developing their own plans

Encouraged greater levels of spend with local suppliers and have thriving relationships with local businesses and VCFS communities

Established strong partnerships with other public sector bodies to leverage best value for money

### Contract Activity

List of key tenders planned for 2018 include:

Contract Title	Brief description	Department	Division
All Saints Respite Care -for people with a learning disability	Respite care for people with a learning disability	C&H	Adult Social Care
Corporate Insurance Contract		CS	Resources
Dementia Hub	Information, support and advice to people and their families with dementia	C&H	Public Health
Domiciliary Care for CwD 2016-20	Framework Contract for care services	CSF	Children's Social Care
Highways Term Contract	Maintenance & Capital Works Programme	E&R	Sustainable Communities

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Contract Title	Brief description	Department	Division
Housing related Support Services	Delivery of Housing related support services to enable customers to remain in their own home notably: customers with mental health needs, single homelessness, Young people at risk (homelessness), generic floating support & floating support for e- offenders	C&H	Adult Social Care
Mechanical and electrical term contract.	Includes lifts, fire and security systems, electrical testing, lightning protection and water hygiene monitoring	CS	Infrastructure & Transactions
Provision of catering services at Merton Civic Centre		CS	Infrastructure & Transactions
School Catering 2019 onwards	Umbrella contract for 44 primary & special schools	CSF	Children's Education
Supported Living for people with a learning disability	Supported Living for people with a learning disability	C&H	Adult Social Care

### Contacting Us

Please contact us if you have any questions, comments or feedback about the Procurement Strategy:

E-mail: [commercial.services@merton.gov.uk](mailto:commercial.services@merton.gov.uk)

### Other useful websites

National Procurement Strategy <https://www.local.gov.uk/national-procurement-strategy>

Local Government Transparency Code <https://www.gov.uk/government/publications/local-government-transparency-code-2015>

Audit Commission <http://www.audit-commission.gov.uk>

Department for Communities and Local Government <http://www.communities.gov.uk>

Local Government Association <http://www.lga.gov.uk>

# ICT STRATEGY 2016-20

## EXECUTIVE SUMMARY

This document sets out the Council's vision – articulated as a series of strategic objectives – for its information, communication and technology infrastructure and architecture.

The development of the document is a result of a comprehensive planning and consultation exercise involving all services across the organisation. This was guided by a number of design principles that provide a broad framework within which the strategic priorities have been developed. The aim of these principles is to ensure that the management and development of IT and systems complies with necessary standards and protocols and aligns with the wider strategic direction of the council by:

- organising information and systems around customers;
- automating processes wherever possible;
- consolidating and rationalising master data sets wherever possible
- supporting joint working and shared services; and
- reducing, as far as possible, reliance on highly technical support.

Importantly, the strategy introduced a Technical Design Authority to ensure a controlled, disciplined approach to changes to the technical architecture and infrastructure. This is designed to accommodate the demands and requirements that will inevitably arise during the lifetime of this strategy but are not currently known. The role of this body is to manage and agree any alterations that are proposed to the agreed implementation plan that supports this strategy. The terms of reference for the group are appended to this strategy (Appendix 2), and these are designed to ensure it operates in a collaborative, agile way to mitigate against the risk of unnecessary bureaucracy and business interruption,

The strategic priorities that this strategy seeks to deliver are:

- Customer focused systems
- Integrated and joined-up systems and infrastructure
- Single source of master data sets
- IT that is fit for purpose now and into the future
- The ability to operate from multiple locations and devices (flexible and mobile working)
- Increased self-service
- Automation where it's efficient and effective to do so
- Systems and infrastructure that are resilient, compliant and experience minimal downtime

All of these outcomes need to be delivered within an overarching strategic aim of **becoming London's Best Council with an efficient organisation and reduced operating costs.**

These high level outcomes shape and prioritise the activity set out in the supporting implementation plan for the strategy.

## **ABOUT THIS STRATEGY**

This document sets out Merton's vision and strategy for its Information, Communication and Technology infrastructure and systems architecture. In developing the strategy, officers have drawn on the target operating models (TOM) and associated delivery plans developed by the Council's businesses throughout 2015/6. This ensures that Merton continues to take a business-led (and therefore customer-led) approach to the development, improvement and maintenance of its IT assets.

The strategy also reflects the more technical guiding principles and constraints that frame our IT ambitions, either because of legislative requirements or as part of our commitment to adhere to industry standards and best practice.

In striking the balance between responding to business needs and managing IT assets effectively and efficiently this strategy is designed to provide a broad strategic framework for the maintenance and improvement of the Council's IT and business systems. It is supported by a more detailed implementation plan that sets out the operational tasks associated with achieving the strategy. The implementation plan will be reviewed annually; the content of the plan and progress against it will be assured and managed through Corporate Services DMT and the Merton Improvement Board. The Assistant Directors of Infrastructure & Transactions and Business Improvement will be jointly accountable for its delivery.

## **BUSINESS CONTEXT**

As a high achieving authority, Merton is single minded in its commitment to continuous improvement. The organisation recognises that this will require IT infrastructure and systems that support excellent services and – in the context of a decreasing financial envelope – greater automation and self-service.

The financial context in which we operate requires that the organisation finds ever more efficient ways to manage and improve its IT assets. Where judicious investment is required in order to transition the organisation towards more efficient ways of working on an 'invest to save' basis, the Council allocates funding from reserves earmarked specifically for this purpose. The Merton Improvement and Capital Programme Boards manage this process, awarding funding on the basis of sound business cases and overseeing their implementation to ensure benefits are realised.

Through the development of TOMs each business has set out its future state and the role that IT will play in enabling this. It is this information that, drawn together, forms the basis of this strategy and supporting implementation plans. The activities reflect the development, improvement and maintenance of IT and business systems needed by services in order to achieve their stated ambitions.

In addition, the strategy incorporates the activity that will be required to deliver cross-cutting transformational projects and programmes of change and improvement. The most notable of these are:

- Flexible Working – a programme of coordinated activity designed to introduce modern working practices that make the most effective and efficient use of office space and officer time.
- Customer Contact – a three-year programme that will enable and drive channel shift, the transition of customer interaction to cheaper (usually online) channels and self-service wherever possible.

- Mobile working – the integration of systems and introduction of mobile devices and mobile-enabled systems so that officers can work from any location.
- SCIS – the re-procurement of the Council’s social care information system.
- Financial systems – the re-procurement of the Council’s financial information management systems.

## **STRATEGIC DESIGN PRINCIPLES**

As this strategy has already acknowledged, Merton must be judicious in its management and development of IT and systems – changes to our infrastructure and architecture have cost implications beyond the initial investment as they will require support and maintenance. In addition, there are a suite of technical standards and protocols with which the Council needs to comply.

To ensure that all of these factors are taken into account, the organisation has adopted a holistic approach to developing this strategy. Businesses have worked with target operating models to clarify and articulate their current and future IT needs; but to help frame their thinking and ensure development proposals are realistic a series of design principles have been applied to the process. These will continue to inform our IT development:

- IT systems must be customer centric and support the Council’s Customer Channel Design principles.
- IT systems should consolidate information around the citizen, reduce reliance on paper and provide automated workflows wherever possible.
- IT systems must support social inclusion and be user friendly.
- IT systems must improve information use and sharing with Merton partners, where appropriate, and comply with the Information Strategy.
- IT systems must support the Council’s Information Channel Design Principles.
- IT systems will maximise use of configuration to ensure they are readily upgradable and supported by the vendor. System customisation should be avoided.
- IT systems and Service delivery will be designed with shared function/service in mind.
- All significant IT developments, improvements and technology purchases will be governed and controlled through the Technical Design Authority to ensure technology compliance and maximum value is achieved.

## **STRATEGIC PRIORITIES**

Drawing on the TOMs and transformation delivery plans of the organisation, as well as developments in the world of IT, legislative requirements and industry good practice, we have developed a set of strategic priorities that clarify where scarce resources will be focused over the life of the strategy.

These are the high level outcomes this strategy aims to deliver:

- Customer focused systems
- Integrated and joined-up systems and infrastructure
- Single source of master data sets (master data management)
- IT that is fit for purpose now and into the future
- The ability to operate from multiple locations and devices (flexible and mobile working)
- Increased self-service
- Automation where it's efficient and effective to do so
- Systems and infrastructure that are resilient, compliant and experience minimal downtime

All of these outcomes need to be delivered within an overarching strategic aim of **becoming London's Best Council with an efficient organisation and reduced operating costs** .

These high level outcomes shape and prioritise the activity set in the supporting implementation plan for the strategy. The following objectives set out in more detail how each will be achieved.

### **Customer focused systems**

- Council systems that support the Customer Contact Strategy and programme, enabling a customer centric approach, with information consolidated around the service users.
- Support social inclusion by maximising access to IT resources by members of the community and community groups, and by providing user-friendly systems, systems that cater for a wide range of needs in support of the Digital Inclusion Strategy.
- Support the customer contact strategy by providing a consistent customer experience through a variety of channels.
- Customer data stored consistently across various systems.
- System and IT infrastructure enhancements and implementation informed by business need (which in turn articulates customer need).
- Where feasible and beneficial, maximise the benefits of mobile working by gathering multi-agency data at each interaction thereby reducing multiple contacts with customers.

### **Integrated and joined-up systems and infrastructure**

- System integration wherever possible and beneficial.
- Actively consider the potential for joint working with partnering boroughs and agencies in all IT decisions.
- Improved – through IT systems/infrastructure – information use and sharing with Merton partners.
- IT infrastructure and systems that support, enable and promote shared services.
- Support business transformation through end- to-end integration of processes, consolidated customer databases and exploiting e-enabling services and improved service delivery within the council.



- Create and maintain a 'single version of the truth' with appropriate arrangements in place to improve and maintain primary data sources that feed secondary sets with minimal manual intervention.
- Maximise existing investments.

### **Fit for purpose now and into the future**

- Create a clear vision and target operating model for the IT infrastructure and systems architecture that is based on businesses' plans for the future.
- Create and maintain IT infrastructure and systems that support business agility.
- Lead and promote business change through innovation and technology.
- Actively maintain good market intelligence and scan for new opportunities.

### **Operating from multiple locations and devices**

- Provide business solutions and IT infrastructure that support the flexible working programme and accommodation strategy through mobile and home working.
- Documents available electronically at point of use; reduced reliance on paper.
- Telephone systems and printing follow the worker.
- Deploy, wherever possible, device and operating system agnostic solutions

### **Increased self service**

- Introduce and improve the functionality of web-enabled services and systems.
- Better use and quality of geospatial data.
- Support stronger clienting of the IT service by businesses by raising IT skills.

### **Systems and infrastructure that are resilient, compliant and experience minimal downtime**

- Establish and maintain a programme for effective disaster recovery.
- Develop and regularly test business continuity plans.
- Achieve and maintain compliancy with PSN, N3 and CJSM regulations.
- Manage and monitor 'downtime' that is as close to zero as possible.
- Introduce, develop and maintain change control mechanisms.
- Adopt a 'cloud first' managed/hosted infrastructure approach wherever appropriate

## **CHANGE MANAGEMENT**

A key factor in delivering this strategy will be the introduction and maintenance of effective change management mechanisms. As the Council increases its reliance on technology through programmes such as Customer Contact and Flexible Working but also seeks, in parallel, to reduce the cost of maintaining and supporting systems and IT infrastructure, establishing effective governance and control of IT assets will become even more important. The uncontrolled and ungoverned development of systems and IT infrastructure risks not only confusing and disrupting the system and IT architectures, but also carries a cost implication: improvements will be inefficient where technical support and maintenance resource implications have not been correctly understood. This could, in the longer term, counteract business benefit/efficiencies if not properly planned for.

It is therefore important that explicit arrangements are put in place that guarantee that appropriate discipline will be consistently applied to the development of the organisation's system architecture and IT infrastructure. Whilst this strategy and implementation plan provides a route map for investment over the coming four years, it cannot be expected that the requirements of the organisation will remain static over its lifetime. New business demands are likely to emerge that are not currently understood, or are driven by changes in policy or statutory frameworks. For this reason, this strategy introduced a **Technical Design Authority**. The role of this body will be to manage and agree any alterations that are proposed to the agreed implementation plan that supports this strategy.

It will govern and manage development of the Council's systems and IT and ensure changes and improvements are compliant with not only necessary technical and security standards, but also Council strategy, i.e. rationalisation and integration of systems, reduction in support overheads etc. This will ensure that there is full collaboration and consultation on any significant proposal to amend the Council's technology architecture (outside those improvements and activities already agreed as part of this strategy and implementation plan). The terms of reference for the group are appended to this strategy (Appendix 2).

## **OPERATIONAL DELIVERY**

The core delivery plans for the Infrastructure and Transactions and Business Improvement divisions will incorporate activity required for the routine maintenance of the Council's IT infrastructure and systems. This strategy and supporting implementation plan captures the activity over and above this core offer, relating to improvements outside those that are routinely expected. For each of these, a business case has been prepared to secure investment from earmarked reserves. This will enable the necessary resources to ensure timely and effective delivery to be made available.

To provide consolidated and resilient support arrangements, any system that is being supported by individuals within service teams, the support arrangements will be migrated to the IT infrastructure and business systems team.

Prioritisation and sequencing of the programme will be managed through Merton Improvement Board to ensure that it takes account of pan-organisation imperatives and priorities. Regular reports on progress and resource management will be submitted to the Merton Improvement Board, in addition to Corporate Services DMT.

A series of Service Level Agreements will sit alongside the strategy and set out agreed metrics and service standards to enable departments to assure and monitor delivery.

## **BUSINESS CONTINUITY**

Business continuity will be assured through the deployment of four planned maintenance windows per year. These will allow crucial system and infrastructure updates and improvements to be made with minimum impact on service provision.

It will also be enhanced through the provision of suitable Wide Area Network (WAN) links to the designated Business Continuity Page 144. We will ensure that connectivity to Business

Critical systems is maintained in the event that we were no longer able to occupy the Civic Centre.

We will continue to ensure that the remote access infrastructure is available with diverse internet routes.

Business continuity plans will be routinely reviewed and tested.

## **DISASTER RECOVERY**

The Council's IT infrastructure and business systems underpin many of the Council's critical activities. In the event that an incident occurred that interrupted the availability of IT and systems – for example a fire, or borough emergency that affected the Civic Centre – it would be essential that systems were restored as quickly as possible. This is particularly true given the potential for some systems to support civic recovery.

In order to ensure this is the case, we will complete Phase 1 Disaster Recovery arrangements, which include the identification of the Council's core business critical IT systems and the relocation of hardware to the new Disaster Recovery facility located at London Borough of Wandsworth. We will also review departmental IT Disaster Recovery plans and provide some critical challenge to ensure that they are robust and fit for purpose.

Utilising agreed planned maintenance periods we will undertake regular testing of Disaster Recovery arrangements including operational infrastructure, hardware and emergency backup systems to ensure that they are fully operational.

We will develop phase 2 Disaster Recovery arrangements including the procurement of new Active/Active Storage Area Network equipment (SAN) and install the new infrastructure and equipment at the Civic centre and Wandsworth sites.

Finally, we will properly map and document the new Disaster Recovery processes and produce an operational maintenance manual.

All of these activities – along with timescales – are included in the Implementation Plan that supports this strategy.

## **APPENDICES:**

1. Implementation plan
2. Technical Design Authority terms of reference

## **RELATED DOCUMENTS**

Information Technology (IT) Policy

Social Media Protocol

Information Strategy

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<b>Document Status</b>	Approved by MIB

## IT Strategy 2014-8 Implementation Plan - Agreed Improvements

Project Name	Brief Description	Comment	Status
<b>System improvements and implementations - AGREED and RESOURCED</b>			
In-Cab - specification devt and requirements gathering	Exercise to establish business requirements for functionality currently delivered through Confirm (street scene, asset mgt & waste mgt)	Completed, cost prohibitive and scaled down into EAMS project	Complete
(EAMS) - Environmental Asset Management system - specification devt and requirements gathering	Exercise to establish business requirements for functionality currently delivered through Confirm (street scene, asset mgt & waste mgt)	Completed and approved and submitted to tender portal.	Complete
(EAMS) - Asset Management - procurement and implementation	Project to procure and implement new Environmental Asset Management System (EAMS).	Go live dates: 16\10\17 ans 23\10\17	Complete
Customer Contact	Implement new transactional website, content management system, customer account functionality and customer relationship management system	Intranet Go live 19\12\17	In progress
EDRMS	Implement replacement EDRMS (to replace SMART)	BST is now live in SharePoint	In progress
(SCIS) - Social Care Information System	Implement replacement system (replacing CareFirst)	Go live 6 May 2017	Complete
(FIS) -Financial Systems Re-Engineer	Procure and implement replacement financial management information system	System went live on 6th february 2017	Complete
NHS Number as URN	To introduce the NHS number as the URN within our Social Care System. Already under way and in CareFirst action plan	De-scoped for phase 1. Review for phase 2.	Not started
Tree Survey Remote Solution	Provision of remote survey solution for tree survey work ( <b>underway</b> ).	Short-term solution in place, Will be addressed by EAMS implementation.	Complete
Mapping and Data Improvement	Geocode and integrate a range of datasets into the GIS database - prioritised by business benefit.	Data migrated to Mayrise (EAMS)	Complete
Firmstep e-forms	Develop and implement a range of new eForms (using existing system) to provide automation for businesses pending replacement eForm solution becoming available through Customer Contact programme.	Highlighted prioritised forms completed, on-going urgent requirements being funded as and when required.	Complete
ANPR - Implementation	Following successful trial, Implement automatic number plate recognition system. Now to be combined with CCTV maintenance contract.	Complete	Complete

Project Name	Brief Description	Comment	Status
Waste services SLWP	Waste services migration to Veolia	Complete	Complete
Building & Development Control - CIL	Implementation of Exacom Cil	Go live March 2017	Complete
Greenspaces - Lot 2 system integrations	Greenspaces system integration with Idverde	Implementation in progress	In progress
IT re-procurement	Reprocurement of Northgate M3 systems	Tender complete, award due after procurement board on 6th Feb 2018	Complete
IT PG service implementation	Implement National Address Lookup service	Implemented and now being integrated with other systems	Complete
Libraries & Heritage - further wifi rollout	Extend wifi for libraries	GLA funded project and now complete	Complete
Libraries & heritage - further on-line payments	Extend online payments		Complete
Libraries & heritage - on-line halls bookings	Provision of on-line hall booking	Delivered by Customer Contact	Complete
Libraries & heritage - Replace self service technology		Completed apart from chip and pin	In Progress
CIL system implementation	Implement CIL system and integrate with M3	Completed	Complete
Greenspaces - tree enquiry self tracking system	Tree enquiry self-tracking system	Functionality of new EAMS (Mayrise) should deliver this functionality	Complete
FPN/PCN system procurement	Re-procurement of PCN and FPN system for Diesel charging.	Requirements and scoping underway.	In progress
New Registrar system	Replacement of old registrar system	Implementation in progress	In progress
CS Electoral services - Mobile/tablet canvassing	Provision of tablets and software to enable mobile collection of electoral registration information	Implemented and now being integrated with other systems	Complete
Merton Intelligence Hub	Procurement and implementation of GIS Intelligent hub website for displaying nationally available information about Merton graphically.	Complete	Complete
Replacement Library system	Reprocurement of london library consortium solution for libraries	Gone to Tender	In progress

## Sub total: systems

Project Name	Brief Description	Comment	Status
<b>Infrastructure improvements and implementations - AGREED</b>			
Replace all photocopier / printers	Replace all MFD on floors and print room and install integrated system	Some issues with the print to print room software, this is being tested within the I & T department before further rollout	In progress
Replace desktop devices	Replacement desktop devices	This is ongoing yearly refresh, 2017 /18 we have refreshed over 200 laptops and 20 desktops	In progress
Replace out of warranty servers	Replace out of warranty servers		In progress
Replace Core switches	Replace core network switches	ITT just returned for review and award, expect to award early january - 18 months project	In progress
Replace edge Network switches	replace Network edge switches	ITT just returned for review and award, expect to award early january - 18 months project	In progress
RE-cable sites network cabling	Recable sites with new cabling		Complete
Proxy server replacement	Replace Web proxy server		Complete
Replace flukes	Replace flukes used for network testing		Complete
Spam Filters	replace email spam filters		Complete
Upgrade PABX	Replace PABX telephone system	Contract awarded, implemetnation will now start with a estimated go live in Summer 18	In progress
Replace BTS call logging	Replace telephone call logging system	Contract awarded, implemetnation will now start with a estimated go live in Summer 18	In progress
Replace Voicemail System	Replace voice mail recording system		Complete
Replace internet packet shaper	Replace internet packet shaper		Complete
Replace NOF PC's	Replace Publix access terminals	160 desktops being replaced will complete March 18	In progress
Consolidate Network management and Server management software	Consolidate Network management and Server management software		Complete
Replace PTC scheduling software	Replace PTC scheduling system		Complete
Retender Source One email archiving	Retender Source One email archive solution		Not started
Renew Microsoft Enterprise agreement	Renew Enterprise agreement	Annual renewal	Complete
Replace MASCOTT system with new product includes telephony, telehealth and telecare	Renew/replace MASCOTT system.	Procurement stopped being retendered May 18	In progress

**Sub total - Infrastructure**

**Total agreed/funded**

# Technical Design Authority

## Terms of Reference

January 2017

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### 1. Purpose

The Technical Design Authority (TDA) is the strategic body which ensures that an appropriate level of governance and control is applied to changes or improvements in the council's IT infrastructure or systems. Its role is to facilitate appropriate challenge, assurance and support to ensure all proposals for major upgrades, or new systems, modules, or services, are fit for purpose.

The Technical Design Authority will;

- govern and manage the IT systems architecture and IT infrastructure for the London Borough of Merton;
- maintain and lead on supporting IT policies and standards;
- agree and manage changes to the IT Strategy and Implementation Plan; incorporating changes and development to the systems architecture and IT infrastructure for the council such that it complies with strategic objectives, relevant legislation, appropriate quality standards, and good practice;
- oversee changes to, and development of, the systems architecture and IT infrastructure for the council set out within the IT Strategy and Implementation Plan in order to ensure that these are well managed and meet agreed business objectives;
- implement and maintain a scheme of delegation that allows for effective and timely decisions on changes to the IT Strategy and Implementation Plan at a level proportionate to their significance and impact;
- review its Terms of Reference annually.

### 2. Functions

The overarching objective of the TDA is to ensure that the appropriate level of discipline and control is applied to changes or improvements to the council's IT infrastructure and systems.

The ultimate aim is to enhance IT performance and flexibility and ensure that the council's technology is fit for purpose, the likelihood and predictability of success is increased, and the likelihood and cost of non-conformance is decreased.

This is to be achieved by ensuring that all proposed significant changes are approved by the TDA prior to funding being allocated or implementation agreed.

This extends to technical aspects of wider transformation and improvement projects and programmes commissioned across the council.

The TDA defines significant changes as,



- any new system, module or service;
- any major upgrade to current infrastructure or;
- any major system upgrades, enhancements or configuration.

The scope of the TDA does not extend to routine maintenance and upgrades, nor any activity already agreed as part of the IT Strategy and Implementation Plan.

The TDA operates closely with the Continuous Improvement Team and Business Partners to ensure that it is engaged at appropriate gateways in the project / programme cycle, and provides advice, guidance, and support to projects / programmes, and services to enable benefits to be secured through well managed and disciplined technical improvements.

In considering proposed amendments and alterations to the systems architecture and infrastructure, the TDA will consider;

- selection and design of technology for systems development / maintenance and production operations;
- alignment of proposals with the council's strategic direction, including the IT Strategy, Information Strategy, and corresponding enterprise architecture principles, architectures and roadmaps;
- guidance and advice on leading practices, industry standards and conventions and frameworks and methods;
- technical risks and mitigation strategies;
- integration with existing systems and infrastructure so that the overall solution meets a combined set of user requirements;
- impacts on existing infrastructure capacity and systems;
- software licensing impacts (where relevant);
- data integrity and quality and, specifically, alignment with agreed master datasets;
- future support requirements and the capacity of the council to respond to these;
- feasibility in relation to costs, resources, impacts and business benefits;
- design to meet technical goals in relation to compatibility, usability, security, reliability, maintainability, reusability, supportability and recoverability in operations;
- implementation plans to increase the likelihood of success, e.g. project / programme management that complies with MAP, scheduled user testing, etc.;
- ability to meet business continuity and disaster recovery arrangements of the council.

The TDA will also regularly review the relevant council policies and standards to ensure they are fit for purpose.

### **3. Membership**

The membership of the TDA will be drawn from Corporate Services to ensure the appropriate level of technical expertise.

The Board will be considered quorate if the Chair (or their delegate) plus four other members, including the Head of IT Systems and Head of IT Delivery (or their delegates), are present.

The table below outlines the TDA membership and expected roles.

<b>Post</b>	<b>Role in the TDA</b>
Director of Corporate Services	Chair
Assistant Director of Infrastructure and Transactions	Ensure proposals align with strategic direction of the organisation in relation to IT Infrastructure
Assistant Director of Business Improvement	Ensure proposals align with strategic direction of the organisation in relation to transformation and change and IT systems
Head of IT Service Delivery	Ensure proposals align with IT strategy in relation to operational management of IT Infrastructure
Head of IT Systems	Ensure proposals align with IT strategy in relation to operational management of IT Systems Architecture
Head of Continuous Improvement	Ensure proposals align with the Merton Improvement Portfolio and Merton Approach to Projects (MAP) methodology
Head of Information Governance	Ensure proposals align with the council's data protection and information governance policies

Business Partners are considered optional attendees unless their Department is bringing a proposal to the TDA, in which case their attendance is mandated. The Business Partners will support the Department in the preparation and delivery of their proposal for the TDA. They will ensure business interests are represented in technical decisions.

Additional temporary members will be invited to join the board for individual meetings where a particular item requires their expert input. These will usually be Heads of Profession for a given area or subject.

The TDA will always seek to reach a decision on any proposal through consensus and collaboration; looking to reach a conclusion that is in the best interests of the organisation as a whole as well as the service seeking to introduce change. In the event that such a decision cannot be reached then the TDA will escalate the decision to the Merton Improvement Board or CMT as appropriate, providing all necessary information to ensure a swift resolution can be achieved.

#### **4. Board support**

The Continuous Improvement Team will organise and service all TDA meetings. This will include scheduling meetings and circulation of documentation, maintaining an online document library, keeping a decision log and summary notes of all meetings, and monitoring actions arising from the meeting, including escalating issues / out of date actions to Merton Improvement Board as required.

Each meeting will adopt the following broad format:

- A representative from the relevant business area, preferably the owner of the proposed initiative / project, will present their proposal, including any options appraisal undertaken, the anticipated business benefits, and the overarching plan.
- Board members will ask questions and clarify the proposal as required.
- The Board will reach a decision on the proposal which may be to;
  - a) approve as currently set out;
  - b) approve subject to certain amendments or additions;
  - c) refer it for further development on the basis of guidance provided by the board, or;
  - d) reject the proposal altogether with a clear rationale for the decision.

## 5. Accountability

The TDA will report all decisions to the Merton Improvement Board (MIB) on a monthly basis. In addition, the TDA may escalate issues and risks to MIB as required.

The TDA will work in conjunction with the other established change control mechanisms within the organisation as follows:

<b>Governance</b>	<b>Role</b>	<b>Relationship to TDA</b>
Departmental Management Teams (DMT)	Business leadership and management; agree, prioritise and resource transformational activity.	Refer requests / proposals for significant system / IT changes to the TDA for advice prior to approval.
Senior Management Teams (SMT)	Manage discrete business functions, propose, prioritise and manage transformational activity.	Consult the TDA on proposals for significant system / IT changes for advice prior to approval.
Merton Improvement Board (MIB)	Oversees cross cutting transformation and secures assurance on quality and progress against delivery.	Refer requests / proposals for significant system / IT changes to the TDA for advice prior to approval.
Capital Programme Board	Oversees, determines and directs activity (projects and programmes) undertaken as part of the council's capital programme.	Refer requests / proposals for significant system / IT changes to the TDA for advice prior to approval.
Carefirst Programme	Oversees and directs	Significant improvements

Governance	Role	Relationship to TDA
Board	significant change to the Carefirst System, ensuring this is driven by and takes full account of business need.	to be referred to the TDA for consultation.
Adults and Children's Departmental Information Groups	Manages and controls change to the Carefirst system at the operational level, ensuring this is driven by and takes full account of business need.	N/A

## 6. Meetings

TDA meetings will be scheduled every two months for routine agenda items and non-urgent requests. Additional reactive meetings will be held as required in order to respond in a timely manner to more urgent change and improvement requests that cannot wait until the next scheduled meeting. In the case of such urgent requests a meeting will be convened and a decision reached (subject to sufficient information being made available to the Board) **within seven working days**.

Requests are to be submitted via email to the Continuous Improvement Team ([continuous.improvement@merton.gov.uk](mailto:continuous.improvement@merton.gov.uk)) and DMTs must approve any proposals / requests arising from their department prior to submission to the TDA.

The Board will meet every eight weeks on the fourth Tuesday of the month.

## 7. Extraordinary Meetings

The Board may arrange occasional meeting to address specific themes or topics.

# **Section C**

# **Risk Management**

## Policy Statement

Merton's policy is to manage our risks by identifying, assessing and controlling them, with the aim of eliminating or reducing them to acceptable levels whilst being mindful that some risks will always exist and will never be eliminated.

The council recognises its responsibility to risk management by supporting a structured, systematic and focussed approach to risk management through the approval of our risk management strategy.

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans.

Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Merton's aims and objectives in relation to risk management are to:

- Establish and maintain a robust framework and procedures for the identification, analysis, assessment and management of risk, including reporting and recording.
- Minimise the council's exposure to unacceptable levels of risk, minimise injury, damage, loss and inconvenience to staff, residents and service users.
- Integrate risk management into the day to day activities of staff and the culture of the organisation, raising awareness of the importance and need for risk management.
- Assign clear roles and responsibilities for councillors and officers responsible for risk management
- Ensure consistent application of our methodology across all of our activities, including partnerships and projects.
- Effectively manage the total cost of risk.

We will achieve this by:

- Having a clear and concise risk management strategy which underpins our approach and responsibilities to risk
- Incorporating risk management into business planning, project management and service delivery
- Monitoring risk on a regular basis through the Corporate Risk Management Group (CRMG)
- Reporting on risk on a regular basis to the Corporate Management Team (CMT), Cabinet and General Purposes Committee

## **Risk Management Strategy**

The process of identifying and evaluating risks is known as risk assessment. By understanding the risks we face, we are better able to actively recognise where uncertainty surrounding events or outcomes exists, and identify measures which can be taken to protect the council, its staff, residents, customers and assets from these risks.

This strategy provides a structured approach to identifying emerging risks as well as assessing and managing current risks. It also incorporates a process for regularly reviewing and updating identified risks.

This strategy will be reviewed on an annual basis, and updated where required.

### **What is risk?**

Risk is the threat that an event or action may adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. A risk can be a threat, obstacle, barrier, concern, problem or event that may prevent us fulfilling our objectives.

Our risk management processes also include the assessment of Issues. Issues are current problems, questions, outstanding items, tasks or a request that exists in the immediate present. There is a strong element of fact surrounding it. An issue becomes a risk when the issue cannot be addressed and could continue or get worse.

### **Definition of Risk Management**

Organisations exist to achieve their ambitions, aims and objectives. Risk Management is the process by which organisations methodically address and identify the risks that may prevent them from achieving these ambitions, aims and objectives. The intention is to achieve sustained benefit within each of their activities, and across the portfolio of all their activities.

Ultimately, risk management is about creating a better understanding of the most important problems facing organisations.

Risk is also implicit in the decisions all organisations take; how those decisions are taken will affect how successful they are in achieving their objectives. Decision making is, in turn, an integral part of the day to day existence and is particularly significant in times of change. Risk management therefore is a key component in the management of change and helps to support effective decision making.

We endeavour to identify all risks facing the council and to monitor, manage and mitigate (where possible) all those risks which are deemed to be high (scored Amber or Red). Risks are monitored via Departmental Risk Registers, and key crosscutting risks to the council are also placed on the Key Strategic Risk Register (KSRR).

### **The benefits of risk management**

In addition to the business and service benefits of our approach, we are required to undertake risk management because it forms part of the Annual Governance Statement. We must, therefore, demonstrate that we have a systematic strategy, framework and process for managing risk.

However, the council recognises that the benefits of risk management far outweigh the requirement to undertake the activity and such benefits include:

- Stronger ability to achieve our ambitions, aims and objectives as key risks are managed.
- Better decision making as we are more aware of risk.
- Ability to take advantage of opportunities because we understand the risks attached to them.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in our ability to adapt to change
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

### **Organisational awareness of risk and risk management**

Ensuring that there is a strong organisational awareness of risk management will be achieved through training sessions, reviews, departmental meetings, briefings and staff bulletins which will take place on a regular basis. Each department has an assigned Risk Champion who will offer guidance to staff where required. The [risk management intranet page](#) will be regularly reviewed and staff will be signposted to the information they need to pro-actively identify and manage risk ie the Risk Management Toolkit and other guidance.

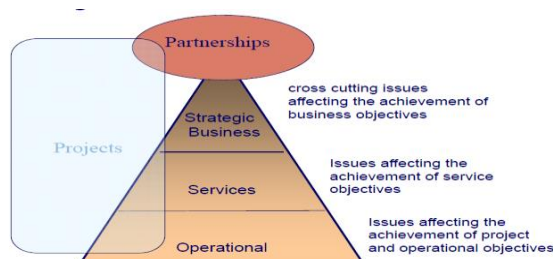
### **Risk Appetite**

The council recognises that its risk appetite to achieve the corporate priorities identified within its business plan could be described in general as an “informed and cautious” approach. Where significant risk arises, we will take effective control action to reduce these risks to an acceptable level.

It is also recognised that a higher level of risk may need to be accepted, for example to support innovation in service delivery. To offset this there are areas where the council will maintain a very cautious approach for example in matters of compliance with the law, and public confidence in the council, supporting the overall “informed and cautious” position on risk.

### **How does risk management integrate with other policies?**

Risk management links closely with Health and Safety, Business Continuity, Emergency Planning and Insurance; by ensuring close links we can enhance our resilience. Generally, a single issue or risk will fall into only one of these categories; however some may fall into two or more. As Business Continuity is a way of mitigating risk, its link with risk management is key to ensuring the continuous delivery of services which are important to the community.





## **Risk management in projects**

Risk management is a key part of the ongoing management of projects and partnerships and is clearly defined in [Merton's Approach to Projects \(MAP\)](#).

## **Risk management in partnerships**

The council is involved in a wide range of partnerships to achieve our ambitions, aims and objectives. It is vital we assess the risks to achievement within our key partnerships, and ensure that they are monitored regularly.

Our methodology for assessing and monitoring risks has been adopted by our key partnerships in order to ensure consistent scoring, and effective integration into our risk management system.

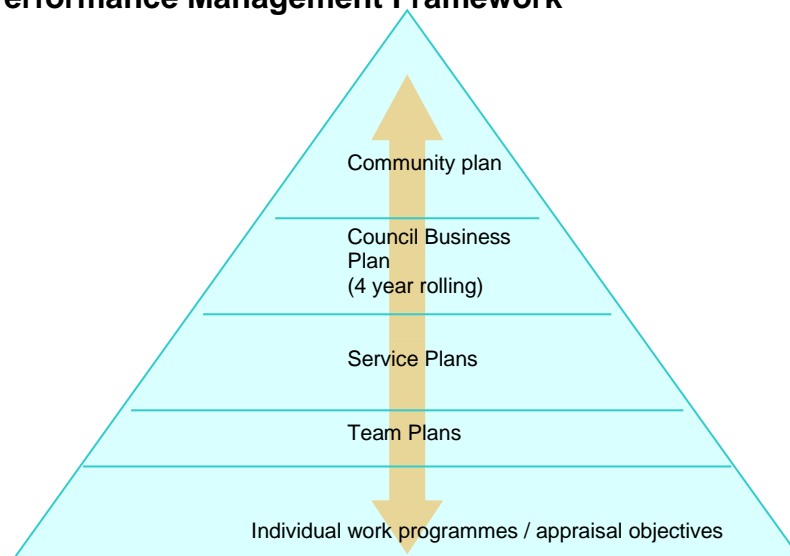
## **Risk management and financial planning**

Risk management is an important part of financial planning. As part of the budget setting process a robust risk assessment is completed, and then reviewed on a regular basis.

## **Corporate approach to risk management**

In order to formalise and structure risk management, it is recognised there is an obvious and clear link with the business planning process and therefore risk management sits within the Business Planning team. The overall council Business Plan, incorporating the individual service plans, sets out what a team, division, department, or the council as a whole, want to achieve within a specific time frame, as shown below.

## **Merton Performance Management Framework**



- CMT is ultimately accountable for delivering the council's Business Plan therefore they are responsible for monitoring and reviewing the KSRR.
- DMTs are responsible for their own services' risk registers.
- Divisions or teams are responsible for their own risk registers, if applicable.

It is important that risks identified and assessed at an operational level can be escalated to a departmental or corporate level. However, because a risk may have a great impact on a team it does not necessarily follow that it may have the same impact on the department, or the organisation as a whole.

Ultimately, it is the respective management team which decides if a risk is an appropriate inclusion on its risk register.

### Scoring Risk

In conjunction with this strategy, more detailed guidance will be issued to assist officers in identifying risks and issues, and the scoring, managing and reporting of those risks identified.

When determining a score for service level risks, definitions of likelihood and impact of risk (Service Level) should be used in conjunction with the matrix below. Therefore, if the likelihood of a risk is 4, significant, (occurs or likely to occur more than 25%, and up to 50% of the time) and the impact is 3, critical, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

### Defining the Likelihood of Risk

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
5 - High	Occurs or likely to occur more than 50%, and up to 90% of the time
4 - Significant	Occurs or likely to occur more than 25%, and up to 50% of the time
3 - Possible	Occurs or likely to occur more than 5% and up to 25% of the time
2 - Low	Occurs or likely to occur more than 1% and up to 5% of the time
1 - Almost Impossible	Occurs or likely to occur up to 1% of the time

### Defining the Impact of Risk (Service Level)

Categories	1 Marginal	2 Significant	3 Critical	4 Catastrophic
<b>Financial Impact - FI</b>	Up to 15% gross budget or turnover	Over 15% and up to 50% of gross budget or turnover	Over 50% and up to 75% of gross budget or turnover	Over 75% of gross budget or turnover
<b>Service Provision - SP</b>	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
<b>Health and Safety - HS</b>	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
<b>Objectives - O</b>	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
<b>Reputation - R</b>	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

## Risk Matrix

Likelihood	
6	= Very High
5	= High
4	= Significant
3	= Possible
2	= Low
1	= Almost Impossible

Likelihood	6	6	12	18	24
	5	5	10	15	20
	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
	1	2	3	4	
	Impact				

Impact	
4	= Catastrophic
3	= Critical
2	= Significant
1	= Marginal

### Reporting and escalating risks

All risks on individual service risk registers are reviewed at Departmental Managers Team (DMT) meetings with particular attention given to red or increasing amber risks.

Risks are also checked for any cross cutting implications. If the risk is high scoring and/or could have an impact across the organisation, then it must be rescored using the Defining the Impact of Risk (corporate level) criteria below, prior to inclusion on the Key Strategic Risk Register.

### Defining the Impact of Risk (Corporate Level)

Categories	1 Marginal	2 Significant	3 Critical	4 Catastrophic
<b>Financial Impact - FI</b>	Up to £2.5m per annum or up to £10m one off	£2.5m up to £5m per annum or up to £20m one off	£5m up to £7.5m per annum or up to £30m one off	£7.5m up to £10m per annum or above £40m one off
<b>Service Provision - SP</b>	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
<b>Health and Safety - HS</b>	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
<b>Objectives - O</b>	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
<b>Reputation - R</b>	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

## Monitoring and Managing

During the year, new risks will arise that have not previously been considered and there may be changes to existing risks. Therefore the risk registers need to be regularly managed, with risk owners re-assessing their risks, re-scoring them if appropriate, and providing sufficient narrative in respect of the Control Measures they have in place (ie the actions which they are taking to mitigate against the risk). The reviews of risk registers should be managed by exception. The reporting cycle as detailed below, takes place during April, July, October and January.

1 <sup>st</sup> week	2 <sup>nd</sup> week	4 <sup>th</sup> week
DMT – review operational service risks and propose KSRs as per the definitions of likelihood and impact for crosscutting risks	Corporate Risk Management Group (CRMG) – review service risks and proposed KSRs	CMT – identify and review KSRs

All risks are reviewed according to the quarterly cycle shown above, with a particular focus upon red risks, and also upon amber risks which have increased their risk score since the previous quarterly review.

Removal of any risks from the registers must be approved by DMTs and CRMG prior to being presented to CMT. CRMG will only approve removal of a risk if it is scored green for a minimum of two consecutive reporting cycles (ie two quarters). There are otherwise no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. A decision is sometimes taken to keep a low-scoring risk in view on the basis that its status might change over a short period, or so those with an assurance role can be confident mitigation against a risk can be sustained.

A flowchart showing how service, departmental, corporate and partnership risks are escalated and reported is shown on the final page of this Strategy.

## Roles, Responsibilities and Governance

### Councillors

Elected councillors are responsible for governing the delivery of services to the local community. Councillors have a responsibility to understand the key risks the council faces and will be made aware of how these risks are being managed through the annual business planning process. All Councillors will have a responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the plans and reports submitted to them.

### Chief Executive and CMT

The Chief Executive and CMT are ultimately accountable in ensuring that risk management is fully embedded in the council's business planning and monitoring processes as well as having overall accountability and responsibility for leading the delivery of the council's Risk Management Strategy and Framework. CMT will take a leading role in the risk management process, ensuring that risk management is communicated,

understood and implemented by Councillors, managers and staff. CMT will also play an important role in establishing a supportive culture. CMT will submit an annual report on risk to the Standards and General Purposes Committee and Cabinet.

### **Directors**

Each Director is accountable for proper monitoring of their departmental risk register, action plans and the embedding of risk management into the business planning process of their directorate. They will need to be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department. Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective Directorate.

### **Section 151 Officer / Internal Audit**

The Section 151 officer and Internal Audit will be responsible for carrying out independent reviews of the risk management strategy and processes. They will provide assurance and give an independent and objective opinion to the council on the adequacy of its risk management strategy, control procedures and governance.

An annual Audit Plan, based on a reasonable evaluation of risk, will be carried out and an annual assurance statement will be provided to the council based upon work undertaken in the previous year. The section 151 officer will chair the CRMG group.

### **Risk Champions**

Risk champions will work with their Director, Heads of Service, Managers and Team Leaders to ensure the RM Strategy and Framework is embedded in the Directorate and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their directorate at CRMG meetings.

Risk Champions will ensure that risks are identified, assessed and scored correctly by the Risk Owners, offering advice and guidance where appropriate. They will also challenge risk scores where they do not appear to be reasonable, or where they contradict the Control Measures narrative or the corporate Risk Scoring Guidance.

All Risk Champions will receive appropriate training to ensure that they can perform their role effectively. Training needs will be regularly evaluated.

### **Service Managers**

Managers have a responsibility not only for the risks for which they are the risk owner, but are also accountable for those risks, within their service, which are owned / managed by others.

They are required to maintain an awareness of risk and ensure that any risks they identify are captured by the risk management process, understanding and responding to the key risks which could significantly impact on the achievement of their service and/or team objectives. Managers should encourage staff to be open about risk so that appropriate mitigation actions and control measures can be agreed.

### **Risk Owners**

Risk owners are responsible for identifying and implementing appropriate actions which will mitigate against risks they own and reduce these risks to an level acceptable to the organisation. They are required to regularly review the effectiveness of their control measures and provide a formal update to DMTs and CRMG on a quarterly basis as part of the risk review cycle.

### **Individual Employees**

Individual employees need to have an understanding of risks and consider risk management as part of their everyday activities, identifying risks deriving from their everyday work, processes and environment. Risks which could impact on service delivery, the achievement of objectives, or their own or others' wellbeing must be identified and actively managed, with mitigating actions in place where appropriate.

### **Business Planning team**

The business planning team is responsible for ensuring that risk management is embedded throughout the council, as well facilitating and supporting the risk management process and supporting risk owners.

The team will ensure risk management documentation and intranet pages remain up to date and relevant, as well as updating the KSRR with emerging risks, new risks and updating existing risks.

In addition the Business Planning team will ensure risk is part of the annual service planning process, facilitate the CRMG meetings, and submit strategic updates and reports on risk management to CMT, Cabinet, Audit and Assurance Committee etc. as required.

### **Corporate Risk Management Group**

The Corporate Risk Management Group will provide strategic direction and leadership to ensure our risk strategy is maintained and updated and that risks are appropriately identified and managed within the organisation. It will provide a forum for the detailed discussion and monitoring of organisational risks for the benefit of the council, its staff and the wider community.

CRMG will strive to ensure that the risk management framework is embedded within the council's overall strategic and operational policies, practices and processes in a consistent and standardised manner.

In addition it will provide assurance that all risk systems and processes are operating effectively to minimise the Council's overall exposure to risk. The headline departmental risks and planned mitigation activity reported by each department will be discussed by CRMG on a quarterly basis. CRMG will then report its conclusions and recommendations for discussion at CMT.

### **Cabinet**

Cabinet will receive reports on the risk management strategy to determine whether corporate risks are being actively managed. They are responsible for agreeing the strategy on an annual basis, or when significant changes are made, and to report to full Council on the adequacy of the risk management framework.

### **Standards and General Purposes Committee**

To provide an independent oversight of the adequacy of the risk management framework and the associated control environment. The committee will receive an annual review of internal controls and be satisfied it properly reflects the risk environment and any actions required to improve it. Reports will also be provided regarding the KSRR in order that the committee can determine whether strategic risks are being actively managed.

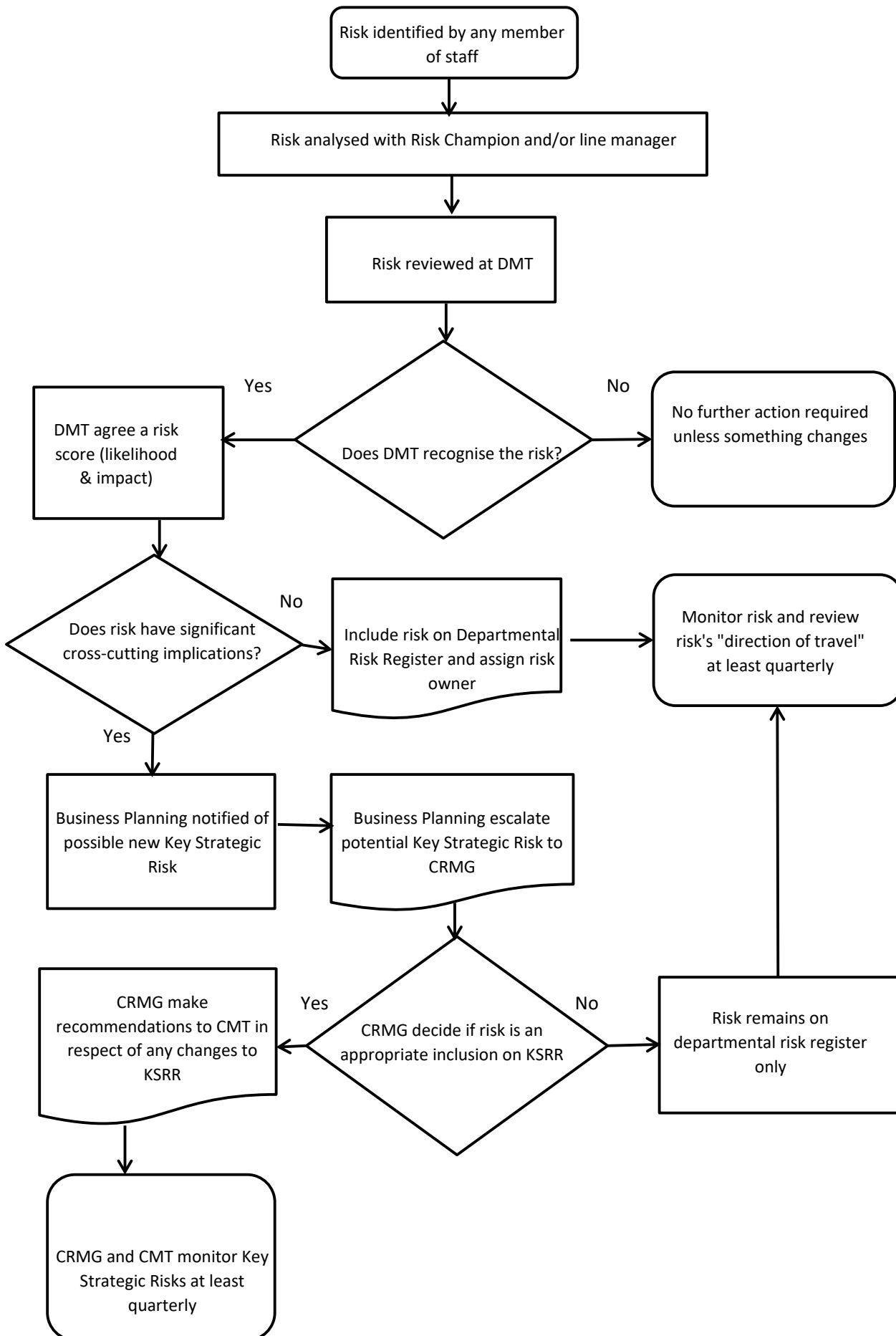
On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

### **Risk management in committee reports**

When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course of action. The risk assessment should follow the corporate risk management procedures and be scored using the risk matrix. The report should also give details of any control measures (either proposed or existing) to manage any significant risks identified. Where appropriate, reference should be made to any existing risk(s).

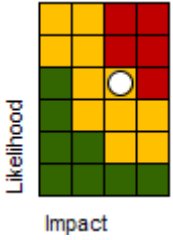




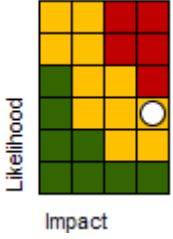




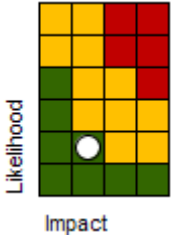




Report authors are advised to consult with the Business Planning team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

# London Borough of Merton Risk Management Process





## Risk Register ~ Key Strategic Risks ~ Quarter Three 2017

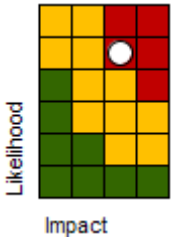




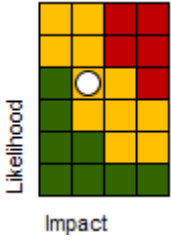




Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
John Morgan	ASC06 / KSR78 Legal challenge	Key Strategic Risk	There is a shortage of suitable placements in Merton , due to this as well as budgetary constraints, people may need to be placed further from their support networks. This can lead to legal challenges.	Can increase costs of placements and prevent other developments as well as taking staff time attracting legal costs		12  22-Jan-2018	R	The Outcomes Forum provides oversight and challenge to care packages, staff & support plans.Cases are monitored and returned for updates.Focus on the Care Act, MCA and due process as well as Best practice within the forum.	22 Jan 2018
						12  04-Jan-2018			
						15  20-Dec-2017			
						15  25-Sep-2017			
Suzanne Henry	ASC21 / KSR77 Deprivation of Liberty Safeguards (DOLS)	Key Strategic Risk	A recent court ruling known as 'Cheshire West' widens the criteria for people that can be subject to a DOLS.	Government have not made any additional resources available , so there is a cost pressure in relation to the DOLS assessments that need to be undertaken. There is a backlog of assessments to be completed, potential of legal challenge if DOLS authorisation requests are not completed.		12  02-Jan-2018	FI / SP	Merton is prioritising work in accordance with the ADASS framework. Currently staff are instructed to complete 1BIA assessment a month. An options paper will be going to DMT in March 2018.	23 Jan 2018
						12  22-Sep-2017			
						12  26-Jun-2017			
						12  21-Mar-2017			
Sophie Ellis	BI18 / KSR68 Inability to deliver TOM's across the organisation	Key Strategic Risk	Inadequate delivery planning for TOM's across the organisation. Unanticipated changes in delivery context, including additional financial reductions.	Ambition set out in TOM is not achieved.		4  12-Dec-2017	O	Routine reporting to MIB by departments in place.	22 Dec 2017
						4  12-Sep-2017			
						4  13-Jun-2017			
						4  16-Mar-2017			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Kris Witherington	BI39 / KSR74 Failure to consult in general (formerly CS17/KSR74)	Key Strategic Risk	Failure to adequately consult over changes to Council services and policies, and/or the design and implementation of projects etc	Inadequate consultation carries the risk of increasingly robust scrutiny and challenge, including Judicial Reviews.		6  12-Dec-2017	R, FI	<p>The standards expected for consultation are described in the Community Engagement Strategy ("Get Involved") which was agreed by the Merton Partnership in 2010 and refreshed in 2014. All Council consultations should be listed on the Council's online consultation database, having been approved by the Consultation and Community Engagement Team. Support for services is available including training around the need for consultation, design, and legal obligations.</p> <p>We have reviewed the standards set out in the Community Engagement Strategy to make sure it complies with current best practice and provided (in Sept) a briefing for staff on the LGA New Conversations, their guide on consulting communities.</p>	12 Dec 2017
						6  12-Dec-2017			
						6  15-Sep-2017			
						6  13-Jun-2017			
Paul Evans	CG25 / KSR79 LB Merton is not compliant with the General Data Protection Regulation (GDPR) that comes into effect on 25th May 2018	Key Strategic Risk	LB Merton does not have the staff resources or time to fully comply with all the stipulations of the GDPR. Weaknesses in some existing and legacy IT systems mean that there might be technical barriers to compliance with aspects of GDPR, including deleting personal data held beyond agreed retention schedules. LB Merton is reliant on external suppliers (data processors) to ensure that personal information for which it is data controller is processed according to the GDPR	LB Merton is fined by the data protection regulator the Information Commissioner's Office. Significant reputational damage to the Council with members of the public concluding that the organisation does not have the proper controls in place to appropriately manage their personal and sensitive information. Key stakeholders lose confidence in LB Merton to protect data and therefore no longer share information or work with the Council.		15  31-Jan-2018	R	<p>There is an action/project plan with actions and owners that details the steps LB Merton needs to take to become compliant with the GDPR. A GDPR working group is in place to implement the measures in the action plan and informs the IG Board of progress against the plan. The IG Board is also responsible for ensuring that LB Merton is GDPR compliant. Guidance has and is being produce for a number of areas in the Council that will be impacted by GDPR including contracts and the procurement process. LB Merton is adopting a risk based approach focusing on the high risk information assets and the key elements of the GDPR to help mitigate the impact of failure to fully compile with the GDPR by 25th May 2018</p>	31 Jan 2018

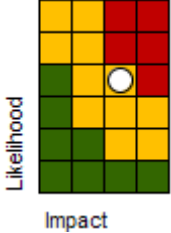




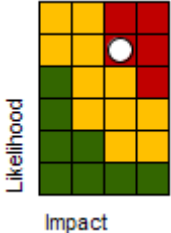




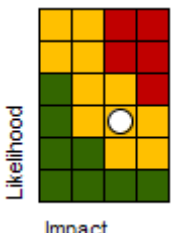




Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Yvette Stanley	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	Potential for less effective inter-agency working. Changing expectations & updated regulatory framework. Ongoing budget pressures across all agencies could undermine Merton Model.	Child protection & safeguarding issues including possible child death or serious harm. Possible increase for high cost interventions.		12  30-Dec-2017	R	LSCB Business Plan & refreshed CYPP. Reconstituted CYP partnership board. Strengthened MSCB governance. Undertaken refresh of the Merton CYP and Family Wellbeing Model. Ongoing rigour in conversations with partner agencies and third sector to improve understanding and responsibility of safeguarding. Launched consultation on CSC Practice Model. Agencies signed up to Signs of Safety and Think Family, and post-Ofsted action plan. Design of new model for MSCB and refresh of CYPP will help ensure partner buy-in and engagement.	08 Jan 2018
						12  29-Sep-2017			
						12  03-Jul-2017			
						12  31-Mar-2017			
Charles Baker; Naeme Kane	ER112 / KSR73 Waste disposal overarching risk (sub risks ER 113 to ER 117)	Key Strategic Risk	1. Increase in waste disposal costs 2. Increase of waste to landfill 3. Construction work at Beddington Lane Sub-risks ER113 to ER117 provide additional detail to this overarching risk	1. Increased costs for waste disposal 2. Operational difficulties 3. Performance may be affected (more landfill, less recycling and more missed bins) 4. Political fallout		8  19-Dec-2017	FI/R/O	The cost of waste disposal has been profiled and a growth bid has been approved to cover the contractual cost of waste disposal, taking into account the increase in volume of waste generated. Construction work at the new Energy from Waste facility (Beddington Lane) is nearing completion. The new access road has been completed and no operational delays in tipping of waste have been incurred.	25 Jan 2018
						8  19-Sep-2017			
						8  27-Jun-2017			
						8  29-Mar-2017			
Paul McGarry; James McGinlay	ER118 / KSR75 Impact of Crossrail 2	Key Strategic Risk	Impact on councils income, commercial activity in Wimbledon Town centre and Weir Road	1. Financial impact on council and services 2. Economic impact on Wimbledon Town Centre and the borough (potential loss of businesses and jobs) 3. Council reputation		12  19-Dec-2017	FI	Consultation has been delayed because the Treasury is reviewing the Crossrail 2 business case before this project can proceed any further.	25 Jan 2018
						12  19-Sep-2017			
						12  27-Jun-2017			
						12  13-Mar-2017			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Mark Humphries	IT03 /KSR48 IT Systems	Key Strategic Risk	Major disruption in the civic centre causing 6th floor data centre to become unusable	IT failure leading to unavailability of IT services impacting on organisational service delivery.		8  04-Dec-2017	SP	Upgrading works completed and operationally tested to confirm that the infrastructure now provides the required functionality.  A further review of the Council's DR and BC arrangements is being undertaken to ensure that agreed list of business critical systems reflects recent changes (i.e.) hosting of some of the previous on premise business systems.	04 Dec 2017
						12  04-Sep-2017			
						12  06-Jun-2017			
						12  09-Mar-2017			
Page 170 Caroline Holland; Mark Humphries	IT24 / KSR21 Failure to adhere to Public Contract Regulations 2015 and Contract Standing Orders (previously RE03)	Key Strategic Risk	Lack of awareness in some areas that procurement is a tightly regulated area of council activity.	Impact on strategy and time for procurement exercises. Adverse budget and service implications if not carried out correctly in accordance with regulations and standing orders such as legal challenges and slower identification, capture and delivery of savings. Reputational risk.		15  07-Dec-2017	R	Contract Standing Orders have been reviewed and have been formally approved at full Council. However until new operating procedures, staff training and guidance have been implemented there still remains a significant risk.	07 Dec 2017
						15  22-Sep-2017			
						12  04-Sep-2017			
						15  26-Jun-2017			
Caroline Holland	MPF11 / KSR72 Failure to procure investment managers in good time and undermine Fund performance	Key Strategic Risk	Failure to review investment strategy and investment management arrangement within appropriate timescales resulting in failure to improve performance of investments.	Investment mandates incompatible with incumbent fund managers to the detriment of the Fund. Fund may fail to meet its investment and funding objectives in the short to medium term.		12  12-Dec-2017	FI, R	The Pension Fund Advisory Panel at its meeting on 8th December 2017 agreed JLT's fund manager selection to implement specific Equities mandates via the London CIV. The Panel agreed that the transition of assets to the CIV should commence as soon as possible but before the end of 2017/18.  Inform the incumbent fund managers about the Panel's decision to transfer some assets to the CIV. Commence early discussions with both incumbent and incoming fund managers and JLT about options for portfolio	12 Dec 2017
						12  15-Sep-2017			
						12  14-Jun-2017			
						12  06-Apr-2017			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Page 171								<p>restructuring/migration. Officers, in consultation with JLT, to develop a transition plan to ensure timely and efficient transfer of assets to the CIV. Involve London CIV and incumbent fund managers in the pre-transition discussions and meetings. Officers, fund managers, CIV and JLT should contribute to the transition project plan to minimise costs and ensure a coordinated approach and clear alignment of interests throughout.</p> <p>Provide regular updates to Director of Corporate Services on the transition.</p> <p>Officers to continue to engage with the London CIV regarding Private Debt, Multi Asset Credit and Infrastructure but leave open the option of collaborating with other London Boroughs. The CIV is aiming to launch some illiquid products in May 2018.</p>	
	Zoe Church; Caroline Holland	RE02 / KSR49 Developing corporate Business Plan & setting a balanced budget for 18/22 & beyond	Key Strategic Risk	Reduced budgets may impact negatively on service delivery levels	Impact on service provision, reputation, staff morale & internal & external customers satisfaction		<p>12  13-Dec-2017</p> <p>12  14-Sep-2017</p> <p>12  15-Jun-2017</p> <p>12  22-Mar-2017</p>	FI	<p>Savings targets were agreed by Cabinet in September 2017 and savings proposals to part meet the targets have been submitted to Cabinet in December 2017 and referred to Overview and Scrutiny Panels in January 2018. Although a balanced budget will be achieved for 2018/19, there remains a gap of circa.£18m from 2020/21 onwards which will continue to be a risk.</p>

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Caroline Holland	RE16 / KSR61 Failure to deliver the multi-year Savings Programme	Key Strategic Risk	Savings of £30m have been agreed for the period 2016/17 to 2019/20, the period of budget decisions required by this council.	Non achievement of any significant saving would adversely impact on the authorities ability to balance its budget in the medium to long term if larger than the contingency and could require reserves to be reinstated.		15  14-Dec-2017	F	The monthly monitoring report is forecasting a shortfall in 17/18 savings of £2.5m (approx. 30% of the savings target). The projected overspend in 17/18 is £1.5m so the delivery of these savings is critical to balance the budget. Delivery of savings will continue to be monitored and reported which will include the impact on 18/19.	14 Dec 2017
						15  15-Sep-2017			
						15  08-Jun-2017			
						15  30-Mar-2017			
Corporate Management Team Page 172	RE20 / KSR76 Inability to respond effectively to post-Brexit changes	Key Strategic Risk	Inefficient response to the inevitable changes brought about by Brexit ie inability to demonstrate flexibility, organisational resilience, or ability to capitalise on potential opportunities.	Inadequate budget management and planning in a period of rapid change, negative impact upon service delivery across all areas of the council's work, failure to identify and respond to positive opportunities arising from Brexit.		8  12-Dec-2017	FI, R, P, SD	UK and the EU have agreed that sufficient progress has been made to allow talks to move to the next stage of trade negotiations. Keep a close watch on markets and Sterling. Strong Sterling could erode some of the windfall currency gains following the Brexit vote. Develop effective transition plan to accelerate strategy implementation including transfer of assets to the CIV to help the Fund to lock-in the currency gain on overseas exposure to date. Consider hedging downside risk.	12 Dec 2017
						8  15-Sep-2017			
						8  14-Jun-2017			
						8  15-Mar-2017			

## Issues Register ~ Key Strategic Issues ~ Quarter Three 2017

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments
Yvette Stanley	CSF04 / KSR55 Changing Borough Demographics	Key Strategic Issue	Increases in both the total population in the borough, including in particular families with young children, & also in the mix of the population with respect to ethnicity, disability & deprivation.	Additional demand for services for children with special educational needs & disabilities, as well as pressure for growth in children's social care & child protection interventions including support for families with no recourse to public funds.		12  30-Dec-2017	O	CSF Service Plans identify current control measures, these include reviewing and strengthening the eligibility criteria, step up step down process and consistently managing demand. The SENDIS self-evaluation and Improvement plan continues regularly reviewed and updated with clear actions set out to strengthen the service delivery. New management arrangements for CWD will ensure stability, refreshed focus and further improvement.	08 Jan 2018
						12  29-Sep-2017			
						12  03-Jul-2017			
						12  31-Mar-2017			
Page 173 Dee McSherry	CSF05 / KSR34 School places	Key Strategic Issue	We are expecting 200-250 additional admissions applications for pupils to start secondary school in September 2018	With only 150 spare places in our current year 7, and these being at schools to the far west and east of the borough where there is less demand, if extra provision is not provided it is likely the council will not meet its duty to provide sufficient school places in September 2018		15  16-Jan-2018	R	The council is actively addressing this risk. Opening of Harris Wimbledon (Free School) from September 2018 decision is due to be taken early in February. Alternative arrangements including extra classes at other schools are being explored in case the Education and Skills Funding Agency decide to defer opening meaning the Council cannot guarantee available site. Any deferral will put increased pressure on schools and increase difficulty in providing the required number of places.	17 Jan 2018
						12  30-Dec-2017			
						12  20-Oct-2017			
						9  29-Sep-2017			
Children, Schools & Families	CSF06 / KSR56 CS&F funding changes, budget savings & resource management	Key Strategic Issue	Continued uncertainty regarding changes to funding regimes & external grants, & concurrent additional statutory duties & demographic pressures. Move to national funding formula for DSG expected from 2017/18 onwards, & the impact of maintained schools becoming academies through to 2022.	Impact on ability to provide statutory services, possibility of undermining the Merton Model, causing additional spend pressures in targeted services. Low staff morale, difficulties in managing the impact of the Workforce Management Strategy. Time & effort required to manage change & meet expectations of members & central government may		9  30-Dec-2017	FI	Impact of changes through Government funding proposals continue to be assessed and implications understood. Additional burdens are reported monthly and demographic pressures identified. This will feed into the MTFS, TOM, Service Planning work and relevant strategies to deliver the required savings without adversely impacting on the performance of the department through our preventative early help work or statutory services.	17 Jan 2018
						9  29-Sep-2017			
						9  03-Jul-2017			
						9  31-Mar-2017			

Risk Owner	Code & Name	Risk or Issue	Cause	Consequences	Matrix	Current Score & Review History	Impact code	Control Measures in place	Date of comments		
			Insufficient funding for new burdens: C&F Act; NRTPF; Leaving Care. Requirement to make significant savings over the next 3-4 years. Need to balance competing & increasing demands at a time of contracting resources & extensive change.	lead to failures in the management of ongoing operational work.							
Yvette Stanley	CSF09 / KSR62 Recommissioning Early Intervention and Prevention (Partnership)	Key Strategic Issue	Likely reduction in contracting with local third sector leads to reputational & political risk.	Destabilisation of the Local Strategic Partnership & Children's Trust Board partnership arrangements.		10		30-Dec-2017	R	Commissioned services are regularly reviewed and new opportunities identified to commission different services focussing on early help and reducing the escalation of cases. New contracts for the SIB and FDAC have been awarded starting in January 2018 to enhance our preventative work.	17 Jan 2018
						10		29-Sep-2017			
						10		03-Jul-2017			
						10		31-Mar-2017			
John Dimmer; Yvette Stanley	RE11 / KSR53 Failure to comply with equalities duties	Key Strategic Issue	Failure to evidence how equalities implications have been considered in developing new policy, designing services & decision making	Reputational impact for council, risk of judicial review & litigation, negative impact on service users and loss of savings.		9		13-Dec-2017	O/R/FI/SP	The Council adopted a new Equality Strategy on 12 April 2017 and progress will be reviewed in March 2018. There is an emerging risk that future MTFS savings will result in service reductions which could have an impact on residents with 'protected characteristics'. It is essential that we continue to have a robust process in place of Equality Analysis that clearly explain these impacts to decision makers.	14 Dec 2017
						9		14-Sep-2017			
						9		14-Jun-2017			
						9		13-Mar-2017			



# **Section D**

# **Performance Management Framework**

## **D. PERFORMANCE MANAGEMENT FRAMEWORK**

### **Introduction**

Merton launched its Performance Management Framework in 2004. Whilst the main principles of performance management remain the same, the framework undergoes annual review and updating when required, to ensure that it remains current and reflects changes within the organisation and outside.

We are committed to delivering customer-focused services. To achieve this, it is essential that we measure our performance, both against our own intentions, and the performance of others, and that we use that information to improve local services.

Performance management enables us to ensure that we are constantly meeting our goals, whilst simultaneously allowing us to identify best practice and address areas of concern. It provides the framework for consistently planning and managing improvements to our services to ensure continuous improvement in line with our TOMS. Sustainable improvements in services are unlikely to happen without this framework.

Everyone in the organisation has a part to play in monitoring our services and achieving our ambition.

### **Why measure performance?**

- It highlights areas where we are doing well, and areas which need improving;
- It enables our managers to monitor performance, manage effectively, and plan for the future of the service;
- Performance data assists the decisions makers within the council and helps to inform their decisions;
- Timely and accurate performance data allows for early identification of problems and enables us to put actions in place to address / rectify the situation;
- It assists improvement by telling us where we are now and ensuring that we are doing the right things for the right reasons;
- Performance Management provides the evidence required for change and improvement, and lastly;
- What gets measured is more likely to be actioned

### **Why do we need a Performance Management Framework?**

Central Government introduced the Single Data List in April 2011. This reduced the burden of performance monitoring and audit and inspection by central government, placing greater responsibility for this on local government. As a result, it becomes even more important that we manage and monitor our performance. We must ensure that our Performance Measures are robust, challenging and realistic, enabling us to achieve and deliver our priorities.

### **What is our Performance Management Framework?**

Our Performance Management Framework has been created to clarify the overall approach the council takes to managing performance. The Framework should also be considered alongside the council's Risk Management and Data Quality Strategies.

Our framework will help us all to understand:

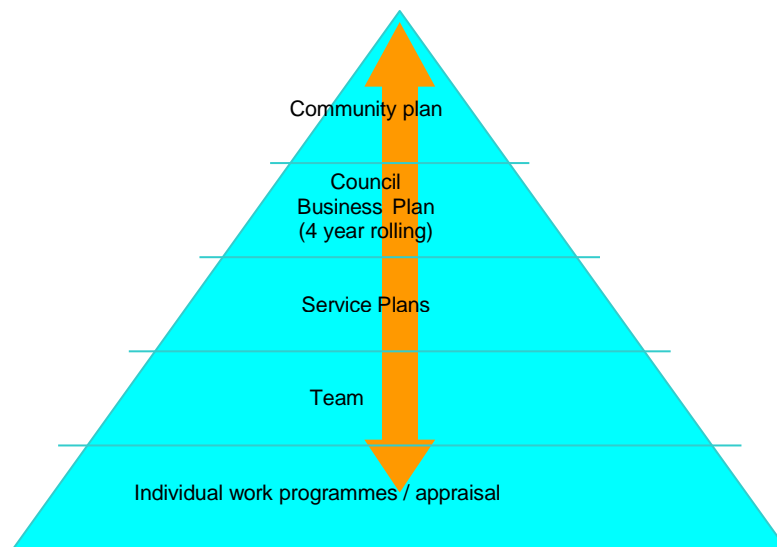
- what we are trying to achieve as an organisation
- how we are going to achieve this
- how we will monitor and report progress
- how the contribution of staff, managers, teams and departments relate to each other to help deliver the targets set for the whole organisation.

The framework has three parts

1. The planning framework
2. The planning, monitoring and review cycle
3. Taking responsibility for results

***The planning framework - how the plans fit together, the 'Golden Thread'***

The performance management framework is represented by the performance triangle



The key aspects of the Golden Thread are:

- [The Community Plan](#) has been developed by the Merton Partnership and sets the overall direction and vision for the borough until 2019.
  - [Business Plan](#) sets out the council's priorities for improvement over the next four years. The plan is reviewed every year to ensure that it always reflects the most important improvement priorities.
  - [Service Plans](#) are reviewed every year to ensure they outline the key issues and priorities for the department.
  - [Medium Term Financial Strategy](#) (MTFS) outlines how much money we expect to receive over the next four years and in broad terms what we expect to be spending this on.
  - [Workforce Development Plan](#) is focused on making the best use of the skills of staff to deliver the services residents demand and deserve
  - [Individual Appraisals](#) take place twice a year and are used to agree individual work programmes and targets.
- 
- London's Best Council 2020 is an additional Performance Management Framework which has been developed to support a process of continuous improvement over the period 2017/20. 39 targets have been agreed relating to service quality, Merton "the place", as well as customer and staff satisfaction against three key themes:
    1. What matters to our customers
    2. Taking pride in delivering key services
    3. How we're supporting you to do your job

The 40<sup>th</sup> measure is variable because it is nominated each quarter by a different team across the Council. The performance of the overall suite of 40 indicators is reported quarterly and the results disseminated widely throughout the organisation.

## ***The planning, monitoring and review cycle - what happens, when and how?***

The planning, monitoring and review cycle shows how we continuously review and revise our performance in order to improve our services



The cycle has four phases and takes place on an annual basis as part of the development of the next four year rolling Business Plan and agreement of the next year's budget.

### **Planning** - Where are we now and where do we want to be?

Where we are now is provided by our results against our performance indicators detailed in our service plans, the results of satisfaction surveys such as the Annual Residents Survey (ARS), and other inspection results. Our corporate ambitions and objectives describing where we want to be are laid out in the Community Plan and the Business Plan, and are reflected at a more local level in service plans, and targets in annual appraisals.

### **Doing** - How do we get there?

To get to where we want to be, we need to maximise our capacity to deliver the actions laid out in the various plans, and use our performance management and appraisals systems to ensure that we remain on course.

### **Reviewing** - How are we doing and are we there yet?

By monitoring and managing performance, consulting with our partners and service users, and benchmarking against other providers, we can assess our progress towards achieving our ambitions and learn from the good practice of others.

### **Revising** - What do we do next?

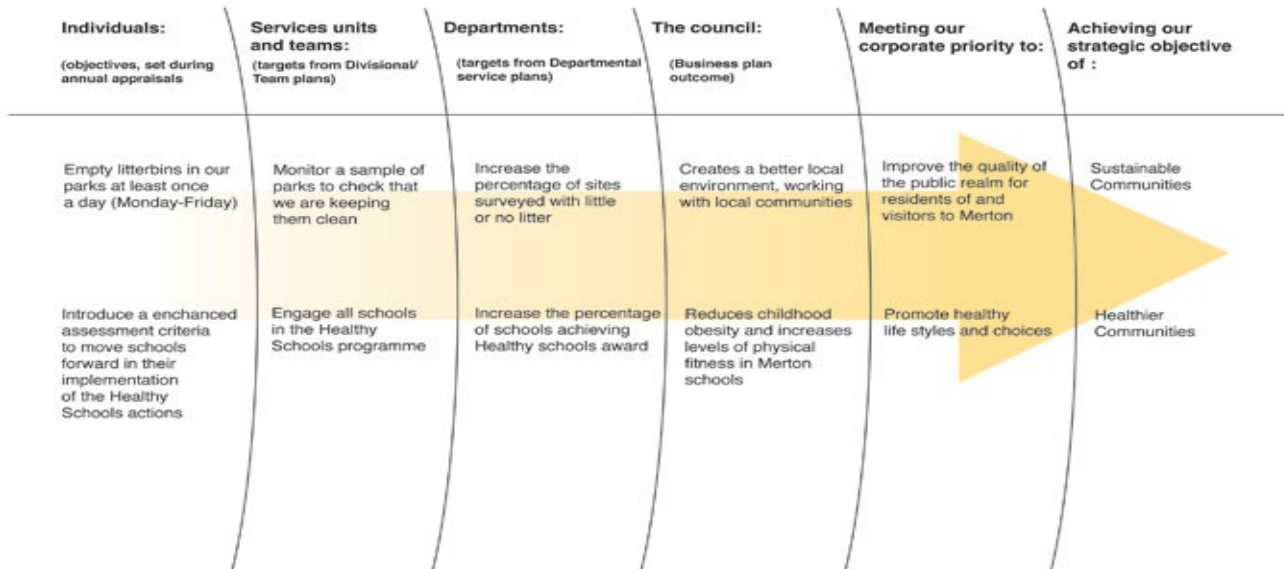
It is important that our services evolve to meet the needs of our residents. Having reviewed our performance we may find that we need to change what we are doing, or that we need to revise our ambitions and objectives so that we can continuously improve as an organisation.

To maximise the cycle's effectiveness we have an agreed timetable for the process which takes into account both performance and financial considerations. This timetable enables Councillors to agree priorities and allocate resources based on community views and needs, and accurate performance information. These priorities are translated into planned outcomes and performance targets to make sure that the right things get done.

**Taking responsibility for results – how we go about doing it**

Everyone has a responsibility to contribute towards improving Merton, working within and using the performance management framework. This ensures that measurable activities at individual, team and service levels translate into outcomes.

It is the responsibility of the owner of each performance measure to ensure that details of the measure are clearly defined. They must also ensure that adequate collection, recording and validation processes are in place to enable effective monitoring and reporting in line with the council's Data Quality Strategy.



**Performance Management Systems and Collection Arrangements**

Since June 2013, performance against service plan measures has been captured and reported via our Performance Management System Pentana (formerly known as Covalent).

On the first day of each month departmental performance leads are notified that performance data must be uploaded onto the system by a specified deadline.

Performance Monitoring reports are presented to CMT on the fourth Tuesday of every month, Cabinet receives quarterly reports and Full Council an annual report. In addition, a monthly performance dashboard is published on both the internet and intranet giving staff, Members, residents and the public access to up to date performance data detailing how the council is performing against its targets.

**Roles and responsibilities**

The roles and responsibilities are outlined below:

<b>Individuals</b>	All staff have a responsibility to deliver the tasks / actions which have been agreed in their appraisal, and to understand how their work contributes to team, departmental and council goals.
<b>Managers</b>	All managers have responsibility for supporting their staff through the appraisal process and regular reviews. They must also show commitment

	and accountability by leading through example. Managers should ensure that their team have regular meetings to share information, review progress of their divisional and team plans, develop ideas, identify areas for the next plan and agree the way forward on a variety of team and work issues. Managers should use these meetings to raise issues around corporate priorities, tell staff about developments within the department and the council, and to cascade information about performance to staff.
<b>Heads of service</b>	Heads of service report to Directors and are responsible for overseeing the performance of service units within their remit. They take a key role in the development and monitoring of their service plan at their DMT. They may also take on or contribute to wider corporate projects.
<b>Departmental Management Teams (DMT's)</b>	DMT's monitor their department's performance information and are responsible for taking action to deal with under-performance. DMT's make sure that every manager in the department knows and understands the planning cycle and performance management framework
<b>Directors</b>	Each Director is responsible for the performance of their department. They must make sure that appropriate reporting arrangements are in place with their DMT's to enable them to monitor performance. Directors demonstrate commitment to the performance management framework by leading its implementation within their department. They make sure their service plans are monitored at least every two months and regularly provide progress reports to the Chief Executive and appropriate Cabinet portfolio holder(s). Directors also have collective responsibility for corporate improvement as members of Corporate Management Team (CMT)
<b>Corporate Management Team (CMT)</b>	CMT is made up of the Chief Executive and Directors of the four departments. Its role is to focus on the 'big issues' facing the council and develop the organisation's strategic approach and service delivery. CMT reviews performance monthly and it can ask DMT's to review areas of concern and agree management action to address under-performance.
<b>Cabinet and Elected Members</b>	Ultimately, councillors are responsible for setting the direction of the Council and developing priorities. They do this by developing policy, setting strategic targets, monitoring progress, and agreeing the framework for continuous improvement.
<b>Full Council</b>	Members receive regular reports on progress against the strategic themes, including any relevant performance information and can use these meetings as an opportunity to ask Cabinet members questions about performance issues.
<b>Overview and Scrutiny</b>	Overview and Scrutiny panels have regular performance monitoring task groups to examine performance data, detect trends and identify key areas of concern. They are responsible for challenging Cabinet to ensure that they are fulfilling their responsibilities. If they have areas of concern then they can ask Cabinet members and officers to attend meetings to answer questions. If they have wider concerns about the performance of a service area then they could carry out a scrutiny review into a particular area.

### Help and advice

If you require any guidance or advice with regards to Performance Management or have any queries please contact a member of the [Business Planning team](#)

## Corporate Indicator Set

The Corporate Indicator set is a set of key measures from each of the four departments, which are monitored on a monthly basis by the Corporate Management Team (CMT). The corporate set for 2018/19 is shown in the table below together with the 2017/18 and 2018/19 performance targets.

Performance Indicators highlighted in Mauve are also London's Best Council 2020 indicators.

### Corporate Indicator Set for 2018/19 – Monthly

Dept	Monthly PI Codes & Description	Polarity	2017/18 Target	2018/19 Target
Corporate Services	CRP 013 / SP 431 % of positive and neutral coverage tone	High	92%	92%
Corporate Services	CRP 014 / SP 426 % Ombudsman complaints answered in time	High	90%	90%
Corporate Services	CRP 018 / SP 154 % Council Tax collected	High	97.25%	97.25%
Corporate Services	CRP 036 / SP 155 % Business Rates collected	High	97.5%	97.5%
Corporate Services	CRP 041 / SP 192 % FOI requests dealt with in time	High	85%	85%
Environment & Regeneration	CRP 044 Parking services estimated revenue	High	16,184,190	16,884,190
Environment & Regeneration	CRP 045 / SP 118 Income (Development and Building Control)	High	2,110,000	2,110,000
Environment & Regeneration	CRP 048 / SP 455 % of sites surveyed on local street inspections for litter that are below standard	Low	8.5%	8%
Environment & Regeneration	CRP 051 / SP 114 % Major applications processed within 13 weeks	High	67%	67%
Environment & Regeneration	CRP 052 / SP 115 % of minor planning applications determined within 8 weeks	High	66%	67%
Environment & Regeneration	CRP 053 / SP 116 % of 'other' planning applications determined within 8 weeks (Development Control)	High	85%	80%
Community & Housing	CRP 054 / SP039 % People with 'long term' services receiving Self-Directed Support (SDS)	High	95%	95%
Community & Housing	CRP 056 / SP 054 No. of Carers receiving services and / or information and advice	High	1,000	1,010
Community & Housing	CRP 057 / SP274 % people receiving 'long term' community services	High	72%	72%

Dept	Monthly PI Codes & Description	Polarity	2017/18 Target	2018/19 Target
Community & Housing	CRP 059 / SP 008 No. of people accessing the library by borrowing an item or using a peoples network terminal at least once in the previous 12 months	High	56,000	56,000
Community & Housing	CRP 060 / SP 009 No. of visitors accessing the library service on line	High	210,000	220,000
Community & Housing	CRP 061 / SP 036 No. of households in temporary accommodation	Low	230	230
Community & Housing	CRP 062 / SP 035 No. of homelessness preventions	High	450	450
Children, Schools & Families	CRP 64SP075MP030 % of children who become subject of a Child Protection Plan for a second or subsequent time	Low	16%	16%
Children, Schools & Families	CRP 69SP078MP052 % outcome of Ofsted Inspection schools rated Good or Outstanding	High	91%	91%
Corporate Services	CRP 080 / SP 413 No. of working days per FTE lost to sickness absence excluding schools	Low	7.5	7.5
Children, Schools & Families	CRP 081 / SP 415 % of Looked After Children (2.5 years or more) in same placement for 2 years	High	66%	65%
Corporate Services	CRP 085 / SP 410 % of on-line transactions (HB Claims)	High	62%	63%
Corporate Services	CRP 086 / SP 411 Time taken to process new Housing Benefit claims	Low	16 days	15 days
Corporate Services	CRP 087 / SP 412 Time taken to process Housing Benefit change of circumstances	Low	10 days	9 days
Children, Schools & Families	CRP 92SP467MP072 % 16-17 year olds Not in Education, Employment or Training (NEET)	Low	3.5%	3%
Environment & Regeneration	CRP 093 / SP 478 No. of refuse collections including recycling and kitchen waste missed per 100,000	Low	75	50
Environment & Regeneration	CRP 094 / SP 485 No. of fly-tips reported in streets and parks	Low	8,400	8,400
Community & Housing	CRP 095 / SP 486 No. of DToCs - Delayed Transfers of Care (delayed bed days) - Adult Social Care delays only	Low	N/A	Target due June 2018 (set by Better Care Fund)



## Corporate Indicator Set for 2018/19 – Quarterly

Dept	Quarterly PI Codes & Description	Polarity	2017/18 Target	2018/19 Target
Corporate Services	CRP 037 / SP 352 % complaints progressed to stage 2	Low	9%	9%
Children, Schools & Families	CRP 066 / SP 290 % Looked After Children in external foster care placements	Low	42%	40%
Children, Schools & Families	CRP 068 / SP 084 % of Good or outstanding Ofsted inspections in children's centres	High	100%	100%
Corporate Services	CRP 074 / SP 221 No. of staff working from Civic Centre	High	1,400	1,200
Children, Schools & Families	CRP 077 / SP 374 No. of in-house foster carers recruited	High	15	15
Corporate Services	CRP 082 / SP 427 % FOI refusal notices which are not upheld at review stage	Low	4%	4%
Corporate Services	CRP 083 / SP 428 % Ombudsman complaints partially or fully upheld	Low	40%	40%
Children, Schools & Families	CRP 88SP404MP053 % New EHCP requests completed within 20 weeks	High	55%	55%

## Corporate Indicator Set for 2018/19 – Annual

Dept	Annual PI Codes & Description	Polarity	2017/18 Target	2018/19 Target
Corporate Services	CRP 016 / SP 401 The level of CO2 emissions from the council's buildings (tonnes)	Low	7,740	7,434
Children, Schools & Families	CRP 073 / SP 109 % vacancies in reception year of primary school	Low	6	8
Children, Schools & Families	CRP 089 / SP 288 Secondary School Year 7 surplus places inc Academies	Low	5	5
Children, Schools & Families	CRP 090 / SP 433 Merton pupil average Attainment 8 score	High	53	51
Children, Schools & Families	CRP 091 / SP 434 Merton pupil average Progress 8 score	High	0.28	0.51

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# **Section E**

## **Service Planning**



## **E. SERVICE PLANNING**

Our proposed 21 Final Service Plans, and three Final Commissioning Plans for our commissioned services, are set out in the following pages.

The three Commissioning Plans are:

- Merton Adult Education
- Parks and Green Spaces
- Waste Management and Cleansing

Service Plans were developed by service departments during the 2018/22 Business Planning process. Second Draft Service Plans were considered by Cabinet on 11 December 2017 and incorporated into the Consultation Pack for scrutiny by the Overview and Scrutiny Commission and Panels during the January 2018 cycle of meetings.

The proposed Final Service Plans being presented here will be considered for approval by Council on 28 February 2018.

The service plan is designed to be a two page document. The first page summarises key resources, drivers, performance and budgets and the second page focuses on the outcomes and benefits of major projects.

Departmental managers were issued with guidance to clarify their understanding of the process and to ensure quality and consistency of submitted plans, and each department reviewed the appropriateness of their service plans during the process. An overview of this guidance is provided below:

### **Front Page**

- Service description: Concise description of the service's key activities and how they might change over the next four years
- Anticipated demand: Details of the demands on the service
- Anticipated non-financial resources: Details of the key resources used to deliver the service
- Corporate strategies: The key strategies to which the service contributes
- Performance indicators: The key monthly, quarterly, or annual performance indicators for the service including their targets
- Budget information: Full details of previous, current and future years' budget, including future anticipated budgetary changes

### **Back page**

Details of major projects and/or procurement being undertaken during 2018/19 including:

- Project timeframe
- Project description
- Major expected benefits of the project (consistent with the benefit categories used by the Merton Improvement Board)
- Risk assessment relating to the project's completion

Below are our Service Plans for 2018/22 in departmental order:

### Index of Departmental Service and Commissioning Plans

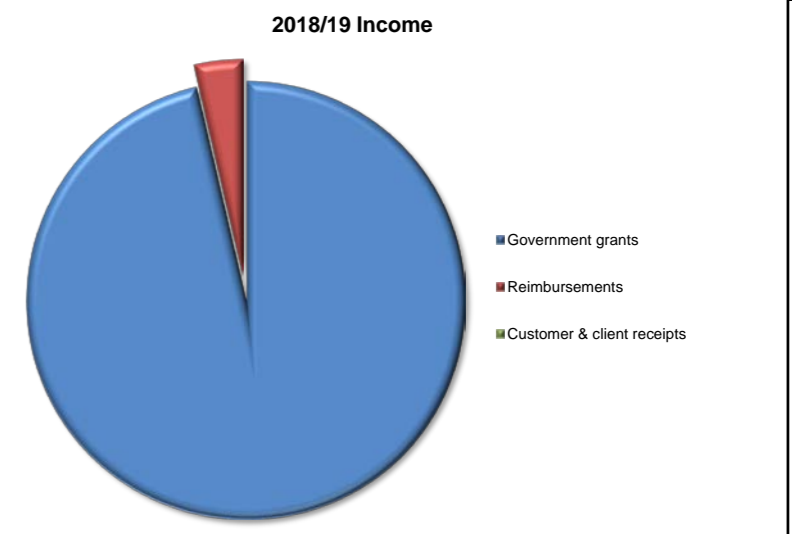
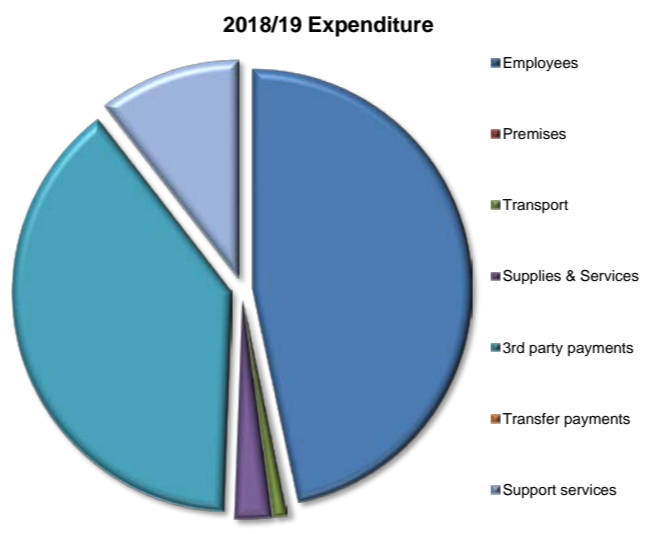
<b>Children, Schools and Families</b>	<b>Community and Housing</b>	<b>Corporate Services</b>	<b>Environment and Regeneration</b>
Children's Social Care	Adult Social Care	Business Improvement	Development & Building Control
Education	Housing Needs & Enabling	Corporate Governance	Future Merton & Traffic and Highways
	Libraries	Customer Services	Leisure & Cultural Development
	Merton Adult Education*	Human Resources	Parking and CCTV Services
	Public Health	Infrastructure & Transactions	Parks & Green Spaces*
		Resources	Property
		Shared Legal Services	Regulatory Services – Merton element only
			Safer Merton
			Transport
			Waste Management and Cleansing*

*\*Commissioning Plan*

# **Children Schools & Families**

Children's Social Care & Youth Inclusion Cllr Katy Neep: Cabinet Member for Children's Services Enter a brief description of your main activities and objectives below	Planning Assumptions						The Corporate strategies your service contributes to			
	Anticipated demand		2016/17	2017/18	2018/19	2019/20		2020/21	2021/22	
	Population growth - Care leavers		20	30		40-60				
Children's Social Care (CSC) delivers a range of government prescribed & legislated functions to children at risk of harm, children in care, children with disabilities, care leavers & young offenders, as well as wider services for families. CSC works within an integrated context co-ordinating multi agency support to those families at all levels of Merton's Child & Young Person (CYP) Well-being Model. The service works with approximately 1,300 children at any one time who have the greatest needs in the borough across a range of outcomes: safety, well-being, health, education & life chances. Merton's CYP Well-being Model sets out Merton's approach to supporting families which seeks to provide services at the time they are needed to prevent further need arising & escalation up the model. This is the most efficient use of resources & CSC undertakes a range of family support activity to prevent children entering either child protection or care systems at every stage of childhood. This necessitates a strong commitment to robust assessment & thresholds, which require a quality assurance function to ensure on-going success of the model. Merton has lower numbers of children subject to child protection plans in the care system than the majority of London Boroughs, as well as lower numbers of first time entrants, and seeks to continue this approach, therefore ensuring that we minimise the use of costly high end interventions with our families & promote family strengths to enable them to care for their own children. Youth Inclusion provides a targeted service to support vulnerable young people & their parents to prevent offending & re-offending. It also supports the transforming families programme, helping targeted families to get back into work, & improve the outcomes for their children by preventing reoffending or going into care. It also leads on participation for CSF. Access to resources for looked after children/external placement provision. Recruitment of in house foster carers.	Population growth - Child Protection Plans		10	60		60				
	Increase in 0-19 population		530	900		3,210				
UASC - increased numbers and impact on resources		10	15		30-32					
Anticipated non financial resources		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
Staff (FTE subject to change as a result of restructures)		209	216	219	212	212	212			
Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A) Performance Target (T) Proposed Target (P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
% single assessments completed within agreed timescales	91	90	93	93			High	Monthly	Business critical	Safeguarding issues
Care application average duration (national target 26 weeks)	26	27	26	26			Low	Quarterly	Quality	Safeguarding issues
% CYP on Child Protection Plan for 2nd or subsequent time	13	16	16	16			Low	Monthly	Quality	Safeguarding issues
% NEET aged 16-17	N/A	3.5	3	3			Low	Monthly	Outcome	Social exclusion
Number YJS first time entrants	64	50	50	50			Low	Monthly	Outcome	Social exclusion
% LAC (2.5 years or over) in same placement for 2 years	71	66	65	65			High	Monthly	Outcome	Safeguarding issues
% LAC experiencing 3 or more placements moves	16	12	11	10			Low	Monthly	Outcome	Social exclusion
% fostered LAC in independent agency FC placements	44	42	40	40			Low	Quarterly	Business critical	Increased costs
Number of in house foster carers recruited	15	15	15	15			High	Quarterly	Quality	Increased costs
Care Leavers who are ETE (17-21 year olds)	63	68	70	70			High	Quarterly	Outcome	Social Exclusion
% children subject of a timely safeguarding assessment	N/A	84	84	84			High	Quarterly	Outcome	Safeguarding issues
Average duration for care and supervision (s31) applications	N/A	30	30	30			High	Quarterly	Business critical	Safeguarding issues
% of care leavers in touch (17-21 year olds)	N/A	N/A	90	90			High	Quarterly	Outcome	Social exclusion
% of care leavers (aged 19-21) in suitable accommodation	N/A	91	91	91			High	Quarterly	Outcome	Safeguarding issues

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>23,239</b>	<b>26,242</b>	<b>23,185</b>	<b>2,540</b>	<b>24,385</b>	<b>24,707</b>	<b>24,769</b>	<b>24,921</b>
Employees	11,281	11,639	10,846	557	11,375	11,047	11,049	11,050
Premises	48	76	54	20	57	58	58	59
Transport	249	284	245	41	238	242	245	249
Supplies & Services	1,045	1,119	678	209	669	679	689	699
3rd party payments	8,318	10,841	9,063	1,711	9,495	10,131	10,177	10,313
Transfer payments	0	0	0	2	0	0	0	0
Support services	2,298	2,283	2,299	0	2,552	2,552	2,552	2,552
Depreciation	0	0	0	0	0	0	0	0
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	<b>1,806</b>	<b>2,211</b>	<b>988</b>	<b>(435)</b>	<b>1,127</b>	<b>1,127</b>	<b>1,127</b>	<b>1,127</b>
Government grants	1,110	1,330	947	73	1,086	1,086	1,086	1,086
Reimbursements	697	838	41	(271)	41	41	41	41
Customer & client receipts	0	43	0	(237)	0	0	0	0
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>21,432</b>	<b>24,030</b>	<b>22,197</b>	<b>2,105</b>	<b>23,257</b>	<b>23,580</b>	<b>23,642</b>	<b>23,793</b>
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0



Summary of major budget etc. changes

2018/19

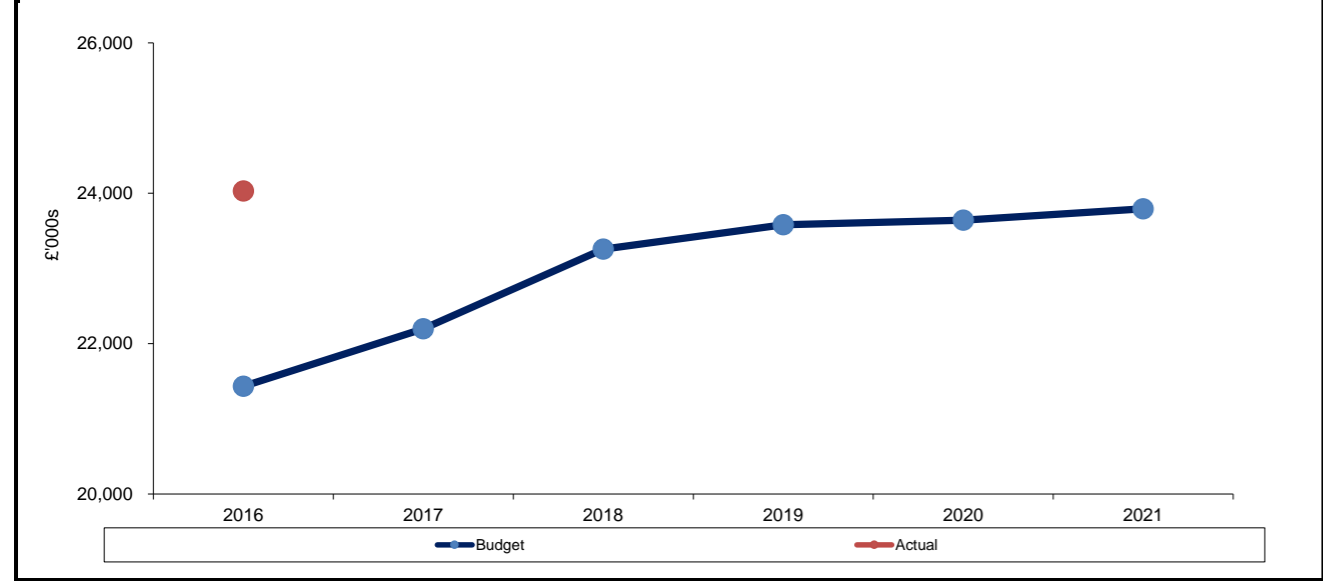
2019/20

Review of CSF staffing structure beneath management level: £101,000 - Part of CSF2015-09  
Further staff saving to be identified across the department: £150,000 - CSF2016-03  
Reduced cost/offer through the national centralised adoption initiative: £78,000 - CSF 2016-02

2020/21

Delivery of preventative services through the Social Impact Bond: £45,000 - CSF2017-05  
South London Family Drug and Alcohol Court commissioning: £45,000 - CSF2017-06

2021/22



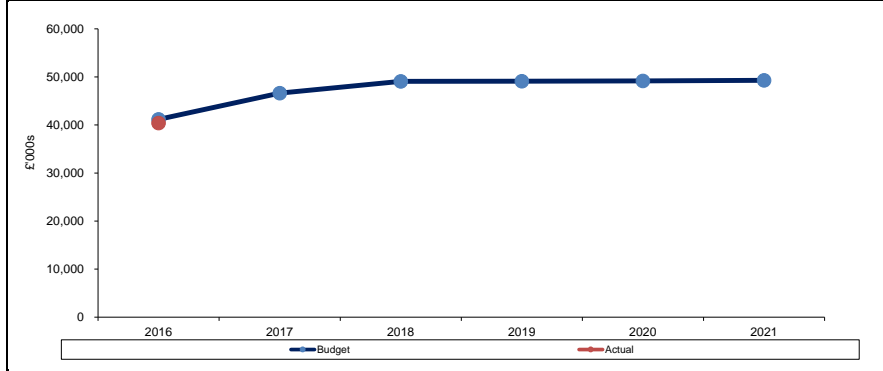
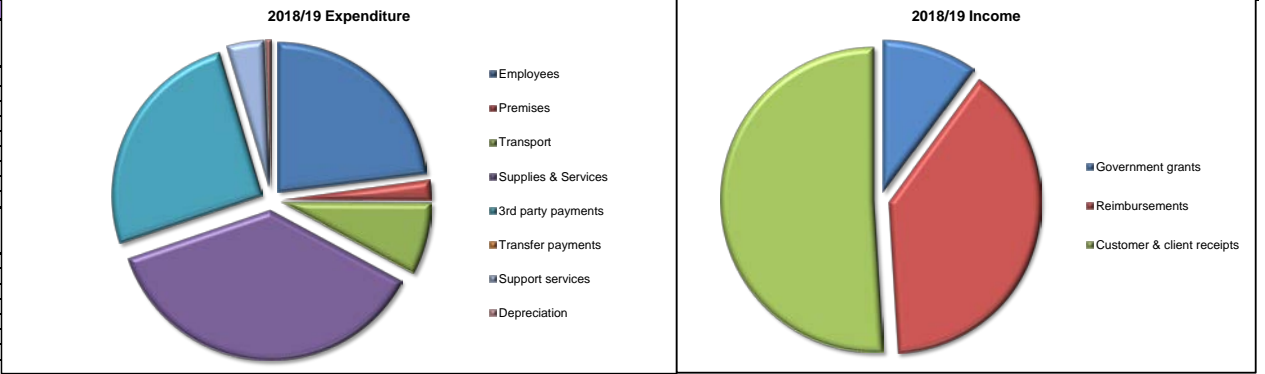


Children's Social Care & Youth Inclusion

PROJECT DESCRIPTION		MAJOR PROJECT BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Well Being Model - CSC &amp; CYPWB/TOM</b>  The review of the well being model is now complete, the next phase is to embed agreed structure changes in CSC, our Early Help model and points of access. we will deliver the CSC and EH Tom programme through a range of projects and programmes including: recruitment and retention strategy; restructuring of central teams; Flexible working ; Care proceedings as outlined in the relevant TOM; rationalising access points; raising thresholds; increased targeting and practice.	Improved effectiveness			4	3	12
Start date	2016-17	Project Details:							
End date	2019-20								
<b>Project 2</b>		Project Title:	<b>Continuous Improvement and Inspection Readiness</b>  Delivery of key priorities: Early Help, Think Family and Neglect. To improve data quality, filing & retention, case records & management oversight.. Embed SMART targets & strengthen reporting to provide improved and easily accessible information.To continually improve the day to day management across our services, delivery of improvement plans and embedding our revised QA framework. Continue to utilise all data sources to inform best practice sources include; JTAI's,YJ,EY's,SEND, QA framework and Ofsted Action Plan.	Improved effectiveness			4	3	12
Start date	2013-14	Project Details:							
End date	2018-19								
<b>Project 3</b>		Project Title:	<b>MOSAIC (CYPWB &amp; TOM) Phase 1 and 2.</b>  Cross-cutting project to provide system for both CSF & C&H including financial aspects; the new system has full casework management capability to deal with statutory requirements, management information & reporting for both case management and inspection purposes. Implementation phase will include extensive work to improve associated processes. Also interim project is delivering improvements re data quality & reporting in CF. Involves parts of Education Division dealing with casework. System also used by R&I & ART within CSP .	Improved efficiency (savings)			3	3	9
Start date	2013-14	Project Details:							
End date	2018-19								
<b>Project 4</b>		Project Title:	<b>Workforce development</b>  We will continue to work towards our ambition to be London's Best Council, as part of this aspiration all our managers are engaged in a differentiated leadership programme. Strong focus remains on our recruitment and retention strategy and to support this we have developed a 'Practice Model' which is now established. We have continued the development and delivery of Signs of Safety/Signs of Well Being and this is being rolled out across the department. We are supporting/complimenting this this with a programme to deliver both Systemic Practice and Motivational Interviewing across the department. We have a clear time line for this programme with appropriate milestones to ensure we have a strong, highly skilled workforce. Our workforce strategy alongside our overarching practice model has been developed to support our transformation plan.	Improved staff skills and development			4	3	12
Start date	2015-16	Project Details:							
End date	2019-20								
<b>Project 5</b>		Project Title:	<b>Innovation work streams</b>  Regionalisation of Adoption. The government requires Local Authorities will establish regional arrangements for some elements of adoption services. Merton is part of the developing Pan London Approach approved by Cabinet (Sept 2016). The Social Impact Bond (SIB) will provide upfront social capital to deliver services, designed to keep young people out of care, using the Multi-Systemic (MST) and Functional Family Therapy (FFT) methodologies. The Council will repay the investors for their initial investment plus a return for the financial risks taken. 48 referrals to be provided within the first 3 years of the contract. Longer term savings to the council will be made through avoidance of care costsLeanne to provide narrative. The Family Drug and Alcohol Court (FDAC) is a specialist problem-solving court approach to improving outcomes for children involved in care proceedings. it offers an alternative way of supporting parents overcome the sunstance misuse, mental health and domestic abuse which have put their children at serious risk of harm. The Transforming Families (TF) is moving to the next phase in its Maturity Model development and is planning to bid as part the 'Earned Autonomy' initiative.	Improved effectiveness			3	2	6
Start date	2016-17	Project Details:							
End date	2019-20								

Education Cllr Katy Neep: Cabinet Member for Children's Services Cllr Caroline Cooper-Marbiah: Cabinet Member for Education Enter a brief description of your main activities and objectives below	Anticipated demand						Planning Assumptions						The Corporate strategies your service contributes to
	2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		
	Forecast increase in population 0-4	100	100			780							
Forecast increase in population 5-19	430	800			2400							SEN and Disabilities Strategy	
Raise in Participation age 16-18	50	70			160							School Expansion Strategy	
Forecast increase in Children & Y/P with EHCP	173	240			250-400							SEN and Disabilities Strategy	
Increased demand for secondary school (total across all schools)	1 fo	2 fo (cumulative)	6 fo (cumulative)	8 fo (cumulative)								School Expansion Strategy	
Increased demand for special school places (total across all schools)	20	40	100 more SEN places by 19-20									School Expansion Strategy	
Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22							
Staff (FTE subject to change as a result of restructures)	297	286	286	284	284	284							
Performance indicator (LBC2020 indicators highlighted in purple)	Actual performance (A) Performance Target (T) Proposed Target (P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met			
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)							
	Merton pupil average Attainment 8 score	N/A	53	51	51							High	Annual
Merton pupil Average Progress 8 score	N/A	0.28	0.51	0.51			High	Annual	Outcome	Reputational risk			
% outcome of Ofsted school inspections good or outstanding	91	91	91	91			High	Monthly	Outcome	Inspection outcomes			
% secondary school attendance	95.5	95.2	95.6	95.6			High	Annual	Outcome	Increased costs			
% primary school attendance	96.2	96.1	96.2	96.2			High	Annual	Outcome	Breach statutory duty			
% of new EHCP requests completed within 20 weeks	21	55	55	55			High	Quarterly	Outcome	Safeguarding issues			
% Good or Outstanding children's centres per Ofsted	100	100	100	100			High	Quarterly	Outcome	Inspection outcomes			
% reception year surplus places	3.5	6	8	8			Low	Annual	Business critical	Parental choice			
% secondary school Y17 surplus places Inc. Academies	6.5	5	5	5			Low	Annual	Business critical	Parental choice			
% reaching the expected standard at Key Stage 2 in reading, writing and maths	57	58	58	58			Low	Annual	Outcome	Inspection outcomes			
% spend on approved capital programme	100	80	80				High	Annual	Business critical	Increased costs			

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Expenditure	46,499	45,854	51,857	704	54,557	54,576	54,696	54,815
Employees	12,150	11,421	12,337	(643)	12,546	12,446	12,447	12,447
Premises	1,077	819	1,030	(212)	1,133	1,149	1,166	1,182
Transport	3,965	4,268	4,116	350	4,251	4,312	4,372	4,433
Supplies & Services	14,433	13,497	18,002	39	20,136	20,171	20,206	20,241
3rd party payments	12,470	13,422	13,736	1,170	13,971	13,978	13,985	13,991
Transfer payments	10	10	10		10	10	10	10
Support services	2,248	2,271	2,460		2,202	2,202	2,202	2,202
Depreciation	146	146	167		308	308	308	308
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Income	5,338	5,440	5,227	(109)	5,483	5,483	5,528	5,528
Government grants	484	327	232	71	553	553	553	553
Reimbursements	2,127	2,207	2,033	(394)	2,134	2,134	2,134	2,134
Customer & client receipts	2,727	2,906	2,962	215	2,796	2,796	2,841	2,841
Interest								
Reserves								
Capital Funded								
Council Funded Net Budget	41,162	40,414	46,630	595	49,073	49,093	49,167	49,287
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Primary Schools	4,382		1,188	1,188	650	650	650	650
Secondary Schools	7,447		3,622	3,622	7,105	6,352	2,552	
Special Schools	215		1,759	1,687	7,264	1,000		
Other	463		494	494	139	105		
	0	12,507	7,063	6,991	15,158	8,107	3,202	650



2018/19	Review of non-staffing budgets across the department: £28,000 - Part of CSF2017-01
2019/20	Review of CSF staffing structure beneath management level: £100,000 - Part of CSF2015-09
2020/21	Review schools trade offer, raise charges or consider ceasing services from 2020: £45,000 - Part of CSF2017-07
2021/22	

**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Education**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS		Risk				
				Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Well Being Model - CSC &amp; CYPWB/TOM</b>	Improved effectiveness		4	3	12
Start date	2016-17	Project Details:	The review of the well being model is now complete, the next phase is to embed agreed structure changes in CSC, our Early Help model and points of access. we will deliver the CSC and EH Tom programme through a range of projects and programmes including: recruitment and retention strategy; restructuring of central teams; Flexible working ; Care proceedings as outlined in the relevant TOM; rationalising access points; raising thresholds; increased targeting and practice.					
End date	2019-20							
<b>Project 2</b>		Project Title:	<b>Improving pupil outcomes at KS2 &amp; KS4 (Edn TOM) &amp; School Improvement through partnership (Edn TOM)</b>	Improved effectiveness		2	3	6
Start date	2013-14	Project Details:	Rigorous support and challenge for schools in RI or vulnerable to RI including implementation of Support and Challenge Groups. Training and briefings on Ofsted, assessment, curriculum and improving teaching. Maintenance of outstanding teacher courses for primary and secondary teachers. Ongoing support for all schools on the basis of the new School Improvement Strategy from Merton Education Partners. The development of strengthened school to school support through the School Improvement Steering Group, ongoing support for the Merton Education Partnership and brokerage of school to school support through Merton Leaders of Education, primary expert teachers and liaison with Teaching Schools. Partnership with schools on redefining LA functions as part of Education TOM.					
End date	2018-19							
<b>Project 3</b>		Project Title:	<b>Transforming Early Years (EY's TOM)</b>	Improved effectiveness		2	3	6
Start date	2013-14	Project Details:	Securing supply of good quality sufficient number of funded early education places for 2, 3 and 4 year olds responding to national policy and the new national funding framework and Merton's local priorities to include new 30 hour offer and support for children with SEND. Deliver the reshaped Children's Centre and early help services and programmes in accordance with local service practice standards and evidence based practice. Continue to secure good and above outcomes for all directly managed Ofsted inspected services. Maximise opportunities for external funding through ongoing review of charging structures and use of buildings by external agencies. Develop an "e strategy" and associated action plan for early years transactional services. Continue to promote use of self serve and publicise the range of directories managed within the service in partnership with key stakeholders. (Directories of Local Services)					
End date	2019-20							
<b>Project 4</b>		Project Title:	<b>Implementation of requirements of Children &amp; Families Act (Edn TOM &amp; CYPWB) &amp; Education TOM/CYPWB Model &amp; Personal Budgets (Education TOM/C+F Act)</b>	Improved customer experience		3	3	9
Start date	2013-14	Project Details:	Continue to strengthen collaboration between parents forum and partner agencies. further strengthen the Education, Health & Care Plan, and widen the Local Offer. Preparation for adulthood pathways are being developed by ASC, CWD and SEN Teams. Procurement for an SEN recording and reporting system is in the first stage. Addressing new statutory duty for age 19-25 a joint commissioning group across Health and Social Care has been developed to strengthen the tri-partite panel to support and process cases within available funding streams. Develop and deliver the Education TOM & CYPWB Model across CSF Services. Progress further rollout of Personal Budgets for families of children subject to education, health and care plans. Work with SENDIS service to maintain focus of encouraging Personal Budgets for SEN travel assistance and support implementation of next phase of PBs for Short Breaks services.					
End date	2019-20							
<b>Project 5</b>		Project Title:	<b>Development of Adolescent offer including My Futures (NEET's) &amp; linked provision</b>	Improved customer experience		2	3	6
Start date	2013-14	Project Details:	Refocus ETE support and advice to ensure effective support and provision to SEN 16-25 years old.					
End date	2018-19							
<b>Project 6</b>		Project Title:	<b>Implementation of Secondary &amp; Special School (SEN) Places Strategy (EducationTOM)</b>	Infrastructure renewal		4	3	12
Start date	2015-16	Project Details:	Continue liaison with the Education and Skills Funding Agency and Harris Federation and manage related projects to deliver the opening and permanent build for the new Harris Academy Wimbledon School, and implement any further secondary school expansion required to ensure the council provides sufficient secondary places to meet growing demand. Implement agreed expansions of Cricket Green and Perseid Special Schools to provide additional in-house SEN places in Merton, and complete a strategic needs assessment of SEN provision and, on the basis of this evidence, consider further initiatives to commission and provide cost effective SEN provision to meet rising demand.					
End date	2018-19							
<b>Project 7</b>		Project Title:	<b>Workforce development</b>	Improved staff skills and development		4	3	12
Start date	2015-16	Project Details:	We will continue to work towards our ambition to be London's Best Council, as part of this aspiration all our managers are engaged in a differentiated leadership programme. Strong focus remains on our recruitment and retention strategy and to support this we have developed a 'Practice Model' which is now established. We have continued the development and delivery of Signs of Safety/Signs of Well Being and this is being rolled out across the department. We are supporting/complimenting this this with a programme to deliver both Systemic Practice and Motivational Interviewing across the department. We have a clear time line for this programme with appropriate milestones to ensure we have a strong, highly skilled workforce. Our workforce strategy alongside our overarching practice model has been developed to support our transformation plan.					
End date	2019-20							



# **Community & Housing**

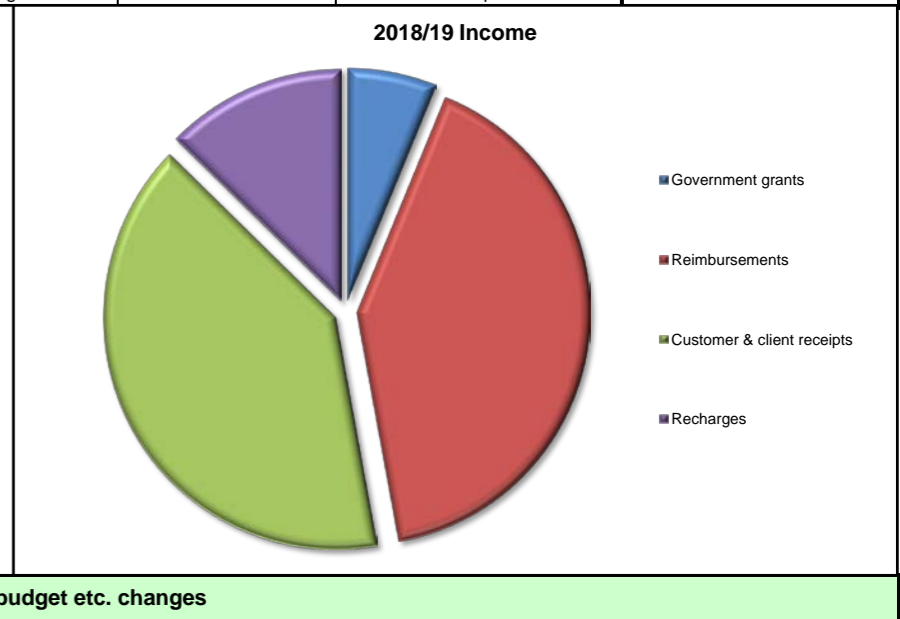
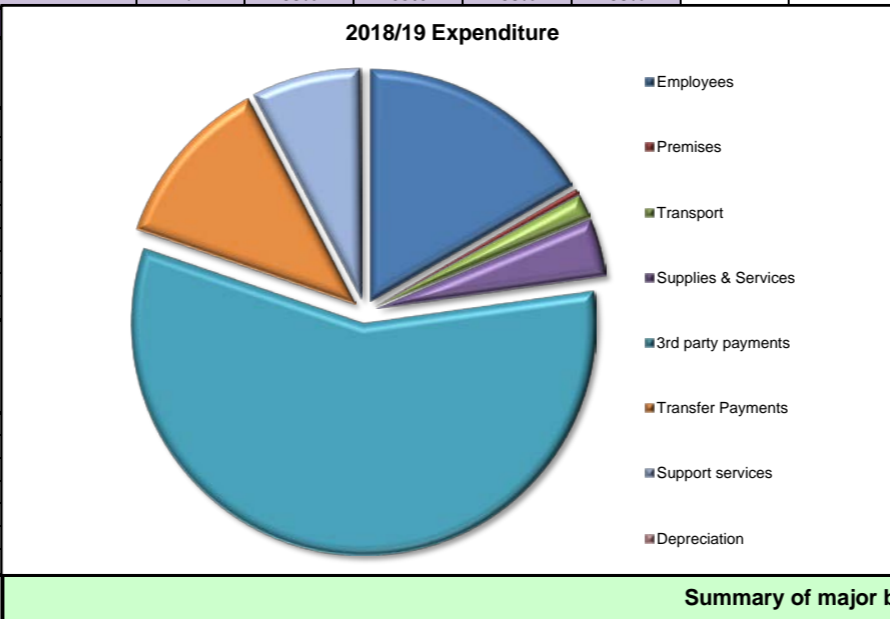
Adult Social Care	Planning Assumptions						The Corporate strategies your service contributes to
Cllr Tobin Byers: Cabinet Member for Adult Social Care	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Enter a brief description of your main activities and objectives below	No. of people requiring services	3307	3278	3252	3191	3170	
	People aged 85-89	375	358	335	315	293	
	People aged 95+	195	190	185	180	175	
	No. of people aged 65+ with dementia	395	407	419	431	448	
	<b>Anticipated non financial resources</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	Staff (FTE)	335.26	324.50	340.59	340.59	340.59	340.59

The Care Act 2014 is the legislation that underpins the statutory function of ASC; the Act came in to force on 1 April 2015. ASC works with people 18 and above and their carers who are in need of support. The Act sets a new national eligibility criteria to define eligibility for services. The Act gives new duties around safeguarding with a greater emphasis on protecting the most vulnerable people in our society from abuse or neglect. The Act also puts prevention at the heart of the work we undertake and we are well placed with our reablement team in fulfilling this duty.

Our approach to the redesign of services is to keep the customer as independent as possible, for as long as possible in their own home. We aim to keep people in their communities with their friends and family network around them and out of institutionalised care or hospital. We aim to maximise people's independence with the use of equipment, telecare, reablement, utilising the voluntary sector to limit isolation and loneliness, working with CLCH and our partners in health to ensure that people's health needs are met keeping people healthy and out of hospital. We will work with our partners in health and the voluntary sector to integrate services where possible and limit duplication. We aim to complete our duties by putting the customer at the heart of the assessment and maximising and utilising their strengths to ensure that they are enabled to be as independent as possible with minimum, or no, support from the council.

Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A) Performance Target (T) Proposed Target (P)					Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)				
No of carers receiving a service	1016	1000	1010	1020	1040	High	Monthly	Business critical	Breach statutory duty
% Older people still at home following Reablement	76.5	78.8	78.8	78.8	78.8	High	Annual	Outcome	Increased costs
% People receiving 'long term' Community Services	78	72	72	72	72	High	Monthly	Business critical	Increased costs
% people with 'long term' services receiving Self Directed Support	100	95	95	95	95	High	Monthly	Unit cost	Government intervention
% of MASCOT calls answered in 60 seconds	N/A	N/A	97.5	97.5	97.5	High	Monthly	Quality	Increased waiting times
No. of DTocS - Delayed Transfers of Care (delayed bed days) - Adult Social Care delays only	N/A	N/A	TBC	TBC	TBC	Low	Monthly	Business critical	Increased costs
Social care-related quality of life	N/A	18.5	18.5	18.5	18.5	High	Annual	Perception	Quality of life
Proportion of people who use services who feel safe	N/A	68%	68%	68%	68%	High	Annual	Perception	Social exclusion

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>73,987</b>	<b>83,617</b>	<b>80,343</b>	<b>2,638</b>	<b>81,751</b>	<b>80,889</b>	<b>77,901</b>	<b>79,072</b>
Employees	13,309	14,176	13,560	166	13,597	13,611	13,130	13,146
Premises	392	368	346	75	351	356	361	366
Transport	1,419	1,454	1,445	65	1,379	1,401	1,422	1,444
Supplies & Services	6,305	6,636	3,688	973	3,281	3,323	3,365	3,407
3rd party payments	36,189	44,528	45,828	2,406	46,992	45,597	42,569	43,203
Transfer Payments	9,773	9,758	9,514	(1,047)	9,857	10,307	10,758	11,209
Support services	6,501	6,600	5,885	-	6,183	6,183	6,184	6,185
Depreciation	98	98	78	-	111	111	111	111
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	<b>22,465</b>	<b>22,763</b>	<b>20,943</b>	<b>(1,524)</b>	<b>22,974</b>	<b>24,634</b>	<b>21,575</b>	<b>21,576</b>
Government grants	28	336	17	(331)	1,417	3,077	17	17
Reimbursements	9,024	8,827	9,203	(663)	9,410	9,410	9,410	9,410
Customer & client receipts	10,453	10,817	9,141	(531)	9,234	9,234	9,234	9,234
Recharges	2,960	2,783	2,582	-	2,913	2,913	2,914	2,915
Reserves	-	-	-	-	-	-	-	-
Capital Funded	-	-	-	-	-	-	-	-
<b>Council Funded Net Budget</b>	<b>51,521</b>	<b>60,854</b>	<b>59,401</b>	<b>1,114</b>	<b>58,777</b>	<b>56,255</b>	<b>56,325</b>	<b>57,496</b>



**Summary of major budget etc. changes 2018/19**

Growth in Placement budget - £0.252m.  
 Total Savings £3,128, deferred £ 548k to 2019/20  
 Total Savings - £2.198m (CH71,CH72,CH73,CH74,CH75&CH55 - a further £382k to be identified in future years)  
 IBCF Grant  
 The key aim for the year will be achieving a balanced budget through careful demand management and achievement of the revised savings target.

**2019/20**

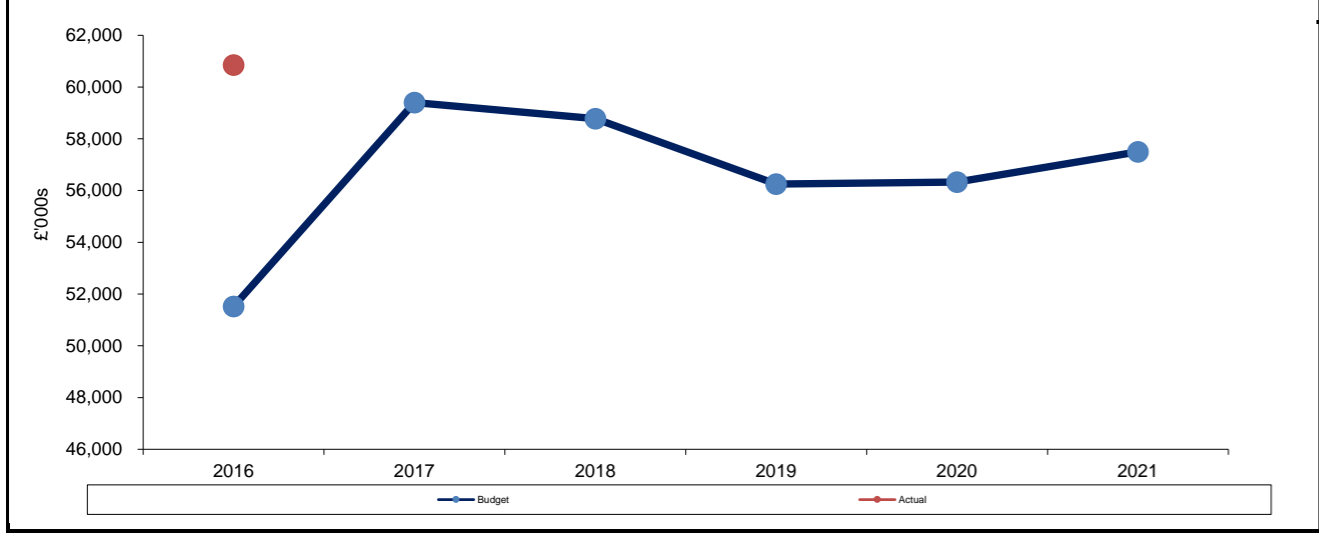
Growth for Concessionary fares increase - £0.352m  
 Total Savings - CH70 £301k plus new savings of CH81- £500k.  
 IBCF Grant  
 The clawback of £2891m growth represents a significant risk in this financial year, given that ongoing pattern of demand growth. There is nothing to indicate at this stage that demand for social care will decrease. Demand management activities are working, but will only bring spend in line with the budget if investment is maintained.

**2020/21**

Growth for Concessionary fares increase - £0.450m  
 Savings identified

**2021/22**

Growth for Concessionary fares increase - £0.450m



**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Adult Social Care**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Assessment &amp; Care Management Processes</b>	Improved effectiveness		4
Start date	2017-18	Project Details:	Build on the implementation of MOSAIC to review and enhance day to day practice by all front line teams.	2	2	
End date	2018-19					
<b>Project 2</b>		Project Title:	<b>Front Door</b>	Improved sustainability		8
Start date	2018-19	Project Details:	Develop a new integrated 'front door' for Community & Housing that addresses the needs of adults outside of divisional silos, works with the voluntary sector and supports people to find solutions.	4	2	
End date	2019-20					
<b>Project 3</b>		Project Title:	<b>Integrated OP services</b>	Improved efficiency (savings)		6
Start date	2018-19	Project Details:	Seek to integrate services for older people that are physically frail or have mental health issues across health and social care, creating a one-stop service for the most vulnerable older people.	3	2	
End date	2019-20					
<b>Project 4</b>		Project Title:	<b>Mental Health</b>	Improved efficiency (savings)		6
Start date	2018-19	Project Details:	Undertake a fundamental review of adult mental health pathways and service arrangements, to ensure that our response meets our statutory duties and is financially sustainable.	3	2	
End date	2018-19					
<b>Project 5</b>		Project Title:	<b>Direct Provision</b>	Improved efficiency (savings)		8
Start date	2018-19	Project Details:	Review the offer of directly provided services to people with a learning disability to ensure that they are fit for purpose and meet the needs of older service users with an established pattern of support and younger people coming through transition.	4	2	
End date	2019-20					
<b>Project 6</b>		Project Title:	<b>Transitions</b>	Improved efficiency (savings)		9
Start date	2018-19	Project Details:	Work closely with CSF and families to support young people coming into adulthood from an earlier stage, setting realistic expectations and creating a wider range of options to support the transition to maximum independence. This will include developing transition specific services.	3	3	
End date	2019-20					
<b>Project 7</b>		Project Title:	<b>Complex needs &amp; crisis</b>	Improved efficiency (savings)		4
Start date	2017-18	Project Details:	Develop a model and provision for complex needs, challenging behaviours and crisis for adults with a learning disability.	2	2	
End date	2018-19					
<b>Project 8</b>		Project Title:	<b>Supported Living opportunities</b>	Improved customer experience		6
Start date	2017-18	Project Details:	Work with partners and stakeholders to develop a framework for supported living for people with physical and learning disabilities and mental health issues, to promote choice and independence.	2	3	
End date	2018-19					
<b>Project 9</b>		Project Title:	<b>Direct Provision</b>	Improved effectiveness		4
Start date	2017-18	Project Details:	Implement new Mascot Telecare platform.	2	2	
End date	2018-19					
<b>Project 10</b>		Project Title:	<b>Commissioning</b>	Improved efficiency (savings)		6
Start date	2017-18	Project Details:	Develop an adults commissioning model following a peer review scheduled for February	3	2	
End date	2018-19					





**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Housing Needs and Enabling Services**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Homeless Reduction Act - Service Planning</b>	Risk reduction and compliance					
Start date	<b>2017-18</b>	Project Details:	Prepare service for implementation of Homelessness Reduction Action in April 2018. This will include new processes, new IT, increased staffing capacity, training. Will also include internal and external stakeholders.			2	2	4	
End date	<b>2018-19</b>								
<b>Project 2</b>		Project Title:	<b>Service re-structure</b>	Improved efficiency (savings)					
Start date	<b>2016-17</b>	Project Details:	Develop and implement a service re-structure to reflect the implementation of Homelessness Reduction Act and to meet savings targets			2	3	6	
End date	<b>2018-19</b>								
<b>Project 3</b>		Project Title:	<b>Public Protection Technology Review</b>	Improved effectiveness					
Start date	<b>2016-17</b>	Project Details:	Work with IT / E&R on re-procurement / replacement of M3PP.			2	1	2	
End date	<b>2018-19</b>								
<b>Project 4</b>		Project Title:	<b>Refreshed Housing Enforcement Policy</b>	Improved effectiveness					
Start date	<b>2017-18</b>	Project Details:	Refresh the policy to ensure the Council is acting fairly in dealing with housing conditions on both a reactive and proactive basis.			2	1	2	
End date	<b>2018-19</b>								
<b>Project 5</b>		Project Title:	<b>EDRMS Workflow</b>	Improved effectiveness					
Start date	<b>2016-17</b>	Project Details:	Work with Corporate to implement EDRMS in Housing and then update workflow processes accordingly			2	2	4	
End date	<b>2018-19</b>								
<b>Project 6</b>		Project Title:	<b>Review and re-brand Floating Support</b>	Improved efficiency (savings)					
Start date	<b>2017-18</b>	Project Details:	Re-brand floating support and supported housing to better fit the homelessness prevention agenda			2	1	2	
End date	<b>2018-19</b>								
<b>Project 7</b>		Project Title:	<b>TOM Re-fresh</b>	Improved effectiveness					
Start date	<b>2017-18</b>	Project Details:	Any actions arising from TOM Re-fresh in 2018.			2	2	4	
End date	<b>2018-19</b>								
<b>Project 8</b>		Project Title:	<b>Housing IT software re-procurement</b>	Improved efficiency (savings)					
Start date	<b>2018-19</b>	Project Details:	Re-procure all IT Software solutions for Housing Needs (Homelessness, Temporary Accommodation & Rent Accounts, Housing Register and Choice Based Lettings.)			2	2	4	
End date	<b>2020-21</b>								



**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Libraries**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Partnership development</b>	Improved customer experience					
Start date	<b>2015-16</b>	Project Details	Continue to develop partnership approach to delivering services in libraries. Increase health partnerships. Refine outcomes in partnership agreements.				2	1	2
End date	<b>2018-19</b>								
<b>Project 2</b>		Project Title:	<b>Heritage Strategy</b>	Improved effectiveness					
Start date	<b>2015-16</b>	Project Details	Promote the Heritage Strategy and increase community participation in heritage activities. Continue to draw in external funding and improve income streams.				3	1	3
End date	<b>2019-20</b>								
<b>Project 3</b>		Project Title:	<b>London Libraries Consortium</b>	Improved effectiveness					
Start date	<b>2015-16</b>	Project Details	Implement actions in the LLC Strategy and procure a new library management system.				3	2	6
End date	<b>2018-19</b>								
<b>Project 4</b>		Project Title:	<b>Children &amp; Young People's projects</b>	Improved customer experience					
Start date	<b>2013-14</b>	Project Details	Embed the Schools and Libraries Membership schemes for primary and high schools. Embed outcomes from 'My Library' project.				3	1	3
End date	<b>2019-20</b>								
<b>Project 5</b>		Project Title:	<b>Customer consultation, marketing and promotion</b>	Improved customer experience					
Start date	<b>2016-17</b>	Project Details	Undertake customer surveys to gain user views and consult on any significant changes to service delivery. Continue to develop e-marketing services and undertake promotional activities such as Library Connect.				2	1	2
End date	<b>2020-21</b>								
<b>Project 6</b>		Project Title:	<b>Income Generation</b>	Improved efficiency (savings)					
Start date	<b>2016-17</b>	Project Details	Implement agreed savings from the rollout out of coffee shops in libraries and further develop income sources such as Merton Arts Space whilst identifying new opportunities.				3	2	6
End date	<b>2019-20</b>								
<b>Project 7</b>		Project Title:	<b>Assisted digital support</b>	Improved customer experience					
Start date	<b>2013-14</b>	Project Details	Increase volunteer numbers and skills in supporting customers with more complex IT needs. Support national initiatives and the Customer Contact project.				2	2	4
End date	<b>2018-19</b>								
<b>Project 8</b>		Project Title:	<b>Security services contract</b>	Improved efficiency (savings)					
Start date	<b>2015-16</b>	Project Details	On-going monitoring of performance. Develop security guard services to play a more active role in service transformation and to support with new lone working arrangements.				3	2	6
End date	<b>2018-19</b>								
<b>Project 9</b>		Project Title:	<b>Library redevelopments</b>	Improved customer experience					
Start date	<b>2015-16</b>	Project Details	Continue to develop the new Colliers Wood Library and maximise the use of space in existing libraries. Work with other departments to identify new development opportunities.				3	2	6
End date	<b>2018-19</b>								



**DETAILS OF MAJOR PROJECTS**

**Merton Adult Learning**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Improve Ofsted status</b>	Improved effectiveness			3	2	6
Start date	2016-17	Project Details:	Implement agreed actions in Post Ofsted Improvement Action Plan (PIAP) ready for re-inspection with the view to achieving a 'Good' status						
End date	2018-19								
<b>Project 2</b>		Project Title:	<b>Embed employability, maths and English strands in courses where applicable</b>	Economic outcomes			2	1	2
Start date	2016-17	Project Details:	Embed key threads around employability, maths and English into courses delivered by new providers.						
End date	2018-19								
<b>Project 3</b>		Project Title:	<b>Develop new apprenticeship scheme</b>	Economic outcomes			2	1	2
Start date	2016-17	Project Details:	Increase the number of apprenticeships in Merton working with local employers.						
End date	2019-20								
<b>Project 4</b>		Project Title:	<b>Expand provision in deprived areas of the borough and / or amongst deprived communities</b>	Improved effectiveness			3	1	3
Start date	2016-17	Project Details:	Deliver a range of community and family learning initiatives in the borough to increase take up and proactively market services to residents with the greatest needs.						
End date	2018-19								
<b>Project 5</b>		Project Title:	<b>Embed new evidence base and overhaul course provision</b>	Improved customer experience			2	1	2
Start date	2017-18	Project Details:	Make more effective usage of learner and community data to inform the future commissioning of adult learning courses whilst retaining a healthy breadth of provision.						
End date	2018-19								
<b>Project 6</b>		Project Title:	<b>Embed new commissioning arrangements across all services</b>	Improved effectiveness			3	2	6
Start date	2016-17	Project Details:	Undertake regular contract reviews and identify improvement plans to embed and improve the quality of the new adult learning services						
End date	2019-20								



**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Public Health**

		PROJECT DESCRIPTION	MAJOR PROJECTS BENEFITS	Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title: <b>East Merton Model of Health and Wellbeing/Wilson (TOM URN: PH 5)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - EAST MERTON MODEL AND WILSON</u> Public Health, Merton CCG and the East Merton GP Locality are working in partnership to develop and deliver the East Merton Model of Health and Wellbeing and Wilson health and community campus as blueprint for borough-wide health and care transformation. This is a major programme aimed at co-creating a model for East Merton, incorporating design of health and community campus, community engagement, better use of wider public sector estates and development of social investment funding models. There are some key programmes of work that sit under this, including Social Prescribing, and a Whole System Approach to Diabetes: SOCIAL PRESCRIBING: Social prescribing is part of the programme and a major component in the CCG's Primary Care Strategy and the development of the model of multi-speciality community provider, strengthening relationships between primary care and the voluntary and community sector and services. WHOLE SYSTEM APPROACH TO DIABETES: Develop a whole systems approach to Diabetes, as agreed by the Health and Wellbeing Board in June 2017. This will be an exemplar for future work, is a pivotal opportunity as it connects the HWBB (as systems leaders) with health professionals, local place shapers (Cllrs and GPs) and community 'connectors' to develop systems leadership and build a social movement to identify ideas and ways to tackle diabetes together. This will in turn inform the developing East Merton Model of Health and Wellbeing. PH Lead: Amy Potter				
End date	2021-22		3	3	9	
<b>Project 2</b>		Project Title: <b>Embed Health and Wellbeing in all policies (TOM URN: PH2; PH3; PH4)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - HEALTH IN ALL POLICIES</u> Embed "health in all policies" (HIAP) as a relevant outcome across the whole council business (and partners) incl establish health as marker for good government and as investment rather than expenditure; work in partnership with HR to deliver Healthy Workplace Programme; engage in growth and regeneration agenda, including optimising health improvement through the planning process, working with Comms around advertising and sponsorship policy. Key priorities in this programme include implementation of the multi-agency Merton Child Healthy Weight Action Plan and delivery of the Merton Dementia Action Alliance, and development of the Local Plan. PH lead: Clarissa Larsen; Julia Groom; Amy Potter				
End date	2020-21		2	2	4	
<b>Project 3</b>		Project Title: <b>Sexual Health Strategy and Integrated sexual health services (TOM URN: PH6)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - PH SERVICE DEVELOPMENT AND PROCUREMENT</u> Development of a Sexual health strategy that takes a lifecourse approach and focuses on priorities for prevention; embedding and further developing integrated sexual health services; and support for vulnerable groups. Mobilisation of co-commissioned integrated sexual health services, with joined up Level 2 CaSH services and Level 3 GUM services in a seamless provision. PH Lead: Julia Groom				
End date	2021-22		3	3	9	
<b>Project 4</b>		Project Title: <b>Redesign of Adult substance misuse treatment services (drugs and alcohol) (TOM URN: PH6)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - PH SERVICE DEVELOPMENT AND PROCUREMENT</u> Mobilise and embed the newly commissioned Integrated adult substance misuse service based on a preventative and recovery orientated model, working in conjunction with CCG and other stakeholders. Deliver the outcomes identified within the comprehensive substance misuse prevention framework through the Substance Misuse Partnership Board (SMPB). PH Lead: Amy Potter				
End date	2020-21		3	3	9	
<b>Project 5</b>		Project Title: <b>Development of collaborative commissioning approaches to adult services (TOM URN: PH7)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - COLLABORATIVE COMMISSIONING ARRANGEMENTS (ADULTS)</u> Explore development of new cross-team and cross-organisational (PH, ASC and other parts of C&H, and CCG) strategic approaches including defining Core Offer to CCG, and identifying opportunities for long term joint commissioning. Particular priority areas include: - Mental Health pathways and substance misuse - Falls prevention and strategic approach to active ageing - Disability strategy - Supported Housing - Approach to healthy lifestyles services post 3/2019 (break clause in current commissioning)				
End date	2018-19		2	2	4	
<b>Project 6</b>		Project Title: <b>Development of integrated Children's Services (TOM URN: PH7)</b>	Improved effectiveness			
Start date	2016-17	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - COLLABORATIVE COMMISSIONING ARRANGEMENTS (CYP)</u> Lead transformation of the Community health services towards a Healthy Child 0-19 years service, embedding health visiting and school nursing locality teams; develop a shared vision and development programme for closer integration of services including 0-19 Healthy Child and Children's Centres, to provide seamless care pathways for children and young people. Continue to develop a CYP joint commissioning function between PH, CSF and MCCG. PH Lead: Julia Groom				
End date	2018-19		2	3	6	
<b>Project 7</b>		Project Title: <b>Joint Strategic Needs Assessment Plus/Intelligence Hub (TOM URN: PH11)</b>	Improved effectiveness			
Start date	2018-19	Project Details: <u>TOM TRANSFORMATION DELIVERY PLAN - JSNA PLUS/INTELLIGENCE HUB</u> Develop a programmatic approach to public health intelligence covering: the JSNA analysis and support to strategy and commissioning decisions through a range of accessible outputs /products; Performance measurement and monitoring in support of continuous improvement of strategies and services in achieving outcomes; and Information management including sharing /linkages of data across the council/CCG and through the development of a Merton Intelligence Hub. PH Lead: Amy Potter				
End date	2021-22		2	2	4	

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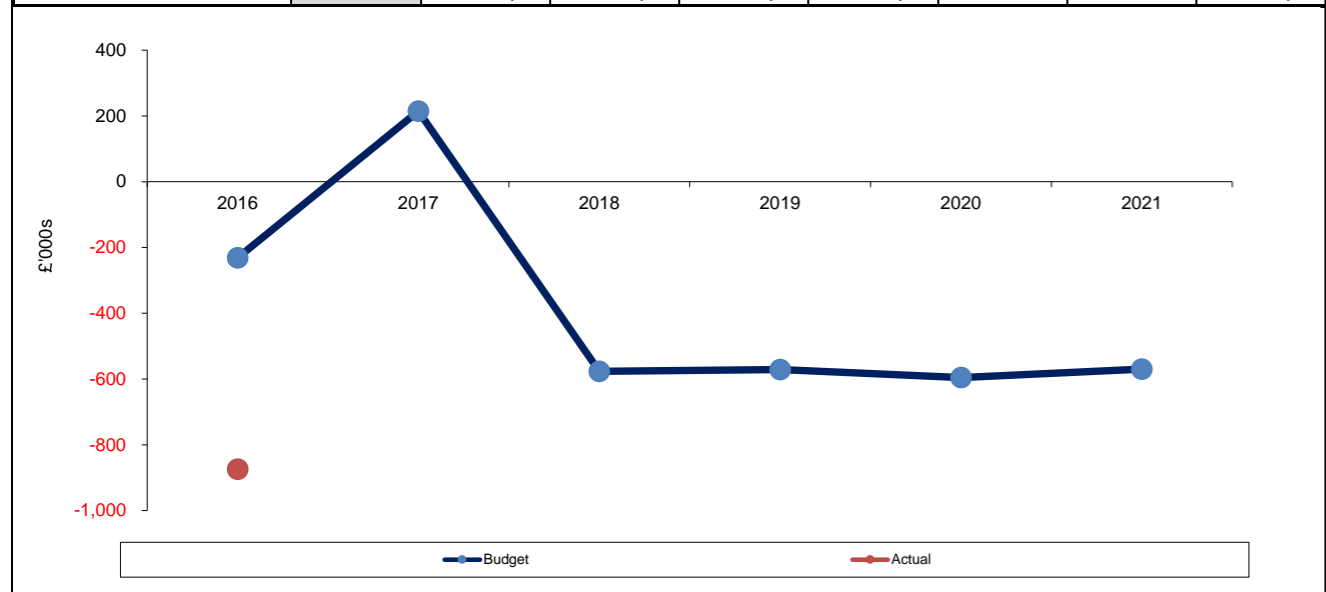
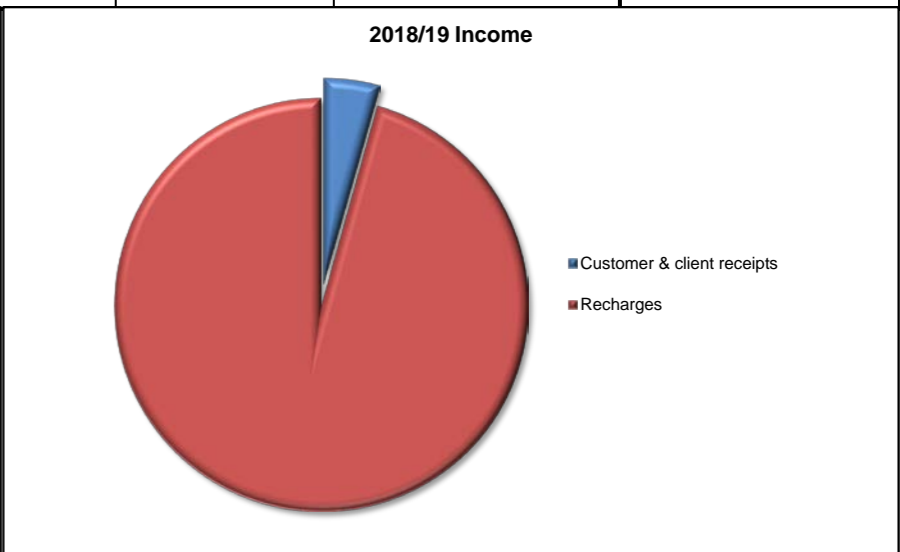
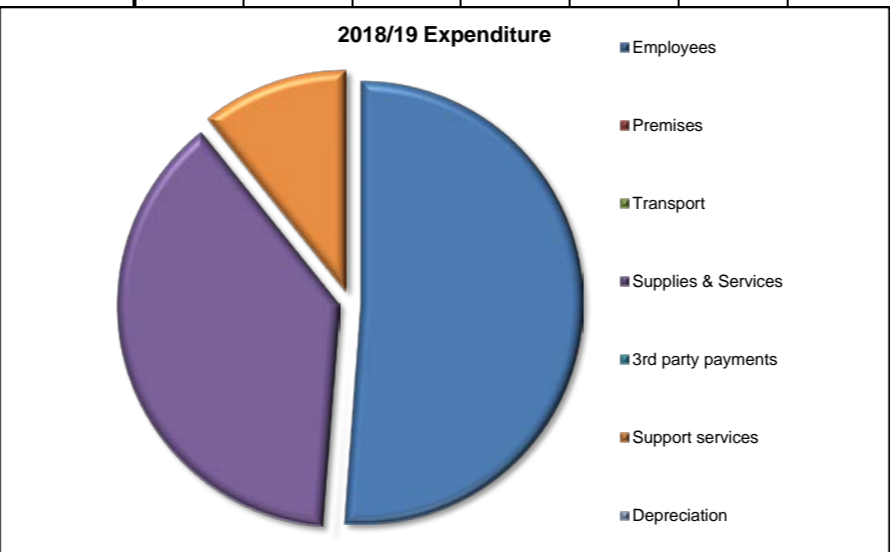




# **Corporate Services**

Business Improvement	Planning Assumptions							The Corporate strategies your service contributes to
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
Enter a brief description of your main activities and objectives below	Core IT Systems support and management (days)	5000	5720	5720	5720	5720	5720	Customer Contact Strategy
Continuous Improvement and Corporate Change will:	Continuous improvement & Corporate Change (days)	880	880	880	660	440	440	IT Strategy and Implementation Plan
- Support DMTs to embed a culture of continuous business improvement within the organisation through the provision of tools, techniques, advice and support – including but not limited to Lean.	Policy, Strategy & Partnerships	770	770	770	770	550	550	Information Management Strategy
- Ensure change is effectively planned for and managed across the organisation, embedding change management principles and methodologies.	Comms & Engagement	1120	1120	880	880	880	880	Voluntary Sector Strategy
- Drive and facilitate the Targeting Operating Models (TOM) refresh process								Equality Strategy
- Quality assure the Improvement Portfolio on behalf of Merton Improvement Board (MIB), DMTs and CMT.								Community Plan
Business Systems team will work with the organisation to establish and deliver the IT Strategy and associated implementation plan. Through the Technical Design Authority (TDA) they will ensure a coordinated and planned approach is adopted for the implementation and support of technology, complying with the agreed corporate strategy, standards and supportability. They will proactively provide advice and opportunities to fully exploit existing and emerging technologies to the business to leverage investments and improve business efficiency and service.	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Communications Strategy
	Staff - CI & CC (FTE & fixed term)	5.3	4.8	4.8	3.0	2.0	2.0	
	Staff - Policy, Strategy & Partnerships	4.8	4.8	4.8	4.8	3.8	3.8	
	Staff - Business Systems Team (FTE + projects)	26.5	28.7	28.7	26.2	26.2	26.2	
	Comms & Engagement	7.0	7.0	5.5	5.5	5.5	5.5	
	Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A)	Performance Target (P)	Proposed Target (T)				
		2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)	
	Systems availability	99.73%	99%	99%	99%	99%	99%	High
	% positive and neutral coverage tone	88.47%	92%	92%	92%	92%	92%	High
	No. of new volunteers recruited	n/a	350	350	350	350	350	High
	% who agree people from different backgrounds get on (ARS)	93%	90	90	90	90	90	High
	% agree Merton is making the area a better place to live (ARS)	76%	N/A	76	N/A	76	N/A	High
	% of residents who feel informed about council services (ARS)	81%	N/A	81	N/A	81	N/A	High
	% of residents who agree the council involves them in making decisions	62%	N/A	62	N/A	62	N/A	High

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>3,481</b>	<b>4,263</b>	<b>3,244</b>	<b>137</b>	<b>2,807</b>	<b>2,833</b>	<b>2,808</b>	<b>2,834</b>
Employees	2,149	2,823	1,244	160	1,437	1,437	1,387	1,387
Premises	0	0	0	1	0	0	0	0
Transport	3	2	3	(3)	2	2	2	2
Supplies & Services	1,011	1,107	1,693	(21)	1,068	1,093	1,119	1,144
3rd party payments	0	0	0	0	0	0	0	0
Support services	317	331	303	-	301	301	301	301
Depreciation								
<b>Revenue £'000s</b>	<b>3,712</b>	<b>5,137</b>	<b>3,030</b>	<b>(204)</b>	<b>3,384</b>	<b>3,404</b>	<b>3,404</b>	<b>3,404</b>
Government grants								
Reimbursements		893						
Customer & client receipts	114	46	114	(179)	148	168	168	168
Recharges	3,598	4,198	2,916	(25)	3,236	3,236	3,236	3,236
Reserves							0	
Capital Funded								
<b>Council Funded Net Budget</b>	<b>(231)</b>	<b>(874)</b>	<b>214</b>	<b>(67)</b>	<b>(577)</b>	<b>(571)</b>	<b>(596)</b>	<b>(570)</b>
<b>Capital Budget £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
Customer Contact Programme		420	1,006	1,716	1,050	250		1,900
IT Systems Projects		89	405	386	1,012			42
Social Care IT System		591	398	583	350			
	<b>0</b>	<b>1,100</b>	<b>1,809</b>	<b>2,685</b>	<b>2,412</b>	<b>250</b>	<b>0</b>	<b>1,942</b>



Summary of major budget etc. changes	
Year	Details
<b>2018/19</b>	CS2015-01 Rationalisation of IT systems, removal of support for some systems 3k CS2015-02 Expiration of salary protection 16k CSREP 2018-19 (13) Maintenance and Support reduction £10k CSREP 2018-19 (14) M3 support to Richmond/Wandsworth £20k CSREP 2018-19 (15) Street Naming and Numbering Fees/Charges Review £15k CSREP 2018-19 (16) Operating cost reduction £11k
<b>2019/20</b>	2018-19 CS14 M3 support to Richmond/Wandsworth £20k
<b>2020/21</b>	2018-19 CS15 Policy & Partnerships -reduce headcount £50k
<b>2021/22</b>	

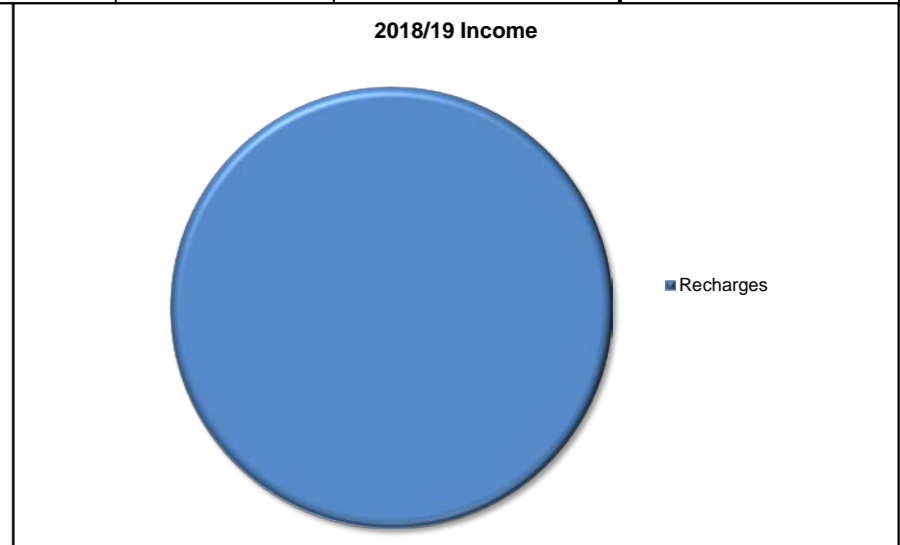
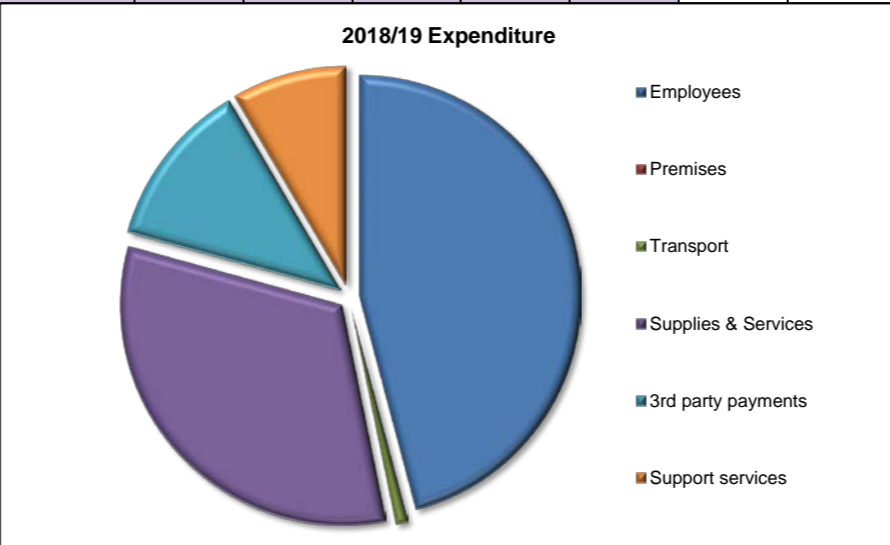
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Business Improvement**

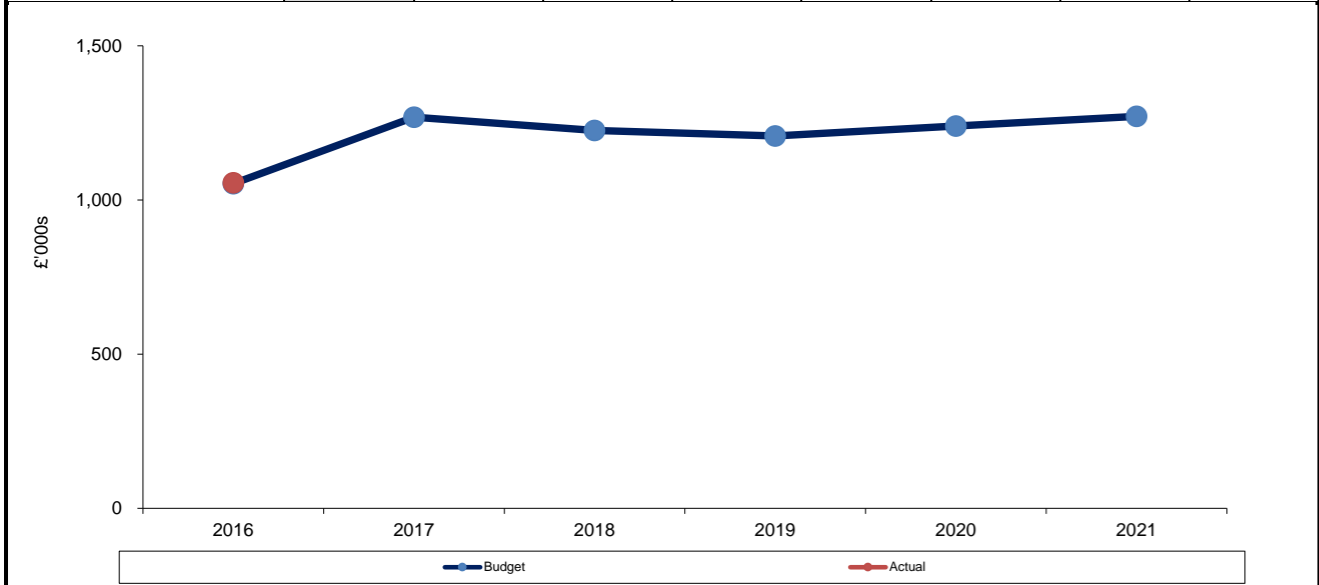
PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Customer Contact programme</b>	Improved customer experience		
Start date	<b>2013-14</b>	Project Details:	Lead and deliver CC programme; to deliver improvements (technology and service redesign) set out in CC Strategy.	5	2	10
End date	<b>2018-19</b>					
<b>Project 2</b>		Project Title:	<b>Electronic document and records management system</b>	Improved efficiency (savings)		
Start date	<b>2013-14</b>	Project Details:	Procure and implement a replacement EDRMS to support and enable flexible/remote working and Customer Contact.	5	2	10
End date	<b>2018-19</b>					
<b>Project 3</b>		Project Title:	<b>Social Care Information System - phase 2</b>	Improved efficiency (savings)		
Start date	<b>2018-19</b>	Project Details:	Further enhancements and functionality to the Mosaic system.	3	3	9
End date	<b>2019-20</b>					
<b>Project 4</b>		Project Title:	<b>Strategic Partner Programme</b>	Improved efficiency (savings)		
Start date	<b>2017-18</b>	Project Details:	Selecting new strategic partners from the voluntary sector to provide Information, Advice and Guidance plus support and advice to the sector as a whole. This will involve co-producing specifications with the voluntary sector and statutory partners. The new programme will start in April 2019.	3	2	6
End date	<b>2018-19</b>					
<b>Project 5</b>		Project Title:	<b>4Ps</b>	Improved efficiency (savings)		
Start date	<b>2017-18</b>	Project Details:	Procure and implement M3LP and M3PP hosted environment through CCS framework and migrate all content from current on-premise systems.	2	2	4
End date	<b>2018-19</b>					

Corporate Governance	Planning Assumptions						The Corporate strategies your service contributes to			
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
Enter a brief description of your main activities and objectives below	Residents	205,722	207,410	209,421	210,452	212,658	214,740			
Corporate Governance is made up of 5 core services:	Officers	↓	↓							
<b>Information Governance</b> - manages complaints, MP & Member enquiries, Freedom of Information requests, ensuring organisational compliance with Data Protection Act and the Transparency agenda, including maintaining the Publication Scheme. Also provides the Local Land Charges function. GDPR - General Data Protection Regulation	Councillors	60	60							
<b>Democracy Services</b> - maintains independent scrutiny function, support to Councillors and Mayor & ensures council has robust decision making arrangements.	Elections	2	1	1		1				
<b>Electoral Services</b> - Electoral Services carries out the statutory maintenance of the register of electors, administers elections and referendums and undertakes the work needed on boundary and electoral reviews. The move to a system of individual electoral registration has provided new challenges to the way the UK's electoral offices work and has resulted in a significantly increased work load.	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
<b>Internal Audit and Investigations</b> - Merton has joined the audit and fraud partnership with its neighbouring authorities. Internal Audit covered by SWLAP (South West London Audit Partnership) and Investigations covered by SWLFP (South West London Fraud Partnership) covering Merton, Kingston, Richmond, Sutton and Wandsworth. The service provides independent, objective appraisal of risk management, governance & internal control processes and fraud risks including planned & unplanned audits. Investigates allegations of poor control and conflicts of interest. Coordinates the Annual Governance Statement. Reviews and updates anti fraud polices. Reports poor practice/weak controls to members. Investigation of external and internal fraud.	Staff (FTE)	30.7 (excl. Invest&audit	28.9	28.9	28.9	28.9				
There is also the shared Legal service with the London Borough of Richmond, Wandsworth, Sutton and Kingston; this service has its own Service Plan.	Staff - Election	1300	800	800	0	500	500			
	Staff - Canvas	150	150	150	150	150	150			
Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A)	Performance Target (T)	Proposed Targets (P)		Polarity	Reporting cycle	Indicator type	Main impact if indicator not met		
Audit actions implemented by agreed date	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)						
Audits completed against plan	90%	90%	90%	90%	High	Quarterly	Business critical	Increased fraud		
Complaints - dealt with in time	93%	90%	90%	90%	High	Quarterly	Business critical	Increased fraud		
Complaints progressed to stage 2	80%	85%	85%	85%	High	Monthly	Perception	Reduced customer service		
FOI requests - dealt with in time	6%	9%	9%	9%	High	Quarterly	Perception	Reduced customer service		
Number of supplementary agendas issued	85%	85%	85%	85%	High	Monthly	Perception	Reduced customer service		
% of councillors who agree scrutiny function effective	24	20	18	16	Low	Quarterly	Perception	Government intervention		
Ombudsman complaints answered in time	75	80	75	80	High	Annual	Perception	Poor decision making		
Ombudsman complaints partially or fully upheld	90%	90%	90%	90%	High	Monthly	Quality	Rework		
% of FOI refusal notices not upheld at review	7%	40%	40%	40%	Low	Quarterly	Perception	Government intervention		
No. of new electors added to the register of electors	0%	4%	4%	4%	Low	Quarterly	Perception	Government intervention		
	N/A	25,000	25,000	25,000	25,000		High	Annual	Perception	Reduced customer service

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	3,588	3,728	3,044	36	3,142	3,124	3,156	3,187
Employees	1,557	1,646	1,202	(21)	1,442	1,442	1,442	1,442
Premises	0	12	1	14	0	1	1	1
Transport	21	20	21	(16)	28	29	29	30
Supplies & Services	1,170	1,177	1,052	81	1,021	995	1,019	1,044
3rd party payments	493	439	460	(22)	386	392	399	406
Support services	347	434	308	0	265	265	265	265
Depreciation								
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	2,535	2,672	1,776	(121)	1,916	1,916	1,916	1,916
Government grants	0							
Reimbursements	0							
Customer client receipts	202	202	202	(121)	227	227	227	227
Recharges	2,333	2,470	1,574		1,689	1,689	1,689	1,689
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>1,053</b>	<b>1,056</b>	<b>1,268</b>	<b>(85)</b>	<b>1,226</b>	<b>1,208</b>	<b>1,240</b>	<b>1,271</b>
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0



Summary of major budget etc. changes	
Year	Change
2018/19	CSD43 Share FOI and Information Governance policy 10k CS2015-16 Delete auditor post and fees £50k CSREP 2018-19 (9) Reduction in running costs budgets £11k CSREP 2018-19 (11) Audit and investigations - Reduction in service £50k
2019/20	2018-19 CS13 Audit and investigations - Reduction in service £50k
2020/21	
2021/22	



**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Corporate Governance**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Support new intake of councillors</b>	Improved customer experience			2	2	4
Start date	2017-18	Project Details:	To prepare for and then support new intake of councillors following May 2018 council elections and support to councillors who are in new roles (Cabinet, Mayor, Committee chairs). To ensure a smooth introduction of any consequent changes to decision making structure or process. Project plan to prepare for May 2018 to be drafted October 2017.						
End date	2021-22								
<b>Project 2</b>		Project Title:	<b>Efficiency programme in Mayor's Office</b>	Improved efficiency (savings)			3	1	3
Start date	2015-16	Project Details:	To monitor and review the impact of the Service Level Agreement in the Mayor's Office, particularly in relation to spend on drivers, and negotiate further changes as required to achieve manageable levels of activity and further reduction in spend. To maintain reduction in spend on petrol due to SLA and purchase of hybrid car. To promote online event booking to save staff time and provide improved service for customers.						
End date	2018-19								
<b>Project 3</b>		Project Title:	<b>Committee report workflow</b>	Improved effectiveness			2	1	2
Start date	2014-15	Project Details:	To improve workflow through implementation of features within new software system. Consolidate electronic submission of reports - 2015/16 rolled out to Cabinet and Council. Autumn 2017 rolled out to scrutiny and Standards & General Purposes Committee. Team PI to be used and reported to DMTs from January 2018.						
End date	2018-19								
<b>Project 4</b>		Project Title:	<b>Scrutiny Improvement Programme</b>	Improved customer experience			2	1	2
Start date	2014-15	Project Details:	To continue to improve effectiveness and impact of the scrutiny function and to engage new councillors in scrutiny activities. Programme comprises objectives and actions agreed by the Overview and Scrutiny Commission each year when it receives the Annual Member Survey. Increase public involvement and use of external expert witnesses.						
End date	31/03/2018 ??								
<b>Project 5</b>		Project Title:	<b>Creation of centralised Local Land Charges Register</b>	Improved customer experience			3	1	3
Start date	2014-15	Project Details:	Review of LLC service delivery; dependent on national directive						
End date	2017-18 ??								
<b>Project 6</b>		Project Title:	<b>2018/22 Administer statutory elections, referendums and ballots.</b>	Risk reduction and compliance			3	3	9
Start date	2018-19	Project Details:	Administer full borough council elections in 2018 and 2022, Mayor of London and London Assembly elections in 2020, and the next parliamentary General Election (currently scheduled for 2022) together with any other referendums and ballots that may be required.						
End date	2021-22								
<b>Project 7</b>		Project Title:	<b>Work with Local Government Boundary Commission on planned Electoral Review of Merton</b>	Infrastructure renewal			3	2	6
Start date	2019-20	Project Details:	Work with Local Government Boundary Commission to produce proposals on new ward boundaries						
End date	2020-21								
<b>Project 8</b>		Project Title:	<b>General Data Protection Regulation (GDPR)</b>	Risk reduction and compliance			4	3	12
Start date	2017-18	Project Details:	To ensure the council is prepared for 25 May 2018 when the new Data Protection Regulations come into force, and to ensure compliance thereafter.						
End date	2018-19								

Customer Services	Planning Assumptions							The Corporate strategies your service contributes to
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
Enter a brief description of your main activities and objectives below	Benefit/Council Tax support claimants	15,400	14,500	14,000	14,000	13,000	13,000	Channel migration
	Telephone callers	500,000	450,000	400,000	375,000	350,000	350,000	Customer Contact Strategy
	Face to face customers	85,000	80,000	70,000	65,000	60,000	55,000	Medium term Financial Strategy
	Council tax properties	83,500	84,000	85,000	85,500	86,000	86,500	
	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	Staff (FTE)	143	142	141	137	137	137	
Performance indicator (LBC2020 indicators highlighted in purple)	Actual performance (A)	Performance Target (T)	Proposed Target (P)	Polarity	Reporting cycle	Indicator type	Main impact if indicator not met	
% of Merton Bailiff files paid in full (exc parking & misc debt)	52%	58%	52%	High	Monthly	Outcome	Loss of income	
Business Rates collected	97.91%	97.50%	97.50%	High	Monthly	Business critical	Loss of income	
Council Tax Collected	97.64%	97.25%	97.25%	High	Monthly	Business critical	Loss of income	
First contact resolution	75%	75%	75%	High	Monthly	Perception	Reduced customer service	
Event income (Marriages, Civil Partnerships etc.)	535,193	425,000	440,000	High	Monthly	Business critical	Loss of income	
% of on-line transactions (HB Claims)	70%	62%	63%	High	Monthly	Business critical	Reduced customer service	
Time taken to process Housing Benefit COC	8 days	10 days	9 days	Low	Monthly	Business critical	Customer hardship	
Time taken to process new Housing Benefit claims	15 days	16 days	15 days	Low	Monthly	Business critical	Customer hardship	

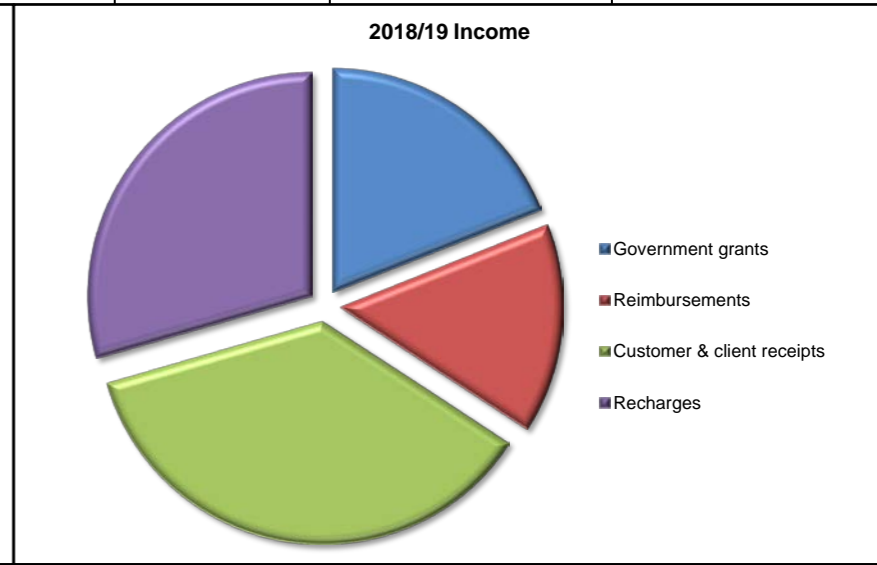
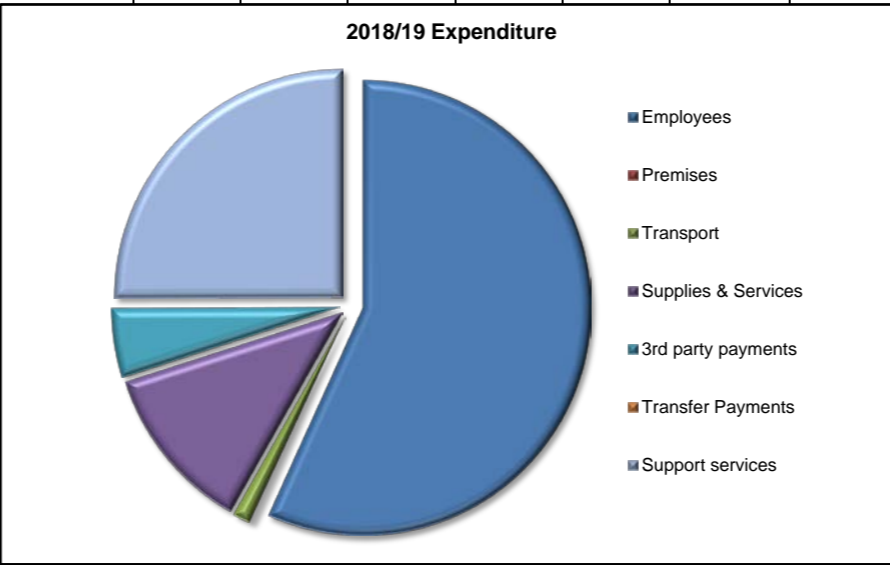
**DEPARTMENTAL BUDGET AND RESOURCES**

Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	9,160	9,429	9,084	469	8,990	8,792	8,817	8,841
Employees	5,234	5,288	5,152	304	5,103	4,947	4,947	4,947
Premises	36	25	29	40	18	18	19	19
Transport	78	92	80	6	111	112	113	114
Supplies & Services	1,466	1,748	1,048	209	1,067	1,018	1,034	1,050
3rd party payments	153	81	431	(90)	438	444	451	457
Transfer Payments	45	61		0	0	0	0	0
Support services	2,148	2,134	2,343	0	2,253	2,253	2,253	2,253
Depreciation	0		0					

Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	6,833	7,123	6,479	(719)	6,380	6,494	6,515	6,530
Government grants	1,232	1,259	1,232	15	1,211	1,211	1,211	1,211
Reimbursements	1,030	1,231	970	(330)	970	970	970	970
Customer & client receipts	2,288	2,457	2,308	(394)	2,318	2,433	2,453	2,468
Recharges	2,283	2,176	1,969	(10)	1,880	1,880	1,880	1,880
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	2,327	2,306	2,604	(250)	2,610	2,298	2,302	2,311

**Capital Budget £'000s**

Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Westminster Coroners Court					460			
	0	0	0	0	460	0	0	0



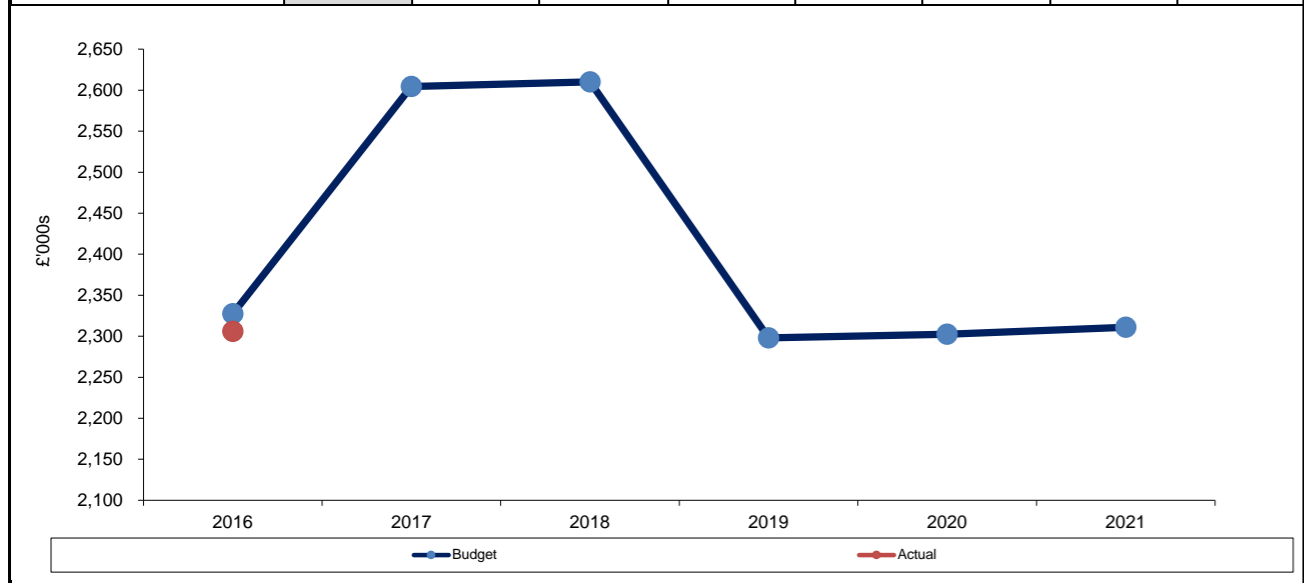
**Summary of major budget etc. changes**

**2018/19**  
CSD19 Communications staff savings £49k  
CSREP 2018-19 (6) Reduction in running costs budgets £9k  
CSREP 2018-19 (7) Increase in translations income £10k

**2019/20**  
CS2016-02 Restructure of Housing Benefits section due to roll out of Universal Credit £66k  
CS2016 -05 Increase income through translations £15k  
CS2016 -07 Cash Collection Reduction £30k  
CS2016 -06 Merton Link - efficiency savings £30k  
2018-19 CS08 Increase in income from Enforcement Service £100k  
2018-19 CS09 Reduction/rationalisation in running costs budgets across multiple budgets £35k  
2018-19 CS10 Revenues & Benefits - Reduction in staffing £60k

**2020/21**  
2018-19 CS08 Increase in income from Enforcement Service £20k

**2021/22**  
2018-19 CS08 Increase in income from Enforcement Service £15k



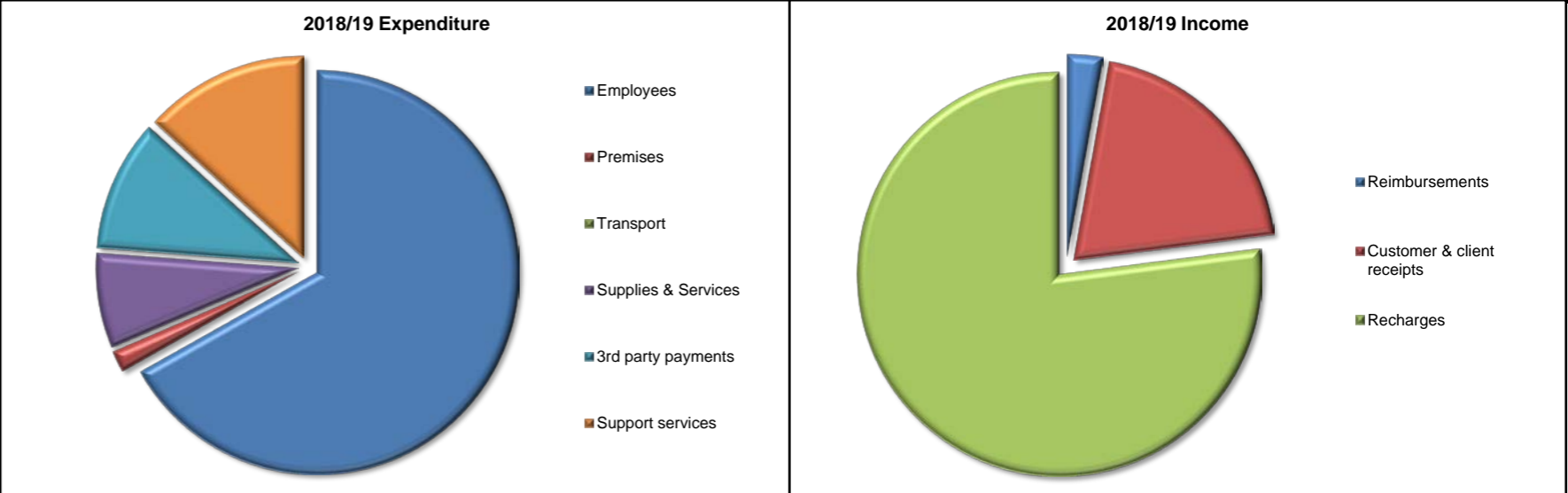
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Customer Services**

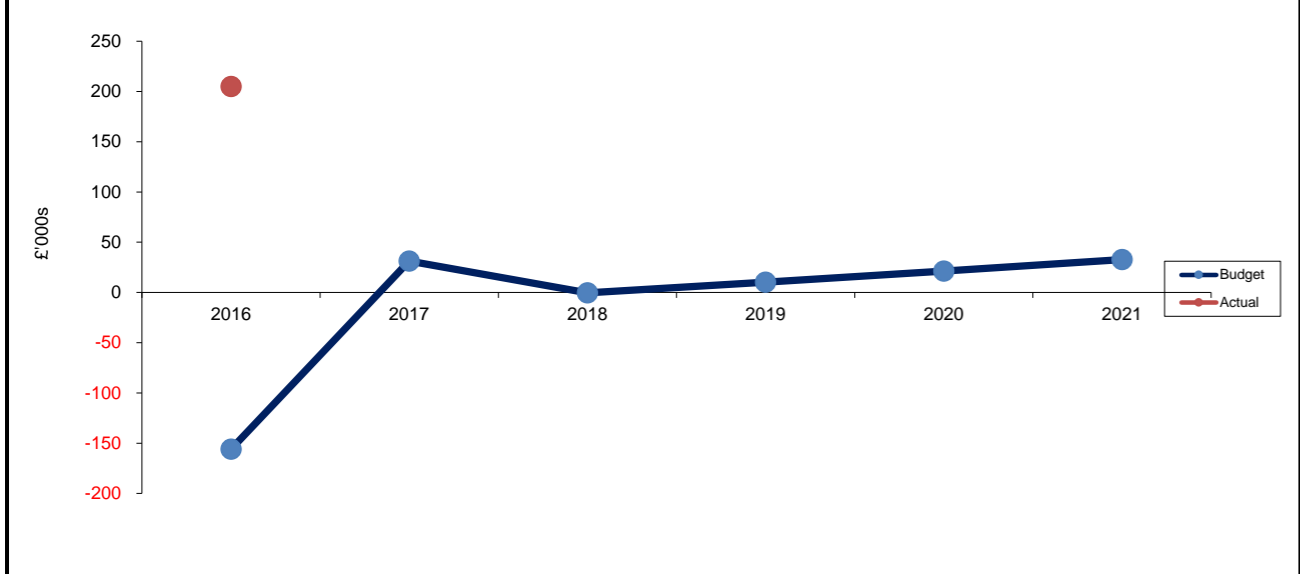
PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT	Risk			
			Likelihood	Impact	Score	
<b>Project 1</b>		Project Title: <b>Universal Credit Implementation</b>  Project Details: Implement the roll out of UC in Merton and provide a support framework to assist claimants claim UC and receive budgeting advice. Process has been delayed by Central Government - All job centres in Merton will implement UC for new claims by April 18	Economic outcomes	2	1	2
Start date	2015-16					
End date	2019-20					
<b>Project 2</b>		Project Title: <b>Implement an Outside Wedding Venue</b>  Project Details: Planning permission approved for outside wedding venue at Morden Park House. Funding has been identified.	Economic outcomes	2	2	4
Start date	2013-14					
End date	2018-19					
<b>Project 3</b>		Project Title: <b>Council Tax support scheme</b>  Project Details: During 18/19 options for a revised scheme will be reviewed for Council decision and possible implementation for 19/20. Moving forward we will review our discretionary rate relief for implementation in 2019/20	Economic outcomes	2	1	2
Start date	2017-18					
End date	2018-19					
<b>Project 4</b>		Project Title: <b>Review Debt Collection Processes</b>  Project Details: With the implementation of the new Financial management computer systems a review of the existing debt collection processes will be undertaken as part of the system implementation.	Improved effectiveness	2	1	2
Start date	2015-16					
End date	2018-19					
<b>Project 5</b>		Project Title: <b>Redesign of Merton Link</b>  Project Details: Implement the re-design of Merton Link area to improve the customer experience and increase self service	Improved customer experience	2	1	2
Start date	2015-16					
End date	2018-19					

Human Resources	Planning Assumptions						The Corporate strategies your service contributes to			
<b>Cllr Mark Allison: Deputy Leader &amp; Cabinet Member for Finance</b>	Anticipated demand		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22		
Enter a brief description of your main activities and objectives below  1) Support effective people management across the organisation through development of a workforce strategy/TOM people layer  2) Implement and maintain efficient HR transactions for recruitment, induction, employee data, payroll, performance management, appraisal, learning and development  3) Provide HR advice and consultancy support across the Council  4) Produce HR metrics, analyse people-related problems and take appropriate actions  5) Produce HR strategies, policy frameworks and systems to support effective people management  6) Support and develop capacity building in Members	Employees in Merton for HR, payroll, advice, L&D, EAP etc.		4,400	4,200	<b>4,000</b>	3,800	3,800	3,800	Workforce Strategy	
	New recruits to be appointed		160	150	<b>140</b>	145	140	142	Economic Development Strategy	
	New Apprentices to be appointed		33	33	<b>33</b>	33	33	33	Equality Strategy	
	Anticipated non financial resources		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22		
	Staff (FTE)		35	35	<b>31</b>	31	31	31		
Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A)		Performance Target (T)		Proposed Target (P)		Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
Time to hire (days)	91	90	<b>90</b>	90	90	90	Low	Monthly	Outcome	Increased costs
No. of working days lost to sickness, excluding schools	9.5	7.5	<b>7.5</b>	7	7	7	Low	Monthly	Outcome	Increased costs
% Appraisals completed	96%	98%	<b>98%</b>	98%	98%	98%	High	Annual	Outcome	Poor decision making
% Members L&D satisfaction	95%	83%	<b>83%</b>	90%	90%	90%	High	Quarterly	Outcome	Poor decision making
No. of Apprentices (Govt Apprenticeship Levy Scheme)	N/A	35	<b>46</b>	46	46	46	High	Quarterly	Outcome	Increased costs
The level (%) of staff engagement (Staff Survey)	87%	N/A	<b>87%</b>	N/A	87%	N/A	High	Biennial	Outcome	Reputational risk
% of staff who would recommend Merton as a place to work	90%	N/A	<b>90%</b>	N/A	90%	N/A	High	Biennial	Perception	Select impact
Voluntary resignation rate	N/A	12%	<b>12%</b>	12%	12%	12%	Low	Quarterly	Outcome	Select impact

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	3,177	3,105	2,984	(149)	2,781	2,792	2,803	2,814
Employees	2,252	2,065	2,027	(167)	1,859	1,862	1,865	1,868
Premises	47	35	47	(17)	48	49	49	50
Transport	2	5	(3)	0	2	2	2	2
Supplies & Services	495	545	226	19	210	213	216	219
3rd party payments	0		290	16	294	298	303	307
Support services	381	455	398		368	368	368	368
Depreciation								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	3,333	2,900	2,953	112	2,781	2,782	2,782	2,781
Government grants								
Reimbursements	79	70	79		79	79	79	79
Customer & client receipts	391	368	560	112	560	560	560	560
Recharges	2,863	2,462	2,315		2,143	2,143	2,143	2,143
Reserves								
Capital funded								
<b>Council Funded Net Budget</b>	(156)	205	31	(37)	(0)	10	21	33
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0



Summary of major budget etc. changes	
2018/19	CSREP 2018-19 (12) Reduction in posts across the department £185k
2019/20	
2020/21	
2021/22	





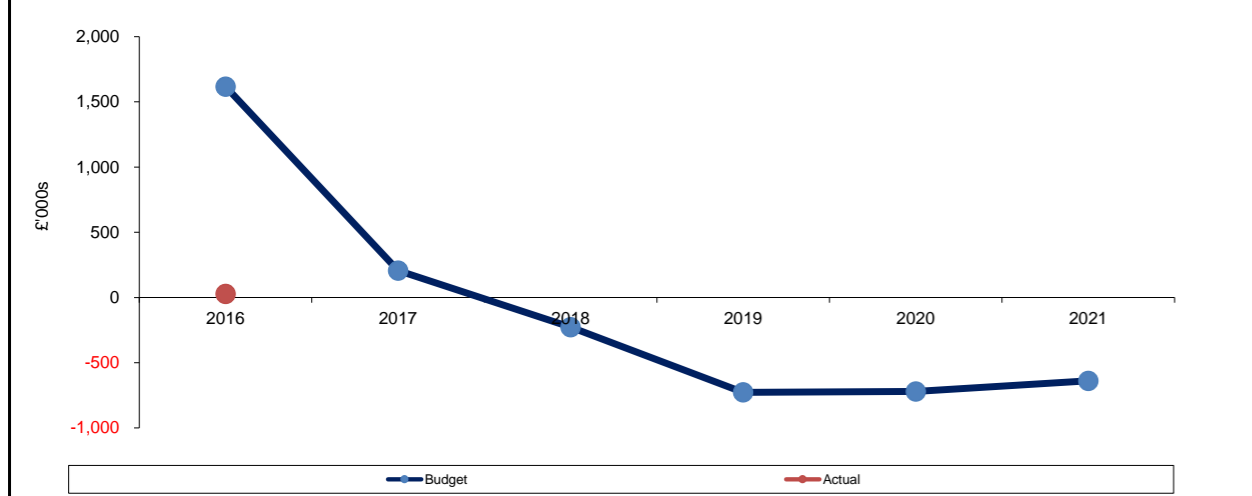
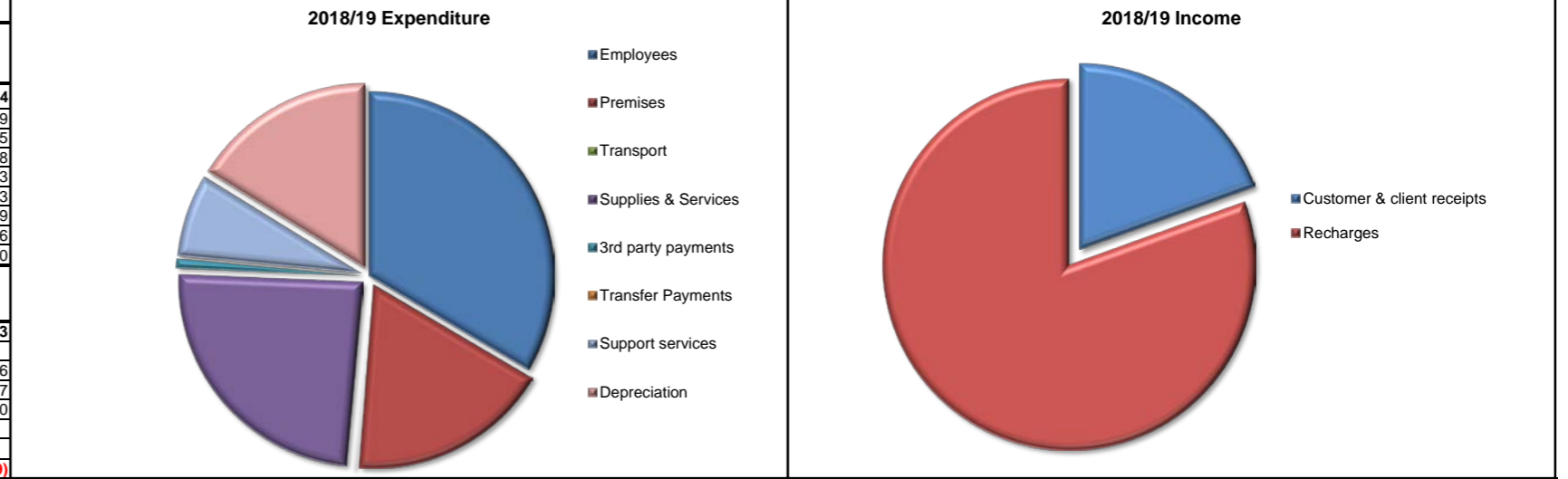
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Human Resources**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Workforce Strategy</b>	Improved staff skills and development		
Start date	<b>2018-19</b>	Project Details:	Deliver the 5 key strands of the Council's workforce strategy to support the wider TOM programme for organisational change	3	3	9
End date	<b>2020-21</b>					
<b>Project 2</b>		Project Title:	<b>Establishment and workforce</b>	Improved staff skills and development		
Start date	<b>2017-18</b>	Project Details:	Embed systems to maintain, monitor and control an accurate establishment and vacancy position across the Council for both permanent and interim staff	3	4	12
End date	<b>2018-19</b>					
<b>Project 3</b>		Project Title:	<b>Apprenticeships</b>	Improved effectiveness		
Start date	<b>2017-18</b>	Project Details:	Processes in place to increase the number of apprentices in schools and the organisation. Maximise the use of the Levy	3	3	9
End date	<b>2018-19</b>					
<b>Project 4</b>		Project Title:	<b>Review and retender key HR contracts</b>	Improved effectiveness		
Start date	<b>2017-18</b>	Project Details:	Commission Occupational Health, Agency contract, Schools SLAs and Recruitment system	3	3	9
End date	<b>2018-19</b>					
<b>Project 5</b>		Project Title:	<b>Member Development</b>	Improved effectiveness		
Start date	<b>2017-18</b>	Project Details:	Ensure induction and development activities are in place to enable them to undertake their role.	2	2	4
End date	<b>2018-19</b>					

Infrastructure and Transactions	Planning Assumptions						The Corporate strategies your service contributes to			
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
Enter a brief description of your main activities and objectives below  <b>Infrastructure &amp; Transactions Division (I&amp;T) is a support service made up of six functions which are:-</b>  <b>IT Service Delivery</b> - IT(SD) supports the councils operations by providing IT infrastructure, desktop equipment and associated software. Fixed and mobile telecommunications, Service Desk facilities, IT Disaster Recovery and Business Continuity arrangements together with IT governance and data security.  <b>Facilities Management</b> - FM provides the infrastructure to deliver services through accommodation, building repairs and maintenance for the portfolio of corporate buildings, energy management and conservation, cleaning, catering, print and post room services, security and other associated hard and soft FM services.  <b>Transactional Services</b> - Incorporates Accounts Payable, Accounts Receivable, Carefirst Administration and Vendor Maintenance. Ensuring prompt and accurate payment for all goods and services provided to LBM. Raise and issue invoices promptly and accurately to maximise revenue received. Ensuring that Vendor Maintenance database is controlled, accurate and cleansed, Providing training and support for all users of the systems required for payments or invoicing  <b>Safety Services</b> - Provides Health and Safety, Emergency Planning and Business Continuity services across the Council as required by duties imposed under the Health and Safety At Work Etc. Act 1974, The Management of Health and Safety At Work Regulations 1999, The Civil Contingencies Act 2004 and all sister regulations.  <b>Client Financial Affairs</b> - Act as court appointed deputies for vulnerable clients who do not have the capacity to make their own decisions or manage their own personal financial affairs. These decisions are for issues involving the person's property, financial affairs and health and welfare working in accordance with the statutory principles set out in the Mental Capacity Act Code of Practice to ensure that they act in the best interests of the person who lacks capacity.  <b>Commercial Services &amp; Procurement</b> - Are the strategic centre of excellence for procurement and contract management, guidance, training and advice including ownership of the Council's Procurement Strategy, involvement in key tender processes, identification of savings opportunities and commercial benefits, compliance with EU and UK procurement legislation, benchmarking and best practice and ownership of the contracts register.	Repairs & Maintenance of Corporate Buildings (Revenue)	740,000	740,000	<b>700,00</b>	600,00	600,00	600,000	Civic Centre Accommodation Strategy		
	IT Service Calls	28,500	28,500	<b>27,800</b>	25,500	25,000	25,000	IT Strategy and Implementation Plan		
	Health & Safety Statutory Inspections	100	100	<b>100</b>	100	100	100	Risk Management Strategy		
	Transactions requested by departments	115,000	85,000	<b>80,000</b>	80,000	80,000	80,000	Local Plan		
	Number of Client Affairs cases being managed	250	250	<b>250</b>	250	250	250	Procurement Strategy		
	Procurement Support (Number of projects)	45	50	<b>42</b>	42	42	42	Workforce Strategy		
	<b>Anticipated non financial resources</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	Medium Term Financial Strategy		
	FM (FTE)	32.9	32.9	<b>35.5</b>	33.5	33.5	30.5			
	Transactional Services (FTE)	13.3	13.3	<b>13.3</b>	10.3	10.3	10.3			
	IT Service Delivery (FTE)	30	29	<b>27</b>	27	27	27			
	Safety Services (FTE)	5.5	5	<b>4</b>	4	4	4			
	Client Financial Affairs (FTE)	7	7	<b>7</b>	7	7	7			
	Commercial Services & Procurement (FTE)	5	5	<b>9</b>	9	9	7			
	Management	2	2	<b>2</b>	2	2	2			
	<b>Performance indicator (LBC2020 indicators highlighted in purple)</b>	<b>Actual Performance Target (A) Performance Target (T) Proposed Target (P)</b>						<b>Polarity</b>	<b>Reporting cycle</b>	<b>Indicator type</b>
	2016/17(A)	2017/18(T)	<b>2018/19(P)</b>	2019/20(P)	2020/21(P)	2021/22(P)				
Customer Satisfaction - IT incident resolution	95%	90%	<b>90%</b>	90%	90%	90%	High	Monthly	Outcome	Reduced customer service
First time fix rate for IT Service Desk	83%	72%	<b>75%</b>	75%	75%	75%	High	Monthly	Outcome	Reduced service delivery
Health and Safety workplace inspections completed on time	36	60	<b>50</b>	50	50	50	High	Quarterly	Outcome	Breach statutory duty
Income - External Fees	261,286	320,000	<b>320,000</b>	320,000	320,000	320,000	High	Quarterly	Output	Loss of income
Invoices paid within 30 days from invoice date	91%	95%	<b>95%</b>	95%	95%	95%	High	Monthly	Business critical	Reduced service delivery
Invoices paid within 30 days of receipt by LBM	95%	95%	<b>95%</b>	95%	95%	95%	High	Monthly	Business critical	Reduced service delivery
Number of staff working from Civic Centre	1,189	1,400	<b>1,200</b>	1,300	1,400	1,400	High	Quarterly	Outcome	Underused resource
Repairs & Maintenance ratio of Reactive to Planned	34/66	30/70	<b>30/70</b>	30/70	30/70	30/70	High	Annual	Outcome	Increased costs
New referrals processed within 21 days	94%	93%	<b>94%</b>	95%	95%	95%	High	Monthly	Outcome	Reduced customer service
Client Post Office voucher acct balance falls below £2.5K	1	0	<b>0</b>	0	0	0	Low	Monthly	Outcome	Customer hardship
% of influencible spend published on contracts register	N/A	70%	<b>85%</b>	95%	100%	100%	High	Quarterly	Outcome	Reputational risk
% of suppliers accounting for the 20% of influencible spend	N/A	70%	<b>60%</b>	50%	40%	40%	Low	Annual	Output	Increased costs
CO2 emissions from corporate buildings (tonnes)	6,924	7739.84	<b>7434.32</b>	7128.8	6914.94	6800	Low	Annual	Output	Environmental issues

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>13,824</b>	<b>12,585</b>	<b>12,844</b>	<b>(58)</b>	<b>12,077</b>	<b>11,766</b>	<b>11,773</b>	<b>11,854</b>
Employees	4,378	4,437	4,113	161	4,045	3,903	3,829	3,829
Premises	2,665	2,205	2,674	164	2,143	2,084	2,124	2,165
Transport	25	15	30	(9)	27	28	28	28
Supplies & Services	3,183	2,790	2,655	(257)	2,918	2,806	2,845	2,883
3rd party payments	0	0	312	(112)	98	99	101	103
Transfer Payments	9	18	9	(6)	9	9	9	9
Support services	1,423	979	911	0	876	876	876	876
Depreciation	2,141	2,141	2,140	0	1,960	1,960	1,960	1,960
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	<b>12,207</b>	<b>12,557</b>	<b>12,638</b>	<b>42</b>	<b>12,303</b>	<b>12,493</b>	<b>12,493</b>	<b>12,493</b>
Government grants								
Reimbursements					46	46	46	46
Customer & client receipts	2,351	1,935	2,674	103	2,387	2,577	2,577	2,577
Recharges	9,856	10,622	9,964	(61)	9,870	9,870	9,870	9,870
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>1,617</b>	<b>28</b>	<b>206</b>	<b>(100)</b>	<b>(226)</b>	<b>(727)</b>	<b>(720)</b>	<b>(639)</b>
<b>Capital Budget £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
Capital Building Works		558	733	708	600	950	650	650
Invest to Save		401	1,479	1,479	2,010	300	300	300
IT Modernisation		903	2,268	2,268	1,085	630	1,060	970
Water / Fire Safety Works		183	447	447	350			
	<b>0</b>	<b>2,045</b>	<b>4,927</b>	<b>4,902</b>	<b>4,045</b>	<b>1,880</b>	<b>2,010</b>	<b>1,920</b>



**Summary of major budget etc. changes**

**2018/19**

CS71 Deletion of two posts £43k (deferred by 6 months)  
CSD2 Energy savings £150k  
CS2015-09 Restructure of Safety Services and Emergency Planning £30k  
CS2015-10 Facilities Management - Energy 'Invest to Save' Initiatives £465k  
CSREP 2018-19 (1) Renegotiation of income generated through the corporate catering contract £20k  
CSREP 2018-19 (2) Review the specification on the corporate cleaning contract and reduce frequency of visits £15k

**2019/20**

CS2016-08 Income from letting two floors vacant space in Civic Centre £190k  
CS2015-03 Restructure of Transactional Services team £50k  
CSD7 Restructure Print and Post service and delete two posts £23k  
2018-19 CS01 Revenue Saving associated with current MFD contract £150k  
2018-19 CS02 Reduction in the level of building repairs and maintenance undertaken on the corporate buildings £100k  
2018-19 CS03 Adjust current Local Authority Liaison Officer (LALO) arrangements to require Assistant Directors to undertake the duties as part of their job description. £33k

**2020/21**

CS2015-03 Restructure of Transactional Services team £50k  
CSD7 Restructure Print and Post service and delete two posts £24k

**2021/22**

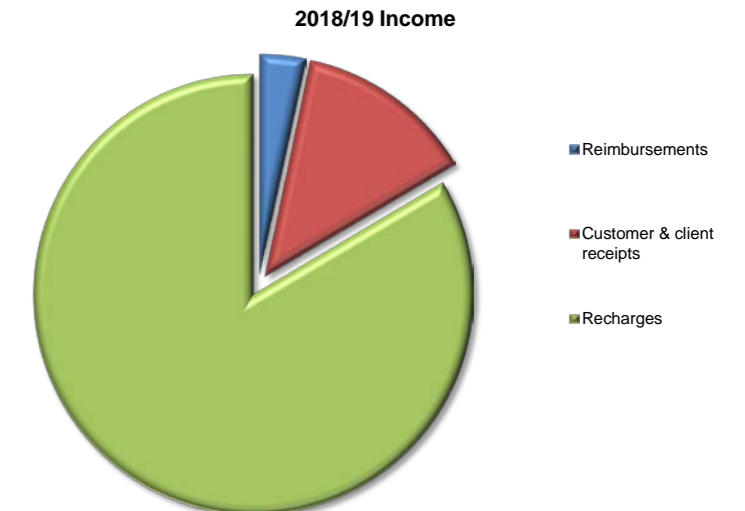
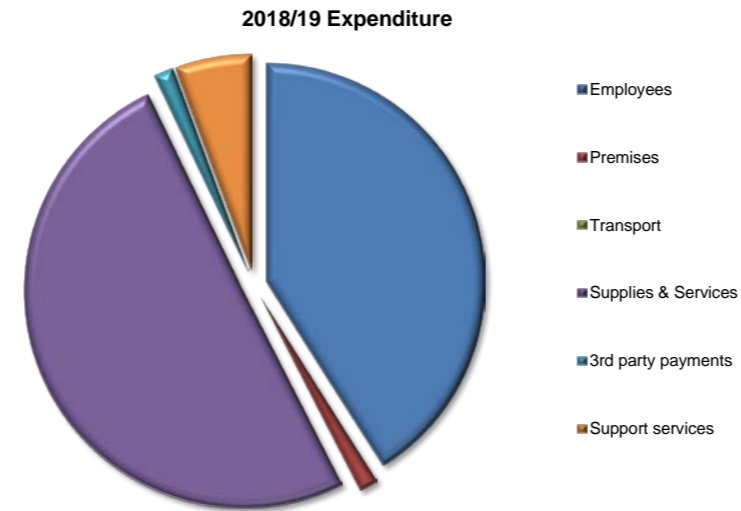
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Infrastructure and Transactions**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Implementation of IT Strategy &amp; Plan</b>	Improved efficiency (savings)		6
Start date	2016-17	Project Details:	Implementation of corporate IT Strategy & Plan which has been developed on the basis of information derived from departmental Target Operating Models.	3	2	
End date	2018-19					
<b>Project 2</b>		Project Title:	<b>Digital Archiving of existing paper records</b>	Improved efficiency (savings)		1
Start date	2014-15	Project Details:	Scanning of paper records into a digital format which will be prioritised in order to support the roll out of the Flexible Working Programme. This project also links directly to the Customer Contact programme which includes the implementation of a new Electronic Documents and Records Management System (EDRMS).	1	1	
End date	2018-19					
<b>Project 3</b>		Project Title:	<b>Upgrading of IT Disaster Recovery Arrangements</b>	Risk reduction and compliance		6
Start date	2017-18	Project Details:	Complete works to improve disaster recovery arrangements for the Councils main IT systems and minimise any potential loss of service in the event of a major incident or IT equipment failure.	2	3	
End date	2018-19					
<b>Project 4</b>		Project Title:	<b>Replacement of PABX Equipment</b>	Risk reduction and compliance		6
Start date	2017-18	Project Details:	Replace obsolete PABX and associated telephony equipment.	2	3	
End date	2018-19					
<b>Project 5</b>		Project Title:	<b>Implement New Procurement Service Delivery Model</b>	Improved effectiveness		8
Start date	2016-17	Project Details:	Implement a new "Centre led" procurement operating model and embed category management across the Council.	4	2	
End date	2018-19					
<b>Project 6</b>		Project Title:	<b>Energy "Invest to Save" Initiatives</b>	Improved efficiency (savings)		6
Start date	2017-18	Project Details:	Completion of a range of projects across the councils entire portfolio of properties which will reduce energy consumption and associated CO2 emissions and that are designed to have a maximum financial pay back of between 7 and 10 years.	3	2	
End date	2018-19					
<b>Project 7</b>		Project Title:	<b>Undertake 'Make/Buy/Share' reviews of key service provision</b>	Improved efficiency (savings)		6
Start date	2017-18	Project Details:	Review of current operational service delivery models to ensure that the Council is utilising the most cost effective and efficient means of providing services to both internal and external customers.	3	2	
End date	2018-19					
<b>Project 8</b>		Project Title:	<b>Review Departmental Business Continuity/Disaster Recovery plans</b>	Risk reduction and compliance		4
Start date	2017-18	Project Details:	Undertake a review and refresh of the Councils Business Continuity and Disaster Recovery plans and arrangements in order to ensure that they are robust and fit for purpose.	2	2	
End date	2018-19					
<b>Project 9</b>		Project Title:	<b>Upgrade to Office 365</b>	Improved effectiveness		12
Start date	2018-19	Project Details:	Complete works to upgrade from current version of Microsoft Office to Office 365 and implement cloud based services, including telephony.	4	3	
End date	2019-20					

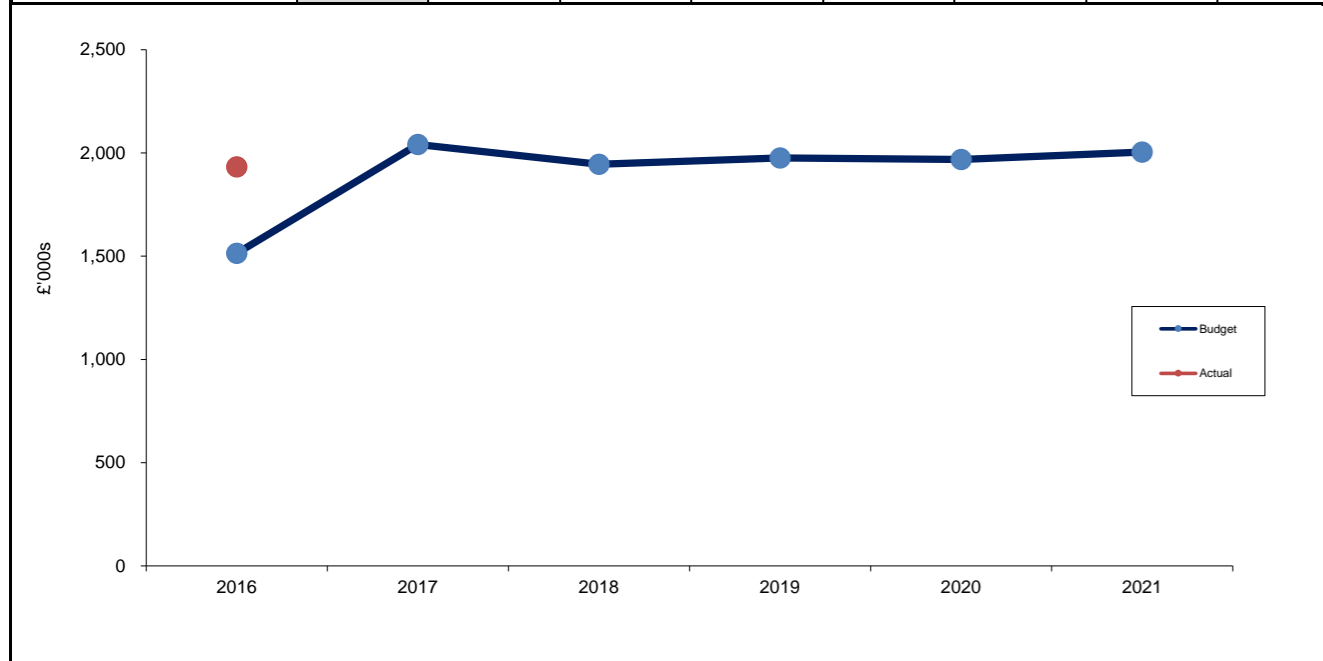
Resources		Planning Assumptions						The Corporate strategies your service contributes to			
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance		Anticipated demand		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22		
Enter a brief description of your main activities and objectives below Resources is made up of four major areas of activity: <b>Accountancy</b> - manage financial health of the council through advice & support to officers and Members, production of council's financial accounts, revenue & budget setting, profiling and reporting & monitoring. Over the next four years we will transform by improving use of technology /reviewing processes /how information is stored in our financial systems. <b>Business planning</b> - manage Financial Strategy & Capital Strategy/Monitoring, Financial Systems Liaison & Development, Business & Service Planning, Performance Management (PM) & Risk Management. The team facilitate multi-year planning, target resources, manage risk & integrate financial, business & performance information. Over the next four years we will improve robustness of our systems & projections, challenge services to improve their performance management to facilitate transformation, data quality and risk management. The Team is also responsible for the development and maintenance of e5 in accordance with legislation and best practice. <b>Policy and strategy</b> - coordinate corporate strategy & policy; ensure effective & high-quality policy development across the council; promote a positive relationship with the voluntary and community sector; ensure the council meets its responsibilities under equalities & community cohesion policy; lead on effective partnership working by managing the local strategic partnership, including leading on the Stronger Communities agenda and delivery of the Sustainable Community Strategy; and provide a secretariat function for CMT and LSG. <b>Treasury and pensions</b> - to manage the Council's treasury (including the day to day cashflow, banking and cash), pension and insurance funds and oversee the contract for pensions administration.		Revenue/Capital Budget Managers supported		147/23	136/23	<b>136/23</b>	136/23	136/23	136/23		
		Voluntary Sector Organisations Supported		150+	150+	<b>150+</b>	150+	150+	150+		
		Budget, Service, Performance & Risk Monitoring Reports		10	10	<b>10</b>	10	10	10		
Anticipated non financial resources		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
Staff (FTE)		54.6	51.6	<b>49.6</b>	48.6	48.6	48.6				
Staff (Trainees)		4	2	<b>1</b>	1	1	1				
Performance indicator (LBC2020 indicators highlighted in purple)		Actual Performance (A) Performance Target (T) Proposed Target (P)					Polarity	Reporting cycle	Indicator type	Main impact if indicator not met	
		2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
Accuracy of P10 Revenue Forecast (compared to outturn)		91%	90%	<b>90%</b>	90%	90%	90%	High	Annual	Outcome	Poor decision making
Accuracy of P8 Capital Forecast		91.5%	90%	<b>90%</b>	90%	90%	90%	High	Annual	Outcome	Poor decision making
Number of Adjustments to Draft Accounts		0	0	<b>0</b>	0	0	0%	Low	Annual	Business critical	Reputational Risk
Action plans in place for 'red' risks		100%	90%	<b>90%</b>	90%	90%	90%	High	Quarterly	Outcome	Poor decision making
% of Loans Paid on Time		N/A	92%	<b>100%</b>	100%	100%	100%	High	Quarterly	Business critical	Reputational risk
% of Claims Responded to within 5 Working Days		N/A	94%	<b>95%</b>	96%	96%	96%	High	Quarterly	Outcome	Reduced customer service
Delivery against current year MTFS savings target		N/A	100%	<b>100%</b>	100%	100%	100%	High	Quarterly	Business critical	Poor decision making

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>7,931</b>	<b>8,142</b>	<b>7,715</b>	<b>322</b>	<b>7,439</b>	<b>7,470</b>	<b>7,463</b>	<b>7,498</b>
Employees	3,387	3,524	3,229	286	3,054	3,024	3,024	3,024
Premises	101	105	103	2	104	106	107	109
Transport	2	5	2	2	2	2	2	2
Supplies & Services	3,971	3,943	3,807	32	3,748	3,805	3,795	3,827
3rd party payments	157	157	108	0	109	111	113	114
Support services	313	408	466	0	422	422	422	422
<b>Revenue £'000s</b>	<b>6,417</b>	<b>6,209</b>	<b>5,674</b>	<b>(144)</b>	<b>5,494</b>	<b>5,494</b>	<b>5,494</b>	<b>5,494</b>
Government grants								
Reimbursements	54	396	54	(152)	182	182	182	182
Customer & client receipts	726	775	726	8	725	725	725	725
Recharges	5,637	5,038	4,894		4,587	4,587	4,587	4,587
<b>Council Funded Net Budget</b>	<b>1,514</b>	<b>1,933</b>	<b>2,041</b>	<b>178</b>	<b>1,945</b>	<b>1,976</b>	<b>1,969</b>	<b>2,004</b>



Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Financial Systems		538	18	18				
ePayments			107	107			125	
Invoice Scanning SCIS/FIS			41					
Multi-Function Device			36	36		600		
Acquisitions Budget		206	5,580	5,080	5,792			
Capital Bidding Fund					1,186			
Housing Company			949	949	9,587	13088	1810	
<b>Total</b>	<b>0</b>	<b>744</b>	<b>6,731</b>	<b>6,190</b>	<b>16,565</b>	<b>13,688</b>	<b>1,935</b>	<b>0</b>

Summary of major budget etc changes	
Year	Change
<b>2018/19</b>	Savings: Savings of £100k will be made from further restructuring of the service (CSD27), and a further £16k of increased income (CSD20). Further review of staffing budgets across the division saving £75k (CS2015-05). Reduction of £19k in Corporate Grants budget (CS2015-11) CSREP 2018-19 (3) Miscellaneous budgets within Resources £13k CSREP 2018-19 (4) Recharges to the pension fund £128k
<b>2019/20</b>	2018-19 CS05 Reduction in permanent staffing £30k
<b>2020/21</b>	2018-19 CS06 Miscellaneous budgets within Resources £17k 2018-19 CS07 Retender of insurance contract £50k
<b>2021/22</b>	2018-19 CS07 Retender of insurance contract £25k



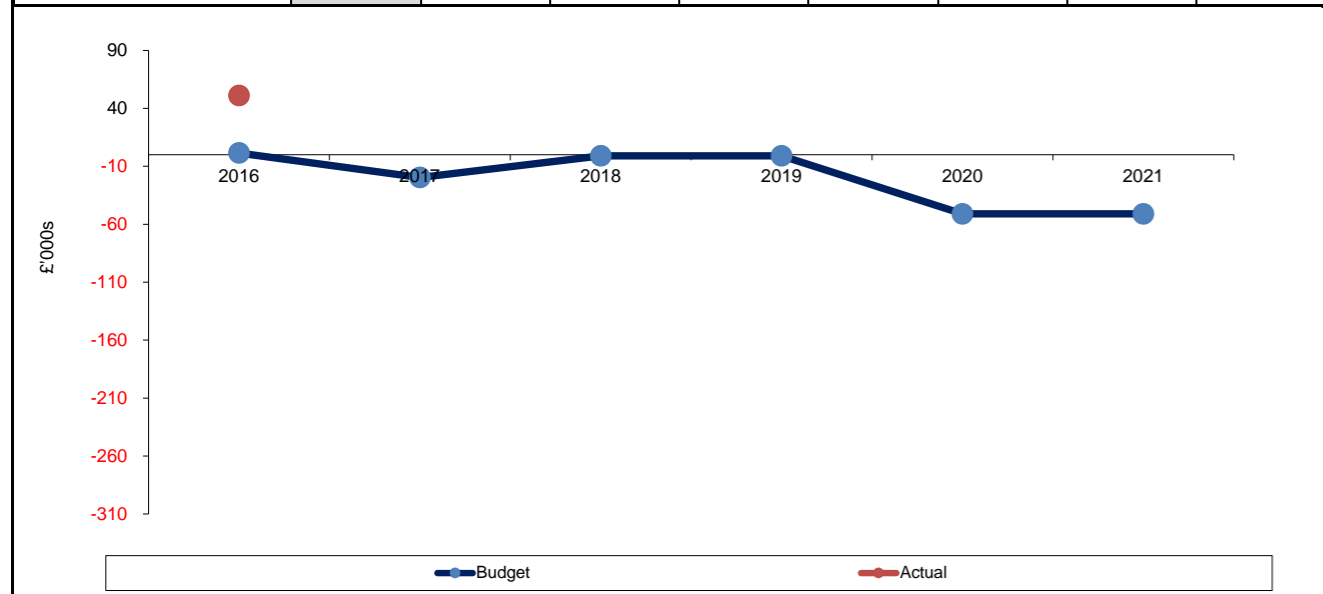
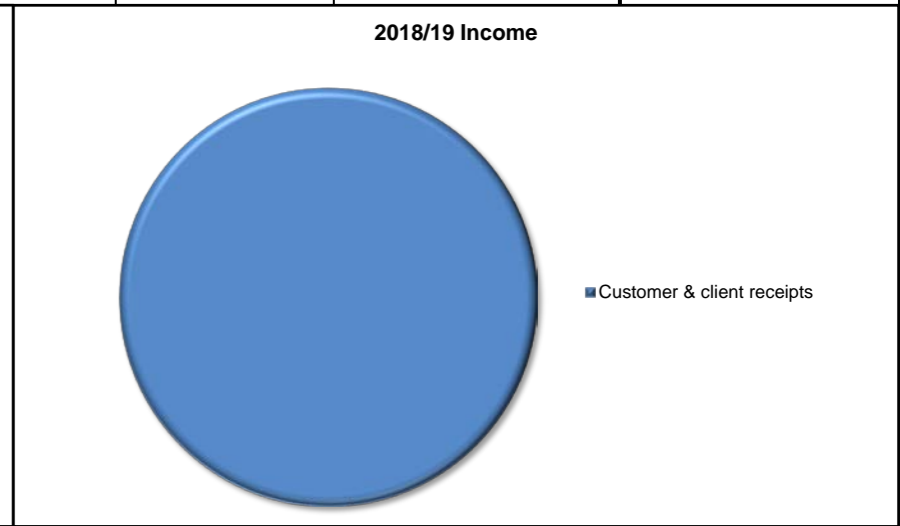
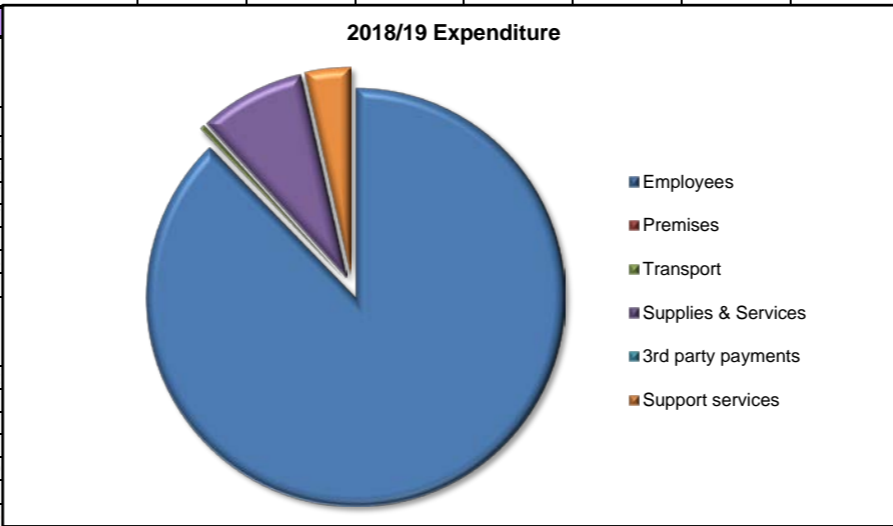
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Resources**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT	Risk			
			Likelihood	Impact	Score	
<b>Project 1</b>		Project Title: <b>Evaluation of future funding levels</b> Project Details: Analysis of all relevant information relating to local government finance. This will include details provided in annual Local Government Finance Settlements, Annual Budgets, Spending Reviews and other financial information published by the Government. This information is incorporated into the Council's MTFs and updated as part of annual Budget Setting Procedures. Modelling of the retained NNDR system will be undertaken along with sensitivity analysis.	Risk reduction and compliance  Requires considerable horizon spotting activity a performance indicator would be developed comparing the estimated grant levels compared to those actually received.	2	3	6
Start date	2017-18					
End date	2021-22					
<b>Project 2</b>		Project Title: <b>Financial systems re-engineering programme</b> Project Details: Procurement of a single integrated financial system to replace the suite of products that are currently used to provide GL, AP, P2P & AR functions. This will involve a new chart of accounts and new ways of working, driving efficiencies throughout the organisation. The potential for joint working with neighbour boroughs is currently being investigated. The system went live on 06/02/17 and the accounts were closed using the new system. A post-implementation review has been completed with a system controls Internal Audit Review scheduled for 2018. A programme of development has been agreed and a permanent team of three people is being established within Business Planning to develop and maintain the system in accordance with legislation and best practice.	Improved effectiveness  Lean reviews being undertaken on to areas of operation.	2	2	4
Start date	2013-14					
End date	2018-19					
<b>Project 3</b>		Project Title: <b>Develop and implement whole life costing for capital projects</b> Project Details: This project will be undertaken in four stages 1) Develop a template to capture appropriate information 2) Pilot the template on two selected schemes 3) Amend the template 4) Apply the template to selected schemes	Improved effectiveness	3	2	6
Start date	2018-19					
End date	2019-20					
<b>Project 4</b>		Project Title: <b>Improve joint finance and business planning</b> Project Details: The project requires the quarterly update of service plans scheduled to start with September 2017 information. Provision made this year to update financial information for Period 7 monitoring	Improved effectiveness	2	2	4
Start date	2016-17					
End date	2018-19					
<b>Project 5</b>		Project Title: <b>Pilot Early closure of Accounts</b> Project Details: 2 years of early closing of accounts was undertaken in preparation of 17/18 when the early close deadlines apply. Work is currently underway to ensure the lessons learned from the 16/17 closedown process and external auditors comment are addressed and changes implemented for 17/18. Additional resource has been allocated to the closing of accounts team.	Improved effectiveness	1	3	3
Start date	2015-16					
End date	2018-19					

Shared Legal Services	Planning Assumptions						The Corporate strategies your service contributes to			
Cllr Mark Allison: Deputy Leader & Cabinet Member for Finance	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Contribute to all Corporate Strategies		
Enter a brief description of your main activities and objectives below	Chargeable hours for Merton	19500	19,125	19,125	19,125	18,367	18,367			
The service delivers legal advice, support and representation to all services across the London Boroughs of Merton, Sutton, Richmond, Wandsworth and the Royal Borough of Kingston upon Thames, including to arms length delivery vehicles (Achieving for Children and currently Sutton Housing Partnership) and several local authority trading companies. The service also provides advice in relation to the constitution and decision making processes in all councils and advice to members in relation to their roles.	Chargeable hours for Richmond	13895	13,828	13,828	13,828	13,828	13,828			
	Chargeable hours for Sutton	19819	22,835	22,835	22,835	22,835	22,835			
	Chargeable hours for Kingston	11382	11,329	11,329	11,329	11,329	11,329			
	Chargeable hours for Wandsworth	N/A	22,487	22,487	22,487	22,487	22,487			
	Chargeable hours for Achieving for Children	11583	11,222	11,222	11,222	11,222	11,222			
	Chargeable hours for Sutton Housing Partnership	2528	2,516	2,516	2,516	2,516	2,516			
	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
	Staff (FTE)	92.3	108.3	108.3	108.3	107.3	107.3			
	Apprentices	0	2	2	4	4	4			
	Performance indicator	Actual performance (A) Performance Target (T) Proposed Target (P)						Polarity	Reporting cycle	Indicator type
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
Chargeable hours	82,005	103,722	103,722	102,736	102,584	102,584	High	Monthly	Business critical	Loss of income
Income for SLLP	N/A	£100,000	£100,000	£100,000	£100,000	£100,000	High	Quarterly	Outcome	Loss of income
1st draft S106 agreement sent to client dept within 10 days	N/A	90%	90%	95%	95%	95%	High	Quarterly	Perception	Reputational risk
Prosecutions - number of successful outcomes	N/A	80%	80%	85%	85%	85%	High	Quarterly	Perception	Reputational risk
Provide FOI/EIR reviews within 20 working days	N/A	80%	80%	80%	80%	80%	High	Quarterly	Perception	Breach statutory duty

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	5,083	8,362	6,740	139	6,891	6,891	6,841	6,841
Employees	4,464	5,300	5,924	179	6,047	6,047	5,997	5,997
Premises	5	6	5		5	5	5	5
Transport	14	23	14		27	27	27	27
Supplies & Services	415	420	556	(40)	567	567	567	567
3rd party payments		2,428						
Support services	185	185	240		245	245	245	245
Depreciation								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	5,082	8,311	6,759	(139)	6,892	6,892	6,892	6,892
Government grants								
Reimbursements	0	2,428						
Customer & client receipts	5,082	5,883	6,759	(139)	6,892	6,892	6,892	6,892
Recharges	0		0		0	0	0	0
Capital Funded								
<b>Council Funded Net Budget</b>	1	51	(20)	0	(1)	(1)	(51)	(51)
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0



Summary of major budget etc. changes	
2018/19	CS2015-12 £41,000 Reduction in running costs CSREP 2018-19 (10) SLLp - Increase in legal income £25k
2019/20	
2020/21	2018-19 CS12 SLLp - reduction in legal demand £50k
2021/22	

**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Shared Legal Services**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Increase 3rd party income</b>	Economic outcomes					
Start date	<b>2018-19</b>	Project Details:	To increase income from fees and charges of 3rd parties by £150k (£25k per council)			4	2	8	
End date	<b>2018-19</b>								
<b>Project 2</b>		Project Title:	<b>Increase Productivity</b>	Improved efficiency (savings)					
Start date	<b>2018-19</b>	Project Details:	To identify productivity improvements as a result of the implementation of workflows in debt, housing, property matters and prosecutions.			2	1	2	
End date	<b>2018-19</b>								
<b>Project 3</b>		Project Title:	<b>Future Model</b>	Improved sustainability					
Start date	<b>2018-19</b>	Project Details:	Subject to Governance Board approval to obtain a licence from the Solicitors Regulatory Authority to be an Alternative Business Structure			2	2	4	
End date	<b>2018-19</b>								
<b>Project 4</b>		Project Title:	<b>In House Advocates</b>	Improved efficiency (savings)					
Start date	<b>2018-19</b>	Project Details:	The in house advocacy team to deliver £300k of savings on counsel expenditure on children's social care matters across Merton, Sutton, AFC and Wandsworth			2	2	4	
End date	<b>2018-19</b>								

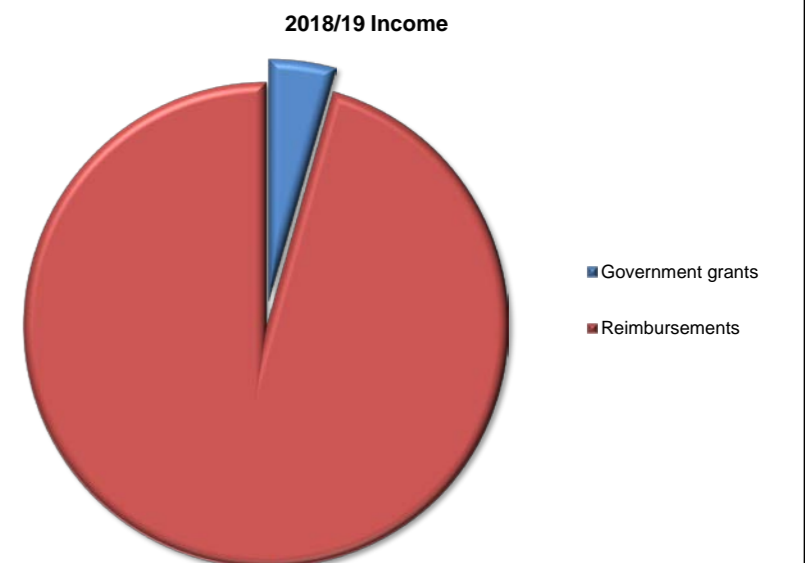
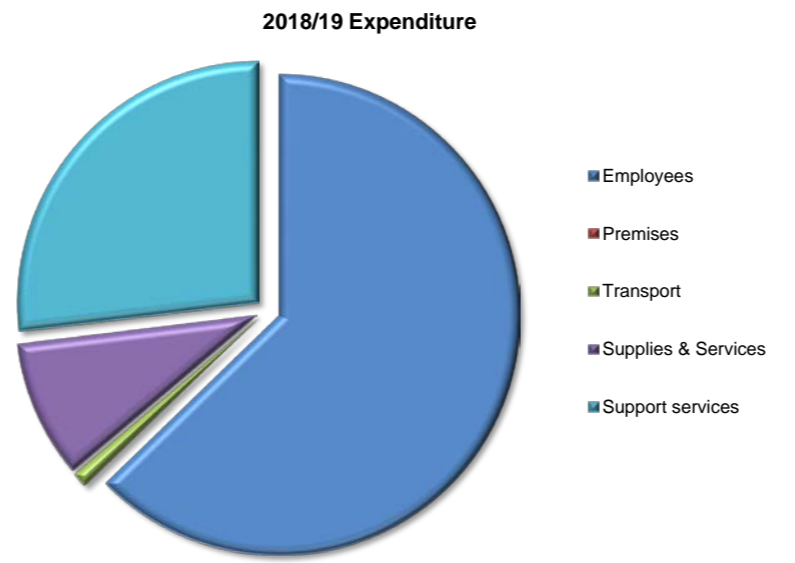




# **Environment & Regeneration**

Development and Building Control		Planning Assumptions						The Corporate strategies your service contributes to				
Cllr Martin Whelton: Cabinet Member for Regeneration, Environment & Housing		Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
Enter a brief description of your main activities and objectives below		Enforcement cases	520	510	500	500	500	500	Economic Development Strategy			
<b>Building Control</b> Building Control competes with Approved Inspectors (AIS). We provide a Building Control Service in competition with AIS to deliver high quality Building Control advice and regulation. We also regulate safety of structures and also sports grounds. <b>Development control</b> Promote sustainable regeneration by assessing and determining planning applications against the adopted policies for the built environment contained within the council's Core Strategy. Continue to implement the Mayoral, Community Infrastructure Levy (CIL) charging regime. <b>Objectives</b> - continue to concentrate on the commercialisation of the Building Control (BC) service and maintain or improve the market share - investigate formal sharing of BC with Kingston and Sutton - review the pre-application charging regime for Development Control (DC) and to investigate whether additional income generation is possible especially through Planning Performance Agreements. - implement mobile/flexible working to improve efficiency - as part of sustainable communities to enable a comprehensive development management process to encourage regeneration. - establish a formal collaboration regime with Sutton and Kingston boroughs. - re-procure the M3 database - move away from expensive and transient temporary staff towards a more established and reliable staffing base	Planning applications (economy dependant)	2700	2800	2800	2850	2900	2900	Merton Regeneration Strategy				
	BC applications (economy dependant)	1550	1600	1650	1700	1750	1750	1750	Medium Term Financial Strategy			
	Tree applications	600	600	600	600	600	600	600				
	Pre applications	115	120	125	125	125	125	125				
	Planning performance agreements	20	25	30	30	30	30	30				
	Prior approvals (permitted development)	620	640	640	640	650	650	650				
	<b>Anticipated non financial resources</b>		<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>				
	Staff (FTE)		38	34	35	35	35	35				
	<b>Performance indicator (LBC2020 indicators highlighted in purple)</b>		<b>Actual Performance (A) Performance Target (T) Proposed Target (P)</b>					<b>Polarity</b>	<b>Reporting cycle</b>	<b>Indicator type</b>	<b>Main impact if indicator not met</b>	
			2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)					2021/22
	% Major applications processed within 13 weeks		71	67	67	67	68	68	High	Monthly	Quality	Reduced customer service
	% Minor applications processed within 8 weeks		68	66	67	68	69	69	High	Monthly	Quality	Reduced customer service
	% Other applications processed within 8 weeks		87	85	80	80	80	80	High	Monthly	Quality	Reduced customer service
	Volume of Planning applications Total		4597	4450	4500	4400	4400	4400	High	Monthly	Quality	Reduced customer service
% appeals lost		35	35	35	35	35	35	Low	Quarterly	Perception	Reputational risk	
Income (Development and Building Control)		£1.9m	£2.11m	£1.888m	£1.888m	£1.888m	£1.888m	High	Monthly	Business critical	Loss of income	
% Market share retained by LA (BC)		47	54	54	55	56	56	High	Monthly	Perception	Loss of income	
Number of enforcement cases closed		524	450	450	450	450	450	High	Monthly	Quality	Reduced service delivery	
Backlog of enforcement cases		542	650	650	700	750	800	Low	Monthly	Output	Reduced service delivery	

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>2,588</b>	<b>2,536</b>	<b>2,605</b>	<b>(87)</b>	<b>2,616</b>	<b>2,620</b>	<b>2,625</b>	<b>2,629</b>
Employees	1,779	1,872	1,594	36	1,642	1,642	1,642	1,642
Premises	2	0	2	1	2	2	2	2
Transport	25	15	26	(10)	26	26	27	27
Supplies & Services	247	199	248	(114)	242	246	250	254
3rd party payments	0	0	0	0	0	0	0	0
Transfer payments	0	0	0	0	0	0	0	0
Support services	535	450	735	0	704	704	704	704
Depreciation								
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	<b>2,056</b>	<b>2,246</b>	<b>2,202</b>	<b>521</b>	<b>1,975</b>	<b>1,975</b>	<b>1,975</b>	<b>1,975</b>
Government grants	0	0	0	0	0	0	0	0
Reimbursements	83	264	84	(38)	87	87	87	87
Customer & client receipts	1,973	1,982	2,118	559	1,888	1,888	1,888	1,888
Recharges								
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>532</b>	<b>290</b>	<b>403</b>	<b>434</b>	<b>641</b>	<b>645</b>	<b>650</b>	<b>654</b>

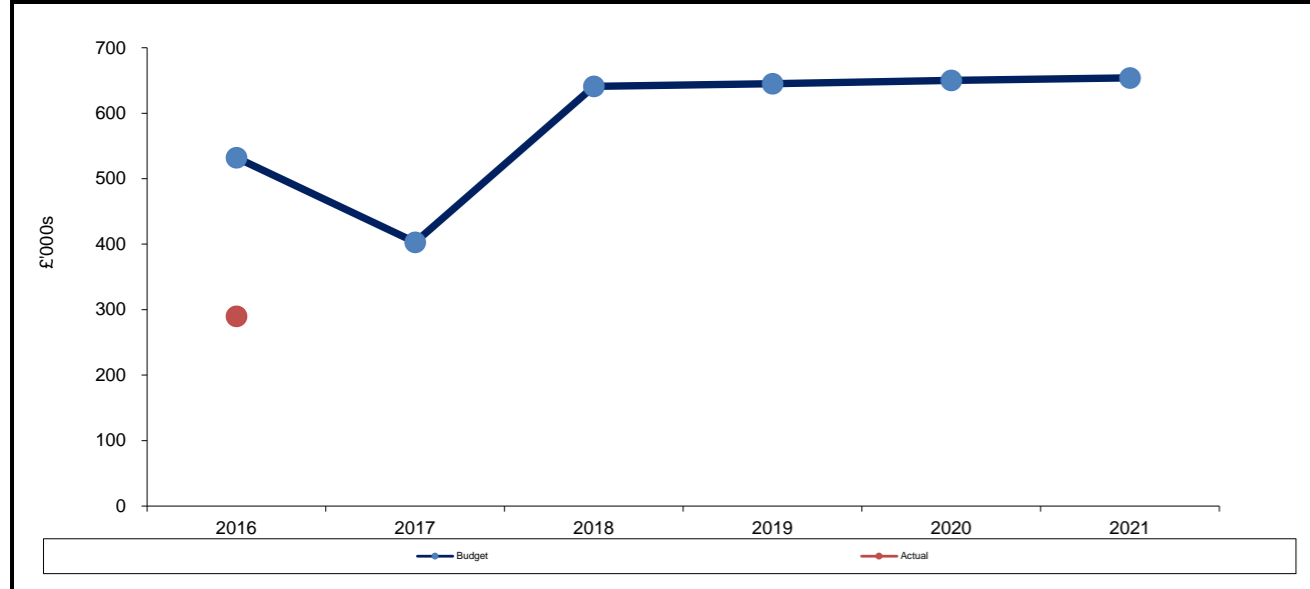


Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0

**Summary of major budget etc. changes**

**2018/19**

E&R33a = £75k  
 D&BC1 = £55k - Saving replaced by alternative savings  
 D&BC2 = £50k - Saving replaced by alternative savings  
 D&BC3 = £50k - Saving replaced by alternative savings  
 D&BC5 = £35k - Saving replaced by alternative savings



**2019/20**

**2020/21**

**2021/22**

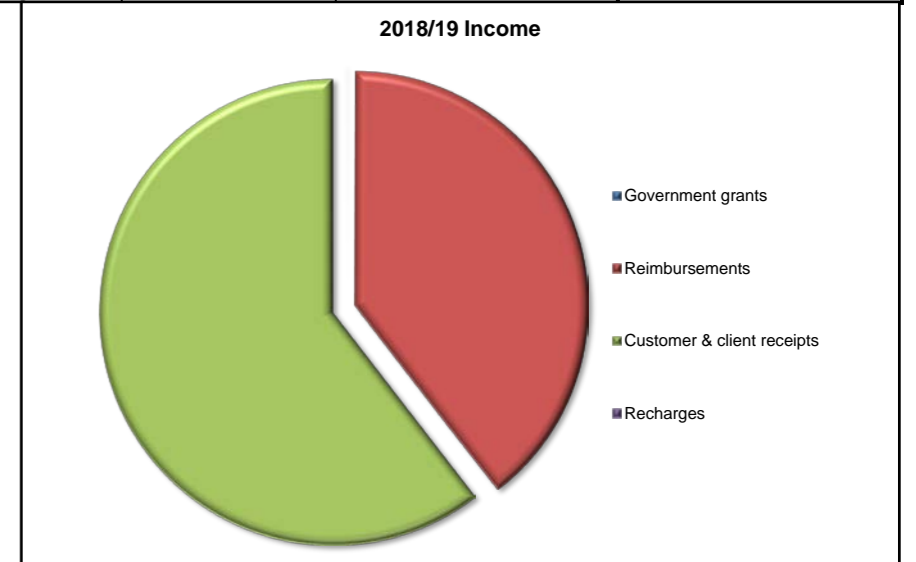
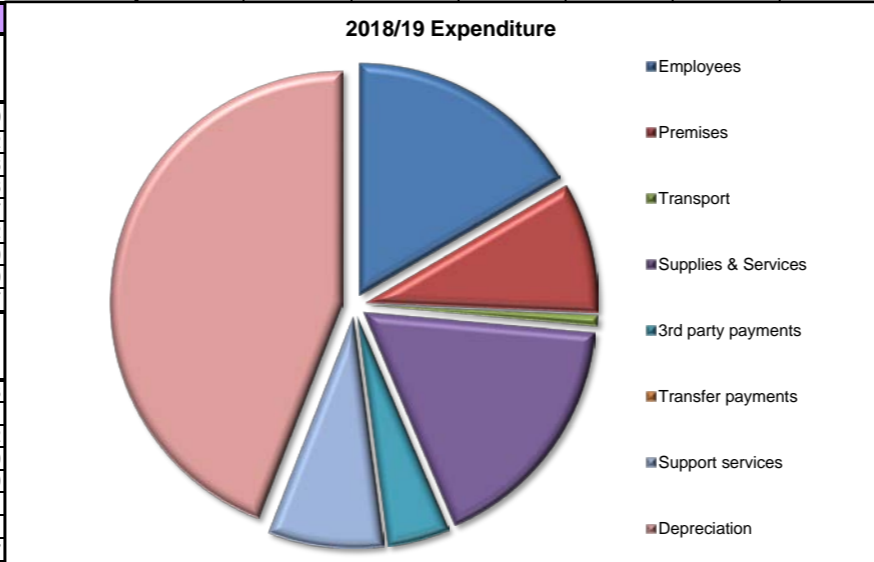
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Development and Building Control**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Commercialisation of Building Control</b>	Improved efficiency (savings)		12
Start date	2013-14	Project Details:	This is to ensure Building Control is more commercially aware in a more competitive market.	6	2	
End date	2018-19					
<b>Project 2</b>		Project Title:	<b>Improving the development management processes</b>	Improved effectiveness		4
Start date	2015-16	Project Details:	As part of sustainable communities to provide an end to end development management process to deliver regeneration objectives.	2	2	
End date	2018-19					
<b>Project 3</b>		Project Title:	<b>developing eforms and M3 capability and e-payments</b>	Improved customer experience		4
Start date	2014-15	Project Details:	Enforcement eforms, BC eforms and DC e-payments	4	1	
End date	2018-19					
<b>Project 4</b>		Project Title:	<b>Lean review of pre-application process (part of TOM)</b>	Improved effectiveness		6
Start date	2016-17	Project Details:	To ensure the process is efficient and robust from a customer perspective and to investigate any further income opportunities.	6	1	
End date	2018-19					
<b>Project 5</b>		Project Title:	<b>Re-procurement of M3 or equivalent IT system</b>	Improved effectiveness		3
Start date	2014-15	Project Details:	Either M3 engage cloud based system or equivalent. Potentially shared with nearby authorities	3	1	
End date	2018-19					
<b>Project 6</b>		Project Title:	<b>Further develop Planning Performance agreements potential</b>	Economic outcomes		2
Start date	2014-15	Project Details:	Ensure cost neutral or better staffing levels to ensure this can be delivered	1	2	
End date	2018-19					

Future Merton & Traffic and Highways		Planning Assumptions						The Corporate strategies your service contributes to				
Cllr Martin Whelton: Cabinet Member for Regeneration, Environment & Housing		Anticipated demand		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	contributes to		
Enter a brief description of your main activities and objectives below												
<p>Future Merton is the council's lead on growth and strategic development for the long-term sustainability of the borough. Everything we do is about making Merton a great place and enhancing the quality of life of our residents.</p> <p>The team plans and monitors the delivery of new housing in Merton and supports the creation of new businesses and jobs. We manage the council's Highway &amp; Street Lighting contracts and ensure the borough's network of roads, footways, cycleways and street lighting are well maintained and safe.</p> <p>The team also manage major town centre and estate regeneration projects and lead on the coordination of infrastructure projects such as Crossrail 2 and Tramlink. We are responsible for delivering locally, objectives in the Mayor's London Plan and Mayor's Transport Strategy.</p> <p>Future Merton contributes to the Merton Partnership via the activities of the Sustainable Communities &amp; Transport Partnership (SCTP), Economic Wellbeing Group, Housing Group and Climate Change Steering Group. The team also services the Borough Plan Advisory Committee (BPAC) and Design Review Panel (DRP) and leads on South London Partnership's Transport, Growth &amp; Skills boards.</p> <p>Key service areas include: Regeneration, Placemaking, Strategic Planning, Housing Strategy, Economic Development, Traffic &amp; Highways, Transport Planning, Road Safety Education, Flood Mitigation, Urban Design, management of the Community Infrastructure Levy and the management of Vestry Hall.</p> <p>Service transformations identified in the TOM involve streamlined processes for project delivery, increased mobile working, increasing online consultations and interactive digitisation and mapping of highway and traffic management asset records.</p>		Population	205,722	207,410	209,421	210,452	212,658	214,740	Air Quality Action Plan			
		Homes (includes those under construction)	86,000	86,500	87,000	88,000	89,300	90,600	Climate Change Strategy			
		Businesses (includes enterprises)	11,225	12,070	12,960	13,500	14,000	14,500	Community Plan			
		Electric Vehicles	200	250	300	350	400	500	Economic Development Strategy			
		Anticipated non financial resources		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
		Staff (FTE)	51	49	72	72	72	62	Employment and Skills Action Plan			
									Health & Wellbeing Strategy			
									Local Plan			
									Local TfL Implementation Strategy			
									Merton Regeneration Strategy			
Performance indicator (LBC2020 indicators highlighted in purple)		Actual Performance (A) Performance Target (T) Proposed Target (P)					Polarity	Reporting cycle	Indicator type	Main impact if indicator not met		
		2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)					2021/22(P)	
New homes built (annual target)		688	411	435	1328	1328	1328	High	Annual	Outcome	Loss of Government grant	
Number of public Electric Vehicle Charging Points		N/A	30	30	49	125	150	High	Annual	Outcome	Reputational risk	
Number of business premises improved		N/A	10	10	10	10	10	High	Annual	Outcome	Reputational risk	
Street light repairs (days taken to attend)		2	3	3	3	3	3	Low	Quarterly	Quality	Reduced customer service	
Road emergency call outs (% attended to)		100	98	98	98	98	98	High	Monthly	Business critical	Reduced customer service	
Footway & Carriageway condition		N/A	95	95	95	95	95	High	Annual	Quality	Increased costs	
Streetwork inspections		36	36	37	37	38	38	High	Quarterly	Quality	Increased costs	
Streetwork permitting (% issued on time)		99	98	98	98	98	98	High	Monthly	Output	Loss of income	

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	15,080	15,114	19,805	(303)	14,905	14,822	14,891	14,960
Employees	2,594	2,710	2,378	103	2,470	2,470	2,471	2,472
Premises	1,047	1,053	954	(9)	1,358	1,370	1,383	1,396
Transport	132	132	135	(13)	110	112	114	116
Supplies & Services	3,153	3,176	2,222	(386)	2,556	2,439	2,473	2,507
3rd party payments	396	423	1,285	2	644	664	683	702
Transfer payments	0	0	0	0	0	0	0	0
Support services	1,424	1,286	1,819	0	1,200	1,200	1,200	1,200
Depreciation	6,334	6,334	11,012	0	6,567	6,567	6,567	6,567
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	2,870	3,199	3,602	257	3,093	3,193	3,193	3,193
Government grants	16	281	1	(1)	1	1	1	1
Reimbursements	947	1,173	1,199	4	1,222	1,322	1,322	1,322
Customer & client receipts	1,907	1,745	1,905	254	1,870	1,870	1,870	1,870
Recharges	0	0	497	0	0	0	0	0
<b>Council Funded Net Budget</b>	<b>12,210</b>	<b>11,915</b>	<b>16,203</b>	<b>(46)</b>	<b>11,812</b>	<b>11,629</b>	<b>11,698</b>	<b>11,767</b>

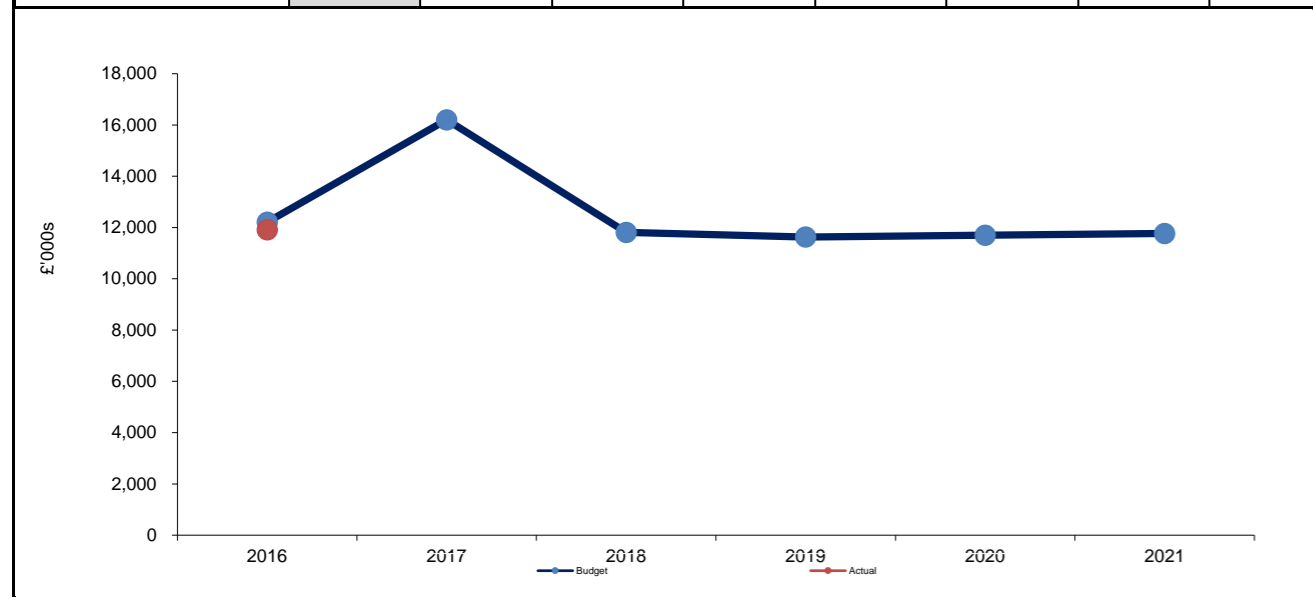


Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Highway Maintenance		5,192	4,567	4,567	3,641	3,127	3,127	3,127
Transport Improvement		1,172	1,632	1,606	1,000			
Regeneration		3,254	2,829	2,217	3,032	3,301	1,000	
Other		53	12	11				35
	0	9,671	9,040	8,401	7,673	6,428	4,127	3,162

**Summary of major budget etc changes**

**2018/19**

ENV16 = (£65k)  
 ENV17 = (£35k)  
 E&R39 = £50k - Saving replaced by alternative savings  
 ERG1 (Growth) = £157k



**2019/20**

E4 = (£100k)  
 ERG1 (Growth) = (£150k)

**2020/21**

**2021/22**

**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Future Merton & Traffic and Highways**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFITS		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Estate Regeneration</b>	Infrastructure renewal		6
Start date	2014-15	Project Details:	Working with Clarion Housing Group to deliver investment in new homes and the regeneration of High Path, Eastfields and Ravensbury estates. Supported by the preparation of a Local Plan (DPD) Also working with Moat housing to coordinate investment in regenerating Pollards Hill.	3	2	
End date	2024-25					
<b>Project 2</b>		Project Title:	<b>Future Wimbledon &amp; Crossrail 2</b>	Economic outcomes		12
Start date	2014-15	Project Details:	Identifying the growth potential of Wimbledon as the premier business hub in South London. Explore investment and development opportunities linked to Crossrail 2 and improving the quality of architecture, design and placemaking. Conference (2013) Ideas Competition (2014) Masterplan linked to Crossrail 2 (2017/18)	3	4	
End date	2022-23					
<b>Project 3</b>		Project Title:	<b>Local Authority Property Company</b>	Economic outcomes		4
Start date	2016-17	Project Details:	Establish a Local Authority owned Property Company to develop sites to generate revenue income to assist the MTFS	2	2	
End date	2020-21					
<b>Project 4</b>		Project Title:	<b>Morden Town Centre Regeneration</b>	Economic outcomes		6
Start date	2014-15	Project Details:	Growth, investment and intensification to support regeneration in Morden. Collaborative partnership with TFL Commercial Property to attract a development partner to Morden in 2019. New development and investment in the streetscape and public realm from 2019-2022	3	2	
End date	2025-26					
<b>Project 5</b>		Project Title:	<b>Merton's New Local Plan 2020</b>	Economic outcomes		6
Start date	2017-18	Project Details:	Refreshing Merton's current Local Plan suite of documents (Core Strategy 2011, Sites & Policies 2014) to form a new statutory Local Plan for 2020. The plan will guide new development, infrastructure, growth areas, sustainability and design quality.	3	2	
End date	2020-21					



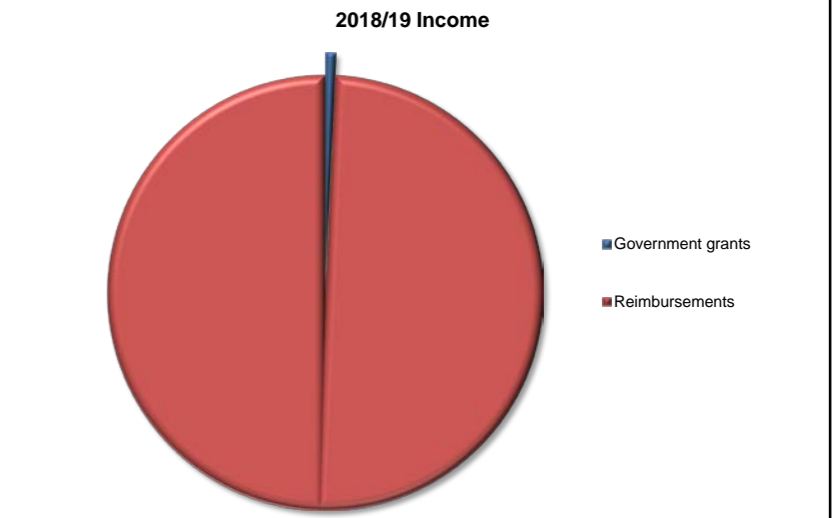
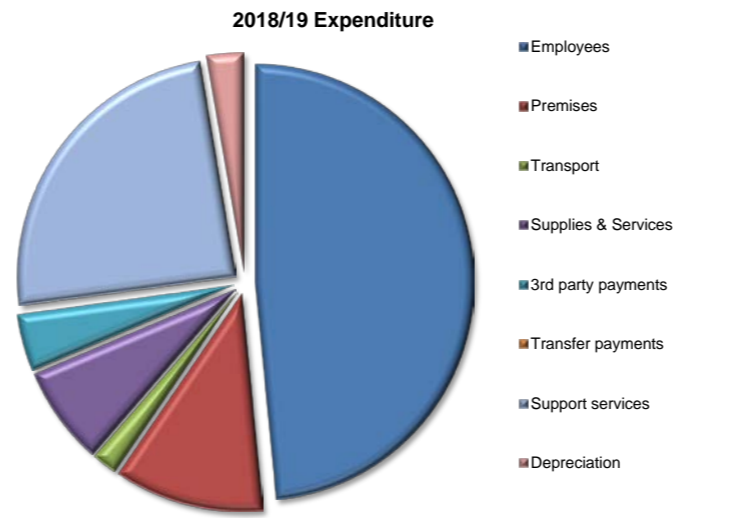
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Leisure & Cultural Development**

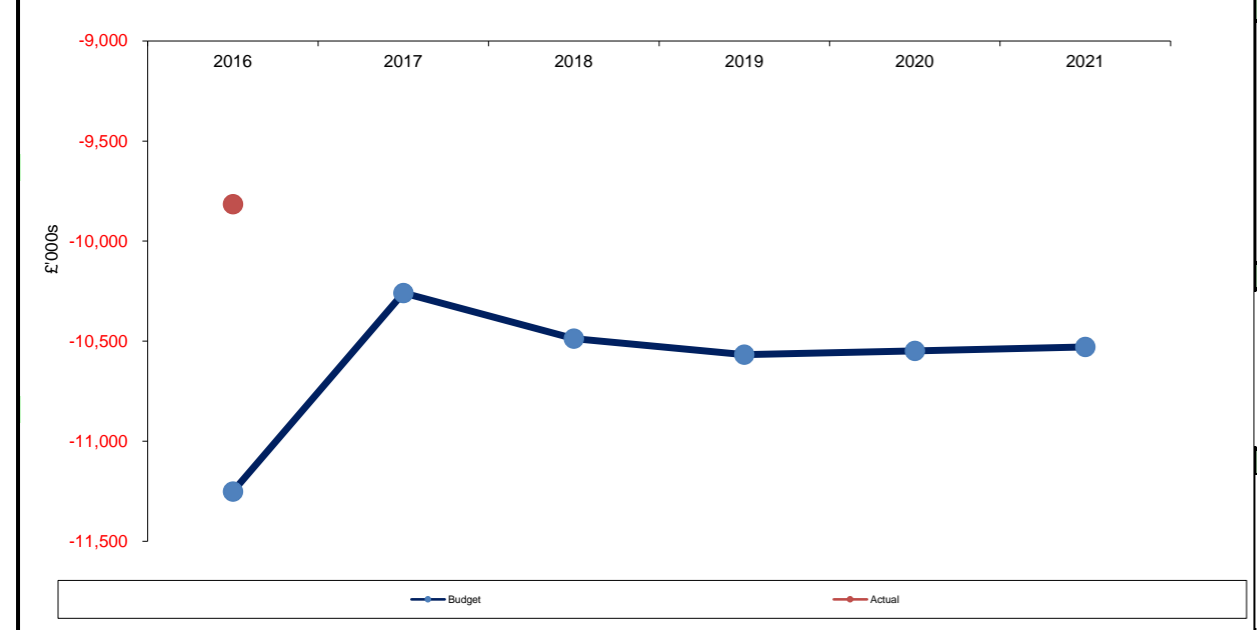
		PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
						Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Morden Leisure Centre</b>	Improved customer experience				
Start date	<b>2014-15</b>	Project Details:	Deliver a new Morden Leisure Centre as a family friendly and community leisure centre to replace Morden Park Pools.	Brand new leisure facility providing a modern and increased range of leisure facilities with a family friendly appeal. Delivered against the outcomes of a public consultation.	2	2	4	
End date	<b>2019-20</b>							
<b>Project 2</b>		Project Title:	<b>Morden Park Pools</b>	Risk reduction and compliance				
Start date	<b>2018-19</b>	Project Details:	Decommission and demolish the existing Morden Park Pools and reinstate the land to fit in with the Morden Park landscape	Once the Morden Park Pools becomes disused and derelict it will be an increased risk to break-ins and unlawful use. It is a building which contains a number of hazardous which increase once not in use.	2	2	4	
End date	<b>2020-21</b>							
<b>Project 3</b>		Project Title:	<b>Leisure Centres Contract</b>	Economic outcomes				
Start date	<b>2017-18</b>	Project Details:	Vary the Leisure Centre Contract to take account of the new Morden Leisure Centre and any other variations that might be appropriate at this time. E.g Contract Length; Changes linked to Canons HLF bid; etc.	The new leisure centre will increase the income over expenditure of the leisure centres operation, which will provide an increased income to the council.	2	1	2	
End date	<b>2018-19</b>							
<b>Project 4</b>		Project Title:	<b>Implement the Wimbledon Park Lake Flood Risk &amp; De-silting Plans</b>	Risk reduction and compliance				
Start date	<b>2017-18</b>	Project Details:	Develop solutions and plans to de-silt and implement flood risk requirements to deliver solutions for the lake. Procure and implement the solutions	There are a number of requirements on the council to address flood risks of this reservoir. It is also a facility that has been silting up for 300 years. Works to the lake to address the silt issues and flood risks will enhance our compliance for years to come.	4	3	12	
End date	<b>2020-21</b>							
<b>Project 5</b>		Project Title:	<b>Wimbledon Park Watersports and Outdoor Adventure Centre</b>	Economic outcomes				
Start date	<b>2018-19</b>	Project Details:	Commission works to determine the most effective management solution for this service. Implement the solution.	This service has not yet been market tested to determine its efficiency and effectiveness within its own market, nor has it been evaluated for alternative business models. The outcomes of this work will address this and give clarity on the possible economic benefits	2	2	4	
End date	<b>2020-21</b>							
<b>Project 6</b>		Project Title:	<b>London Borough Of Culture - Merton</b>	Improved customer experience				
Start date	<b>2017-18</b>	Project Details:	Deliver those elements of the London Borough of Culture Bid that are successful for Merton and in partnership where appropriate across London	This programme, if successful, will bring increased cultural activities primarily to the east of the borough, enhancing the lives of many of the community through culture.	2	2	4	
End date	<b>2020-21</b>							
<b>Project 7</b>		Project Title:	<b>WW1 Victoria Cross Commemorative Stone Laying</b>	Improved reputation				
Start date	<b>2018-19</b>	Project Details:	Deliver an appropriate ceremony with key partners on the due date	Merton has had 2 recipients of the Victoria Cross in WW1. The first Commemorative Stone laying has already been completed and this year will see the second such ceremony, resulting in increased reputational significance for Merton.	2	2	4	
End date	<b>2018-19</b>							
<b>Project 8</b>		Project Title:	<b>Wimbledon Park Watersports and Outdoor Adventure Centre</b>	Infrastructure renewal				
Start date	<b>2019-20</b>	Project Details:	Develop proposals, gain approvals and funding for a new watersports centre. Construct new facility and demolish existing once completed.	The current Watersports and Outdoor Centre is becoming tired and deteriorating. If this service is to continue this facility will need to be replaced with a more economically and efficient structure that is fit for purpose for the next generation.	3	1	3	
End date	<b>2025-26</b>							

Parking & CCTV Services	Planning Assumptions							The Corporate strategies your service contributes to								
<b>Cllr Ross Garrod: Cabinet Member for Street Cleanliness &amp; Parking</b>	<b>Anticipated demand</b>							2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
	<b>Enter a brief description of your main activities and objectives below</b>							2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22			
<p>The service is required to enforce the parking regulations to ensure the through flow of traffic can be maintained and ensuring residents and blue badge holders have the ability to park in bays they have a permit or badge for. Surplus income generated by traffic management must be used for transport related areas.</p> <p>Objectives</p> <ul style="list-style-type: none"> <li>enforce parking regulations across the borough including Controlled Parking Zones and bus lanes</li> <li>to implement measures to improve traffic enforcement efficiency, specifically the introduction of Automatic Number Plate Recognition (ANPR) cameras at bus lane and moving traffic locations. This will improve compliance and ease congestion at key points across the borough</li> <li>to maintain a survey of parking needs, hours of operation, the availability of parking spaces and the charging structure</li> <li>to monitor the borough's parking infrastructure to ensure that locations subject to regulatory controls can be effectively enforced thus improving compliance and ultimately congestion</li> <li>to take account in business planning of the increase in population and changes in planning legislation allowing business premises to be changed to residential use which could result in an increase in demand for parking spaces in existing CPZ's and pressure in areas with no controlled parking to introduce CPZ's.</li> </ul> <p>Since January 2016 Public Space CCTV camera team, whose core activity is to review the operational structure, processes and number of CCTV cameras throughout the borough with the aim of achieving efficiencies without reducing the level of service to the residents, customers and our partners, was amalgamated with Parking Services.</p>	<b>Anticipated demand</b>							2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
	Number of resident permits issued based upon 5% growth							20,0041	23,699	24,883	26,128	27,434	28,805			
Number of visitors permits issued based upon 5% growth							299,440	314,412	330,132	346,639	363,970	382,169				
Number of CPZ's based upon 5% growth							58	61	64	67	70	73				
Number of diesel Permits issued. Please note that as the CPZs increase the numbers of permits is likely to remain constant as the growth is balanced against the change/reduction in behaviour								5,919	5,919	5,919	5,919	5,919				
<b>Anticipated non financial resources</b>							<b>Actual Performance (A)</b>		<b>Performance Target (T)</b>		<b>Proposed Target (P)</b>		<b>Polarity</b>	<b>Reporting cycle</b>	<b>Indicator type</b>	<b>Main impact if indicator not met</b>
Staff (FTE) The number of staff will remain constant as compliance in the ANPR PCN's has not occurred and the increase in CPZs causing the sections workload to increase.							93.27	83.57	83.00	83.00	83.00	83.00				
Transport							12	12	12	12	12	12				

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	6,060	6,195	6,043	523	6,479	6,499	6,517	6,537
Employees	3,342	3,406	3,078	337	3,140	3,140	3,140	3,140
Premises	619	625	646	77	716	723	729	736
Transport	98	138	82	14	121	123	124	125
Supplies & Services	544	585	477	92	472	479	486	494
3rd party payments	219	210	268	3	272	276	280	284
Transfer payments	0	0	0	0	0	0	0	0
Support services	1,126	1,119	1,380	0	1,586	1,586	1,586	1,586
Depreciation	112	112	112	0	172	172	172	172
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	17,311	16,010	16,302	(2,309)	16,966	17,066	17,066	17,066
Government grants	0	0	0	0	0	0	0	0
Reimbursements	117	77	118	45	118	118	118	118
Customer & client receipts	17,194	15,933	16,184	(2,354)	16,848	16,948	16,948	16,948
Recharges								
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>(11,251)</b>	<b>(9,815)</b>	<b>(10,259)</b>	<b>(1,786)</b>	<b>(10,487)</b>	<b>(10,567)</b>	<b>(10,549)</b>	<b>(10,529)</b>
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
Parking Improvements		155				60		
CCTV Investment		323	192	179				
	0	478	192	179	0	60	0	0



Summary of major budget etc. changes	
Year	Change Description
2018/19	E&R7 = (£163k) E&R10 = £80k - Saving replaced by alternative savings ENV06 = £46k - Saving replaced by alternative savings ENV07 = (£60k) ENR2 = (£44k) ENR3 = (£17k) ALT1 = (£440k)
2019/20	ENR4 = (£100k)
2020/21	
2021/22	





**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Parking & CCTV Services**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Review CEO Shift Patterns</b>	Improved effectiveness		2
Start date	<b>2017-18</b>	Project Details:	Consult on the introduction of a more efficient shift patterns	2	1	
End date	<b>2018-19</b>					
<b>Project 2</b>		Project Title:	<b>Review CCTV Shift Patterns</b>	Improved effectiveness		2
Start date	<b>2018-19</b>	Project Details:	Consult on the introduction of a more efficient shift patterns	2	1	
End date	<b>2018-19</b>					
<b>Project 3</b>		Project Title:	<b>Procurement of a replacement PCN &amp; Permit and FPN processing system</b>	Improved efficiency (savings)		2
Start date	<b>2018-19</b>	Project Details:	Procuring of a new PCN system which may be linked with Enforcement and Safer Merton	2	1	
End date	<b>2018-19</b>					

Commissioned Service		The service maintains and develops Merton's numerous parks & open spaces (more than 115 separate sites), including sports facilities (including pavilions), gardens, playgrounds (more than 40), the borough's highways verges, and the management of its cemetery and allotments services. The portfolio also includes support for, and the production of, a varied programme of outdoor events from small community to large commercial ones in parks, including the annual civic fireworks displays, Mitcham Carnival and elements of the Wimbledon (tennis) Championships. The service manages more than 50,000 Council-owned trees and several nature reserves. Greenspaces serves as the managing agent for Mitcham Common (for the Mitcham Common Conservators) and the Merton & Sutton Joint Cemetery (for the Merton & Sutton Joint Cemetery Board).									
Parks & Green Spaces		The grounds maintenance elements of the service are outsourced to idverde UK Limited, overseen by the Greenspaces client team who, in addition, retain overall responsibility for policy, strategy & investment in parks & open spaces.									
Cllr Nick Draper Cabinet Member for Community & Culture											
Service Provider: idverde UK Ltd											
Planning Assumptions								The Corporate strategies the service contributes to			
Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22					
Increased sports pitch demand (Total number of bookings)	1%	1%	1%	1%	1%	1%	Open Space Strategy				
Attendance at major community outdoor events (No. of people)	55,000	60,000	61,000	62,000	63,000	64,000					
Number of funerals at LBM cemeteries	215	220	240	260	260	260					
Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22					
Contractors	Contract price and schedule of rates										
Client-side team (Lot 2 contract, retained services & policies)	N/A	8.6	8.7	8.7	8.7	8.7					
Performance indicator (LBC2020 indicators highlighted in purple)	Performance Targets (T) & Provisional Performance Targets (P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met	
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)					
% of residents (all service users) rating parks & green spaces good or very good	79	75	76	77	78	79	High	Biennial	Perception	Reputational risk	
Young peoples % satisfaction with parks & green spaces	56	74	75	76	77	78	High	Biennial	Perception	Reputational risk	
Number of Green Flag Awards	5	5	6	6	7	7	High	Annual	Quality	Reputational risk	
Number of outdoor event-days in parks	171	130	135	140	145	150	High	Monthly	Output	Reputational risk	
Financial Information								Additional Expenditure Information			
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	E5 (2019/20) = (£50k) E6 (2019/20) = (£40k)		
<b>Expenditure</b>	<b>5,053</b>	<b>5,331</b>	<b>3,144</b>	<b>306</b>	<b>4,175</b>	<b>4,202</b>	<b>4,229</b>	<b>4,256</b>			
Employees	2,271	2,188	462	(19)	459	459	459	459			
Premises	762	842	357	133	582	588	593	598			
Transport	251	252	16	4	82	82	82	82			
Supplies & Services	479	715	313	43	306	310	315	320			
3rd party payments	40	40	1,132	145	1,857	1,874	1,891	1,908			
Transfer payments	0	0	0	0	0	0	0	0			
Support services	918	962	532	0	543	543	543	543			
Depreciation	332	332	332	0	346	346	346	346			
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22			
<b>Income</b>	<b>2,214</b>	<b>2,241</b>	<b>1,258</b>	<b>80</b>	<b>2,239</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>			
Government grants	8	8	0	(9)	0	0	0	0			
Reimbursements	153	467	174	(31)	354	354	354	354			
Customer & client receipts	2,053	1,766	1,084	120	1,885	1,975	1,975	1,975			
Recharges											
Reserves											
<b>Council Funded Net Budget</b>	<b>2,839</b>	<b>3,090</b>	<b>1,886</b>	<b>386</b>	<b>1,936</b>	<b>1,873</b>	<b>1,900</b>	<b>1,927</b>			
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22			
Parks Investment		715	485	324	1,452	491	300	300			
	<b>0</b>	<b>715</b>	<b>485</b>	<b>324</b>	<b>1,452</b>	<b>491</b>	<b>300</b>	<b>300</b>			

**DETAILS OF MAJOR PROJECTS**

**Parks & Green Spaces**

PROJECT DESCRIPTION		MAJOR PROJECTS BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Greenspaces TOM</b>	Improved effectiveness			3	2	6
Start date	2017-18	Project Details:	Production & implementation of Target Operating Model for Greenspaces	Various benefits & enhancements across a range of services & themes					
End date	2018-19								
<b>Project 2</b>		Project Title:	<b>Greenspaces Commercialisation</b>	Improved efficiency (savings)			3	2	6
Start date	2017-18	Project Details:	Increased commercialisation across a range of Greenspaces services	Diversifying the outdoor events portfolio, including new commercial events to increase income. Working with our new grounds maintenance service provider, idverde, to increase income for the service, especially from sport & recreational activities					
End date	2018-19								
<b>Project 3</b>		Project Title:	<b>Canons House &amp; Rec Restoration</b>	Improved customer experience			3	2	6
Start date	2017-18	Project Details:	Delivery of Lottery-funded Canons Restoration Project	Multi-million pound investment project to restore, conserve & improve recreational opportunities at Canons Recreation Ground & Canons House.					
End date	2018-19								
<b>Project 4</b>		Project Title:	<b>Morley Park</b>	Improved customer experience			3	2	6
Start date	2017-18	Project Details:	Transfer, opening & establishment of Morley Park	Opening & development of a brand new public open space in West Wimbledon, comprising informal recreational areas, nature conservation features & sports facilities					
End date	2018-19								
<b>Project 5</b>		Project Title:	<b>Phase C, Lot 2 Contract</b>	Improved reputation			3	2	6
Start date	2017-18	Project Details:	Embedding new systems & processes and ensuring quality & performance standards in relation to Phase C, Lot 2 grounds maintenance contract	Working with our grounds maintenance contractor, idverde, to maintain & improve green spaces & recreational services at a lower cost					
End date	2018-19								
<b>Project 6</b>		Project Title:	<b>Re-use of Parks Assets</b>	Improved efficiency (savings)			3	2	6
Start date	2017-18	Project Details:	Re-use of surplus & redundant parks facilities: pavilions, yards & mess rooms and other parks assets	Increased income & preservation of some existing parks assets					
End date	2018-19								
<b>Project 7</b>		Project Title:	<b>Review of Arboricultural Services</b>	Improved efficiency (savings)			3	2	6
Start date	2017-18	Project Details:	Review & reconfiguration of current arboricultural service provisions & policies in order to drive efficiency	Improved service integration, policy clarification & consolidation & improved operational efficiency					
End date	2018-19								

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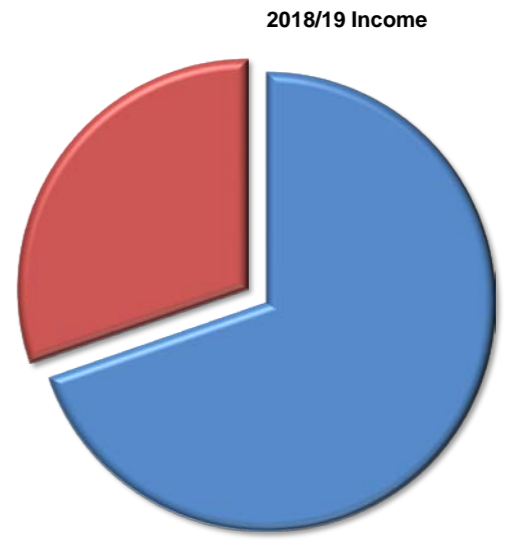
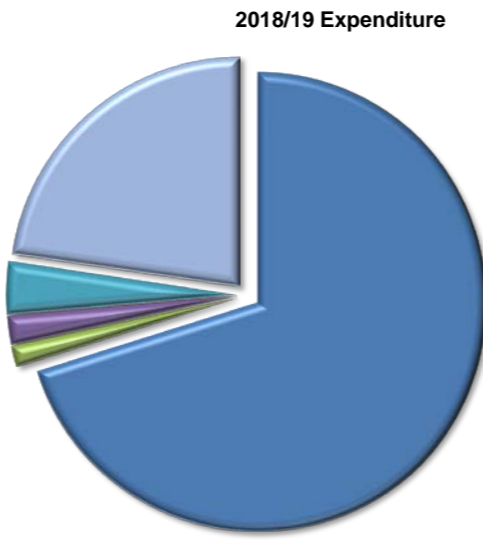
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Property**

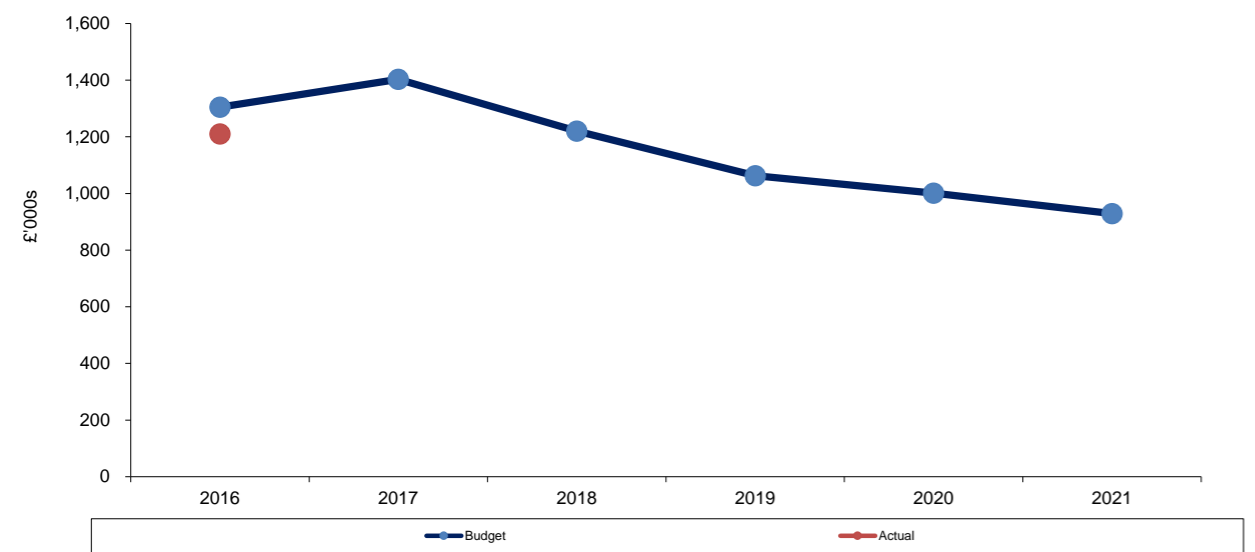
PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	New secondary school	Infrastructure renewal					
Start date	2016-17	Project Details:	Land acquisition and granting of new leases.			2	2	4	
End date	2019-20								

Regulatory Services - Merton element only	Planning Assumptions						The Corporate strategies your service contributes to				
Cllr Nick Draper: Cabinet Member for Community & Culture	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
<b>Cllr Ross Garrod: Cabinet Member for Street Cleanliness &amp; Parking</b> <b>A brief description of your main activities and objectives:</b> Provide statutory environmental health, trading standards and licensing functions across those councils that make up the Regulatory Services Partnership (currently LB Merton, LB Richmond and LB Wandsworth).  Deliver savings and efficiencies by: <ul style="list-style-type: none"> <li>reducing overheads</li> <li>generating additional income</li> <li>attracting new business</li> <li>rationalising ICT systems</li> </ul> Transform the service by: <ul style="list-style-type: none"> <li>demand management</li> <li>streamlining business processes</li> <li>implementing new ways of working</li> </ul>	Total number of food premises	1790	1803	1816	1829	1829	1829	Air Quality Action Plan			
	Total number of service requests	5995	6113	6234	6357	6357	6357	Climate Change Strategy			
	Licence/permit applications	1890	1900	1900	1900	1900	1900	Merton Regeneration Strategy			
								Medium Term Financial Strategy			
	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
	Staff (FTE) (Merton)	39.48	39.48	40.75	40.75	40.75	40.75				
	Performance indicator	Actual Performance (A) Performance Target (T) Proposed Target(P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
		2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
	% service requests replied in 5 working days	95	96	97	98	98	98	High	Monthly	Perception	Reduced customer service
	Income generation by EHTSL	£392,026	£345,000	£524,380	£400,000	£410,000	£420,000	High	Monthly	Outcome	Loss of income
	% of category A,B & non-compliant C food premises inspected	100	98	99	100	100	100	High	Annual	Business critical	Government intervention
No. of underage sales test purchases	103	100	105	110	110	110	High	Annual	Business critical	Anti social behaviour	
Annual average amount of Nitrogen Dioxide per m3	N/A	40	40	40	40	40	Low	Annual	Outcome	Political risk	
Nitrogen Dioxide Diffusion Tube Monitoring Sites in the Borough exceeding National Levels	N/A	N/A	0/50	0/50	0/50	0/50	Low	Quarterly	Outcome	Political risk	
Annual average amount of Particulates per m3	24	40	40	40	40	40	Low	Annual	Outcome	Political risk	
Number of licence applications determined within 28 days	96.75%	95%	97%	98%	99%	100%	High	Quarterly	Business critical	Reputational risk	
% of food premises rated 2 or below	9.65%	15%	10%	9%	8%	7%	Low	Quarterly	Outcome	Reputational risk	

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	2,866	2,782	3,009	120	2,950	2,953	2,956	2,959
Employees	2,034	1,948	2,026	134	2,070	2,070	2,070	2,070
Premises	0	2	0	3	0	0	0	0
Transport	56	51	47	(1)	44	45	46	46
Supplies & Services	253	331	65	(28)	59	60	61	62
3rd party payments	11	0	95	12	107	108	109	111
Transfer payments	0	0	0	0	0	0	0	0
Support services	512	450	776	0	670	670	670	670
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Income</b>	1,561	1,572	1,606	62	1,730	1,890	1,955	2,030
Government grants	0	1	0	0	0	0	0	0
Reimbursements	1,137	1,199	1,132	(15)	1,206	1306	1306	1306
Customer & client receipts	424	372	474	77	524	584	649	724
Recharges								
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	1,305	1,210	1,403	182	1,220	1,063	1,001	929
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0



Summary of major budget etc. changes	
<b>2018/19</b>	ENV08 = (£40k) ENV09 = (£50k)
<b>2019/20</b>	ENR1 = (£100k) E1 = (£60k)
<b>2020/21</b>	E1 = (£65k)
<b>2021/22</b>	E1 = (£75k)



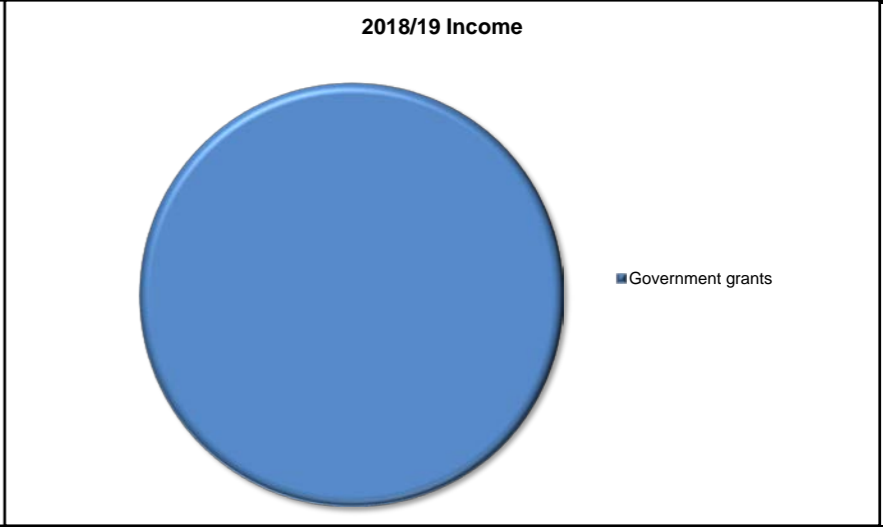
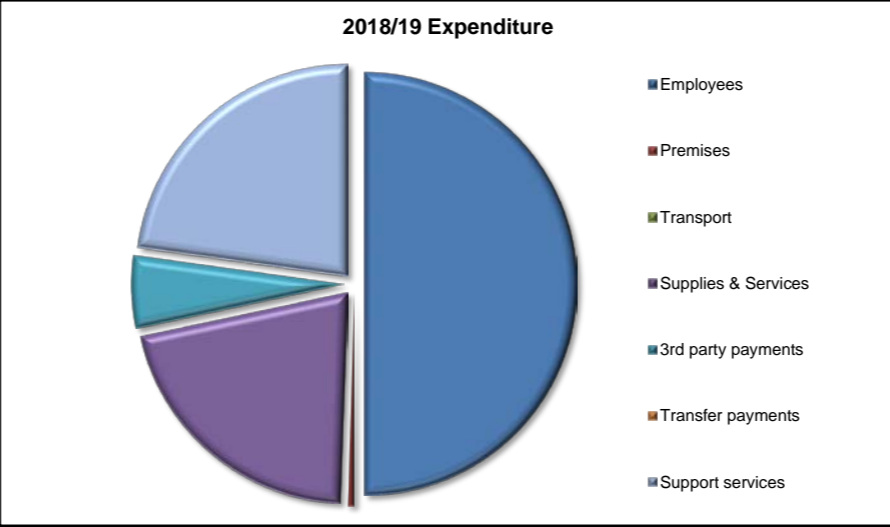
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Regulatory Services - Merton element only**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFITS		Risk		
				Likelihood	Impact	Score
<b>Project 1</b>		Project Title:	<b>Procurement of a new ICT case management system</b>	Improved efficiency (savings)		
Start date	<b>2016-17</b>	Project Details:	Contribution to the ICT led procurement of a new computer system for E&R and potential joint procurement with Richmond and Wandsworth	2	1	2
End date	<b>2019-20</b>					
<b>Project 2</b>		Project Title:	<b>Design and implement a joint Merton/Richmond budget</b>	Economic outcomes		
Start date	<b>2015-16</b>	Project Details:	Design and implement a joint revenue (income & expenditure) budget on a to be determined costs apportionment model	2	1	2
End date	<b>2018-19</b>					

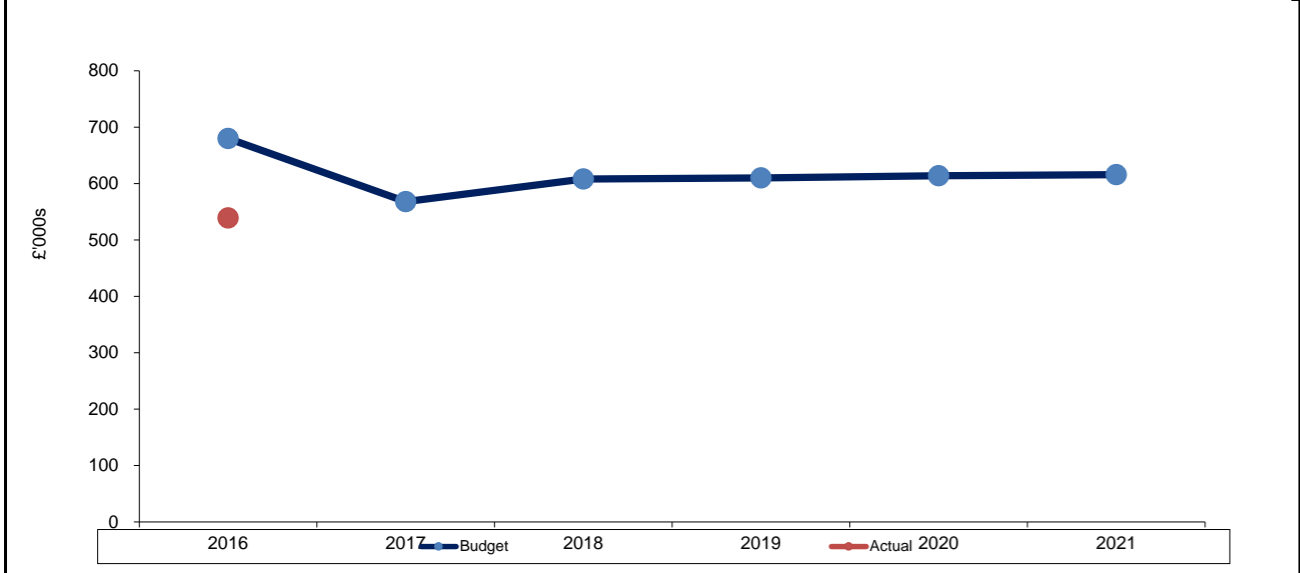
Safer Merton	Planning Assumptions						The Corporate strategies your service contributes to					
Cllr Edith Macauley: Cabinet Member for Community Safety, Engagement & Equalities	Anticipated demand		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
<p>Enter a brief description of your main activities and objectives below</p> <p>Safer Merton delivers the council's statutory Community Safety Partnership function to tackle crime and disorder. The team consists of eight officers working across several themes:</p> <p>1) Tackling anti-social behaviour in non social housing            2) Protecting victims of Domestic Violence and Abuse and taking action against perpetrators            3) Managing and delivering a borough wide Neighbourhood Watch programme            4) Delivering the partnerships analytical functions            5) Managing and delivering the boroughs work to tackle hate crime            6) Managing and delivering the Home Office pilot to tackle alcohol related crime and ASB</p> <p>The service also ensures that MOPACs Police and Crime plan priorities are delivered and will be working to ensure that the proposed sales of police stations, mergers of police command units and the introduction of its new VAWG strategy are rolled out appropriately across the borough to minimise negative impact. The service retains strategic oversight and commissioning of MOPAC funded workers.</p> <p>Safer Merton forms part of and is managed through the council's Public Protection division which forms part of the E&amp;R Directorate. The work of Safer Merton is delivered in partnership with other statutory and non statutory partners. The statutory duty for Safer Merton consists of the following:            1) A duty to establish a crime and disorder partnership and deliver an annual partnership plan            2) Completion of an annual strategic assessment governed by the Community Safety Partnership            3) Respond to and deal with crime and disorder through evidence based analytical work in a timely and effective manner</p>	Number of new, actionable, ASB cases		360	400	<b>400</b>	400	350	350				
	Population		205,722	207,410	<b>209,421</b>	210,452	212,658	214,740				
	No. Multi Agency Risk Assessment cases (domestic abuse)		162	170	<b>170</b>	170	200	210				
	% of all residents actively engaged in Neighbourhood Watch schemes		38%	40%	<b>35%</b>	38%	40%	40%				
	Anticipated non financial resources		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22				
	Staff (FTE)		9.10	7.99	7.49	7.49	7.49	7.49				
	Performance indicator		Actual Performance (A) Performance Target (T) Proposed Target (P)				Polarity	Reporting cycle	Indicator type	Main impact if indicator not met		
			2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
	Multi Agency Risk Assessment cases - domestic abuse		309	153	<b>153</b>	153	200	2010	High	Monthly	Business critical	Safeguarding issues
	Number of Community Protection Warnings Issued		N/A	150	<b>24</b>	24	36	36	Low	Quarterly	Outcome	Reduced enforcement
Number of Community Protection Notices Issued		N/A	8	<b>2</b>	2	3	3	Low	Quarterly	Quality	Reduced enforcement	
Number of premise closure orders used		N/A	N/A	<b>10</b>	10	12	12	Low	Quarterly	Outcome	Anti social behaviour	
Total number of Neighbourhood Watches		N/A	N/A	<b>580</b>	585	585	590	High	Annual	Output	Community engagement	
ASB cases acknowledged within service timescales		N/A	N/A	<b>90%</b>	95%	95%	95%	High	Quarterly	Output	Anti social behaviour	

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	756	647	644	(5)	684	686	690	692
Employees	340	303	346	5	342	342	342	342
Premises	1	0	0	0	3	3	3	3
Transport	5	2	1	(1)	1	1	1	1
Supplies & Services	270	222	10	0	144	144	145	145
3rd party payments	0	4	168	(9)	38	40	43	45
Transfer payments	0	0	0	0	0	0	0	0
Support services	140	116	119	0	156	156	156	156
Depreciation								
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	76	108	76	(37)	76	76	76	76
Government grants	76	27	76	76	76	76	76	76
Reimbursements	0	81	0	(113)	0	0	0	0
Customer & client receipts								
Recharges								
<b>Council Funded Net Budget</b>	<b>680</b>	<b>539</b>	<b>568</b>	<b>(42)</b>	<b>608</b>	<b>610</b>	<b>614</b>	<b>616</b>



Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	0	0	0	0	0	0	0	0

Summary of major budget etc. changes	
2018/19	
2019/20	
2020/21	
2021/22	





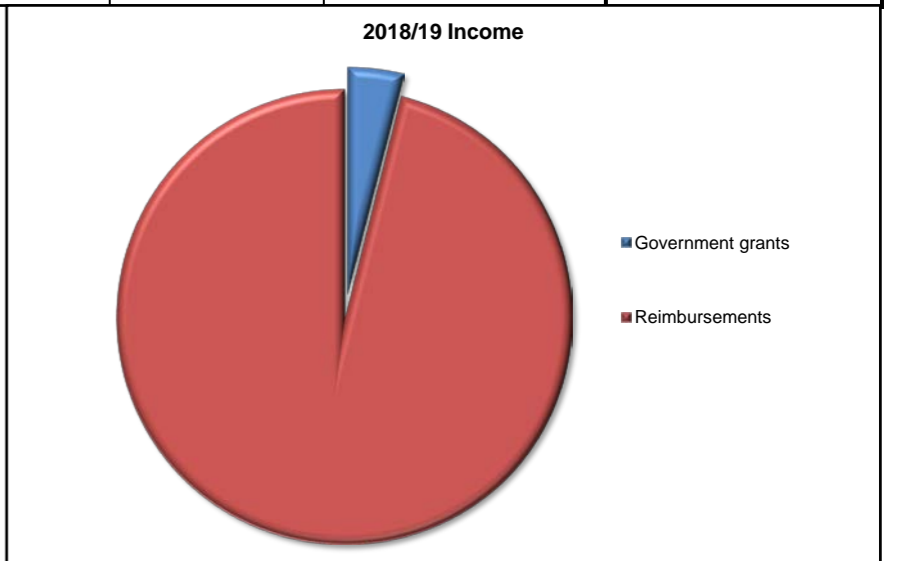
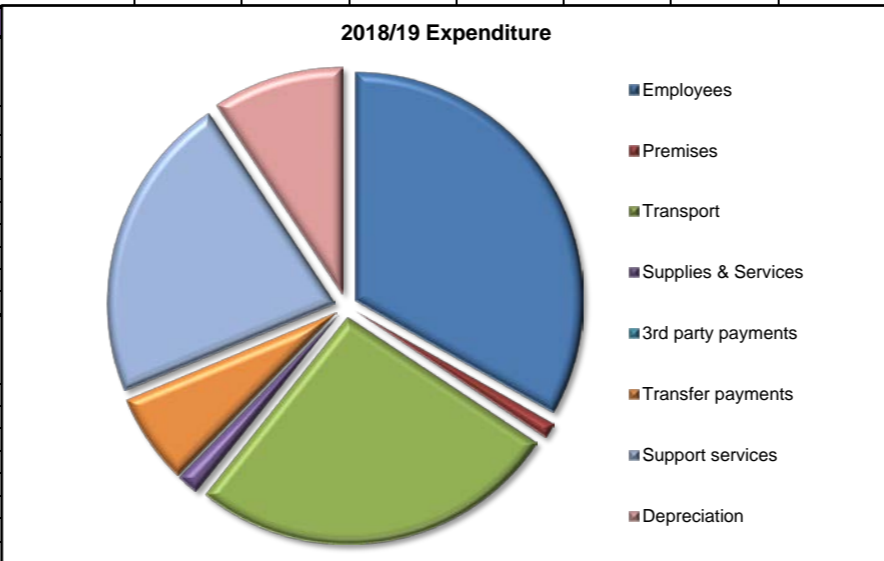
**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Safer Merton**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFITS			Risk				
					Likelihood	Impact	Score		
<b>Project 1</b>		Project Title:	<b>Merton says NO MORE</b>	Improved customer experience					
Start date	<b>2017-18</b>		Building on the success of the UK SAYS NO MORE launch in September 2016, where Merton was the second London borough to launch the campaign to condemn Domestic Violence and Sexual Violence, the Community Safety Partnership wish to roll the programme out across other strands of key business. This will ensure that Merton's residents and businesses are fully aware of the Community Safety Partnership's commitment to tackling a range of issues affecting our residents	Improved victim awareness, increased profile for Merton as a pro-active borough in addressing crime and ASB and associated reputational benefits across London			2	2	4
End date	<b>2021-22</b>								
<b>Project 2</b>		Project Title:	<b>DVA commissioning</b>	Improved customer experience					
Start date	<b>2016-17</b>		To bring together the two contracts for Independent Domestic Violence Advocates (IDVAs) and Mertons Refuge provision together to recommission. The recommission will be under a 3+1+1 term seeing a rise in investment from across the directorates of CSF, C&H and E&R. This work will improve the victims journey ensuring that the victims receive the right support, at the right time	Improved victim journey, improved outcomes for families, improved safety and an improved reputation for merton as a borough whom delivers good quality service to victims			2	3	6
End date	<b>2018-19</b>								
<b>Project 3</b>		Project Title:	<b>ECINS procurement</b>	Improved efficiency (savings)					
Start date	<b>2017-18</b>		Procurement of a new risk and information management system to improve safety for vulnerable people with partners from across all sectors coming together to share information and safeguard. Commissioned for use by safer merton and the YOT in CSF initially this software, which is cloud based, will deliver real time benefits to the public purse as we work to support, safeguard and/or enforce against some of our most complex and in need residents	By utilising information/intelligence in a more direct and real time environment we can identify a range of outcomes which, when met, will reduce risk of crime, ASB, risk of exploitation, missing etc			3	2	6
End date	<b>2018-19</b>								

Transport - Passenger Fleet Service Cllr Martin Whelton: Cabinet Member for Regeneration, Environment & Housing Enter a brief description of your main activities and objectives below	Planning Assumptions						The Corporate strategies your service contributes to			
	Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21		2021/22		
To provide effective Home to School and Vulnerable Adults transport service, using the in-house fleet of buses and assorted vehicles	CSF Passenger Journeys - In-House	70,000	70,000	70,000	70,000	70,000	70,000	Children and Young People's Plan Special Educational Needs and Disabilities Strategy		
	C&H Passenger Journeys - In-House	70,000	70,000	70,000	70,000	70,000	70,000			
To provide health & safety and vehicle related in-house training to all council staff and external organisations utilising the Councils fleet of vehicles.	Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22			
	No. Transport Fleet vehicles	40	40	40	40	40				
	Staff	61	48.35	44.84	44.84	44.84	44.84			
Performance indicator	Actual Performance (A) Performance Target (T) Proposed Target (P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
% Client user satisfaction	TBC	97	97	97	97	98	High	Annual	Outcome	Reduced customer service
Average % passenger vehicles in use	89	85	85	85	85	85	High	Annual	Unit cost	Reduced customer service
% in-house journey that meet timescales	83	85	85	85	85	85	High	Annual	Outcome	Reduced customer service
Sickness - average days per FTE	14.35	11	10.5	9.5	8	8	Low	Monthly	Unit cost	Increased costs

DEPARTMENTAL BUDGET AND RESOURCES								
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
<b>Expenditure</b>	<b>9,477</b>	<b>10,516</b>	<b>8,608</b>	<b>32</b>	<b>4,133</b>	<b>4,217</b>	<b>4,302</b>	<b>4,387</b>
Employees	1,978	2,072	1,631	33	1,373	1,373	1,373	1,373
Premises	76	79	46	(6)	46	46	46	47
Transport	6,169	7,073	5,576	13	1,092	1,175	1,259	1,342
Supplies & Services	91	112	66	(6)	63	64	65	66
3rd party payments	0	0	0	(2)	0	0	0	0
Transfer payments	0	0	0	0	266	266	266	266
Support services	847	864	952	0	907	907	907	907
Depreciation	316	316	337	0	386	386	386	386
<b>Revenue £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
<b>Income</b>	<b>9,622</b>	<b>10,303</b>	<b>8,608</b>	<b>91</b>	<b>4,168</b>	<b>4,168</b>	<b>4,168</b>	<b>4,168</b>
Government grants	0	0	0	0				
Reimbursements	609	606	602	19	165	165	165	165
Customer & client receipts	9,013	9,697	8,006	72	4,003	4,003	4,003	4,003
Recharges								
Reserves								
Capital Funded								
<b>Council Funded Net Budget</b>	<b>(145)</b>	<b>213</b>	<b>0</b>	<b>123</b>	<b>(35)</b>	<b>49</b>	<b>134</b>	<b>219</b>
<b>Capital Budget £'000s</b>	<b>Final Budget 2016/17</b>	<b>Actual 2016/17</b>	<b>Original Budget 2017/18</b>	<b>Forecast Variance 2017/18 P8</b>	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>
Fleet Vehicles		348	208	208	542	300	300	300
GPS Vehicle Tracking		42	160	173				
Alleygating		27	40	46	40	40	40	40
Other			6	6	6			
	<b>0</b>	<b>417</b>	<b>414</b>	<b>433</b>	<b>588</b>	<b>340</b>	<b>340</b>	<b>340</b>



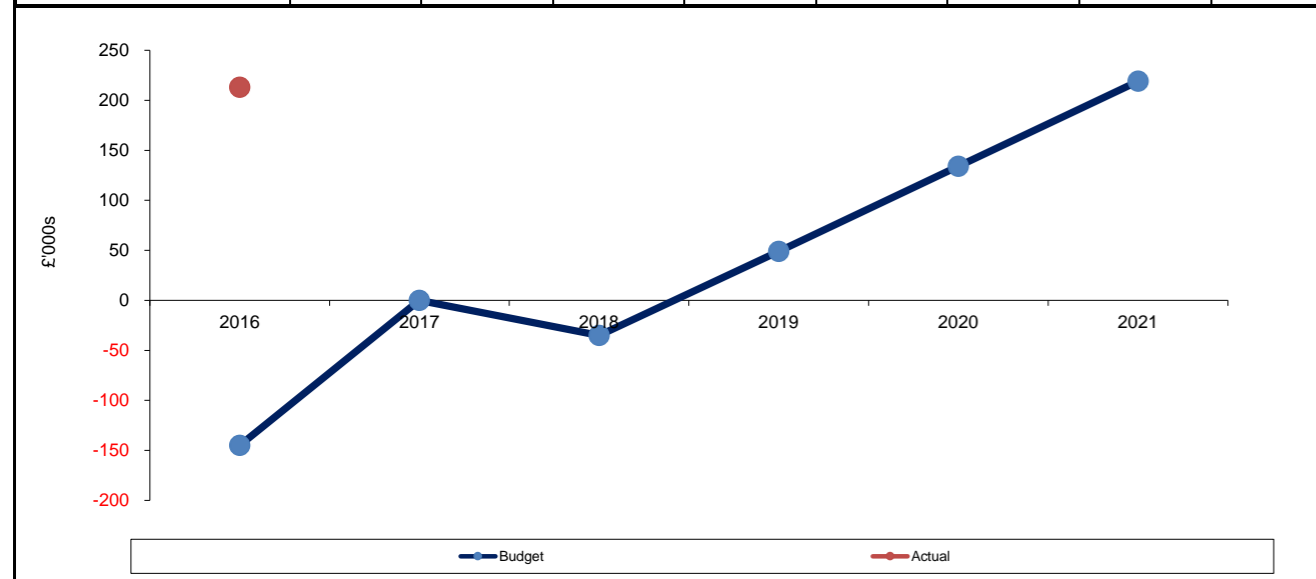
**Summary of major budget etc. changes**

**2018/19**  
ENV32 = (£30k)  
ENV37 = (£35k)  
ENR5 = (£76k)  
ENR7 = (£10k)

**2019/20**

**2020/21**

**2021/22**



**DETAILS OF MAJOR PROJECTS (INCLUDING PROCUREMENT) - MAXIMUM OF 10 OVER THE FOUR YEAR PERIOD**

**Transport - Passenger Fleet Service**

PROJECT DESCRIPTION		MAJOR PROJECT BENEFIT		Risk					
				Likelihood	Impact	Score			
<b>Project 1</b>		Project Title:	Review of Fleet provision (Vehicles)		Select one major benefit				
Start date	2017-18	Project Details:	Review of the full retained fleet and the future provision of vehicles.		Finacial savings from reduced fleet through shared vehicles		3	2	6
End date	2018-19								

<b>Commissioned Service</b>
<b>Waste Management and Cleansing</b>
<b>Cllr Ross Garrod Cabinet Member for Street Cleanliness &amp; Parking</b>
<b>Cllr Martin Whelton Cabinet Member for Regeneration, Environment &amp; Housing</b>
<b>Service Providers:</b>
<b>Veolia UK Ltd</b>
<b>Viridor Waste Management</b>
<b>Kingdom Ltd (Environmental Protection)</b>
<b>Noah's Ark (Stray Dogs / Enforcement)</b>

The London Borough of Merton is committed to managing the provision of high quality and sustainable waste management and cleansing services to residents, businesses and those passing through the borough. The service ambition is to maintain a clean, green and safe environment that meet the standards of London's Best Council.

These services are delivered through a combination of commissioned services and in-house engagement and enforcement activities.

**The key objectives of the service are:**  
 To fulfil the council's statutory responsibilities and duties with respect to waste management, street cleaning, waste enforcement and the management of stray animals.  
 To provide value for money services that meet the needs of the community  
 To provide a safe and supportive environment for our community and all employees engaged in delivering services.  
 To promote and encourage sustainable waste management activities, maximising resource efficiency and securing value from all waste streams as far as practicably possible

<b>Planning Assumptions</b>						
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Anticipated demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Housing Properties	83,500	84,000	<b>85,000</b>	86,000	86,500	86,500
Kilometres of Roads	375	375	<b>375</b>	375	375	375
Population	205,722	207,410	<b>209,421</b>	210,452	212,658	214,740
Total household waste tonnage	71,000	71,000	<b>71,000</b>	71,000	71,000	71,000
Anticipated non financial resources	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Clienting and Commissioning Team	6.69	6.69	3.19	3.19	3.19	3.19
Community Engagement and Enforcement	9	9	9	9	9	9
SLWP	0	4	2	2	2	2
Client Neighbourhood team	0	1.5	2.4	2.4	2.4	2.4
Veolia UK Ltd	Contract price and schedule of rates					
Viridor						
Kingdom Ltd						
Noah's Ark						

Performance indicator (LBC2020 indicators highlighted in purple)	Actual Performance (A) Performance Target (T) Proposed Target (P)						Polarity	Reporting cycle	Indicator type	Main impact if indicator not met
	2016/17(A)	2017/18(T)	2018/19(P)	2019/20(P)	2020/21(P)	2021/22(P)				
% Residents satisfied with street cleanliness	53	57	<b>57</b>	58	60		High	Annual	Perception	Reputational risk
% Sites surveyed below standard for litter	9	8.5	<b>8</b>	6	4		Low	Monthly	Perception	Reputational risk
% Sites surveyed below standard for Detritus	12	13	<b>10</b>	9	7		Low	Quarterly	Perception	Reputational risk
% Sites surveyed below standard for graffiti	5.2	5.0	<b>5.0</b>	5.0	5.0		Low	Quarterly	Perception	Reputational risk
% Sites surveyed below standard for weeds	7.79	12	<b>11</b>	10	9		Low	Quarterly	Perception	Reputational risk
No. of fly tips in streets and parks recorded by contractor	N/A	8400	<b>8400</b>	8400	8400		Low	Monthly	Outcome	Reputational risk
% of fly tips removed within 24 hours	N/A	90%	<b>90%</b>	95%	95%		High	Monthly	Outcome	Reputational risk
% Sites surveyed below standard for flyposting	1	1	<b>1</b>	1	1		Low	Quarterly	Perception	Reputational risk
% of FPNs issued that have been paid	73%	68%	<b>70%</b>	70%	70%		High	Monthly	Output	Loss of income
% Household waste recycled	36	42	<b>46</b>	48	50		High	Monthly	Business critical	Reputational risk
% Residents satisfied with refuse collection	69	72	<b>73</b>	74	75		High	Annual	Perception	Reputational risk
Residual waste kg per household pa	567.47	540	<b>500</b>	475	435		Low	Monthly	Outcome	Increased costs
% Municipal solid waste landfilled	57	59	<b>65%</b>	10%	5%		Low	Monthly	Outcome	Increased costs
Number of missed bins per 100,000	N/A	75	<b>50</b>	40	30		Low	Monthly	Outcome	Reduced customer service
Total waste arising per household Kg	887	910	<b>910</b>	910	910		Low	Monthly	Outcome	Reputational risk
% Residents satisfied with recycling facilities	77	70	<b>72</b>	74	75		High	Annual	Perception	Reputational risk

Financial Information - Waste Management and Cleansing									Additional Expenditure Information
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	2018/19 E&R20 = 2k E&R21 = £30k ENV31 = (£9k) ENV35 = (£150k) ENR6 = (£200k) ERG2 = £65k  2019/20 ENR9 = (£200k) EV08 = (£250k) ERG2 = £35k E2 = (£30k)
<b>Expenditure</b>	<b>20,750</b>	<b>21,353</b>	<b>15,457</b>	<b>279</b>	<b>15,672</b>	<b>15,634</b>	<b>15,842</b>	<b>16,049</b>	
Employees	7,597	8,033	1,042	37	823	823	823	823	
Premises	452	421	397	(33)	338	343	347	352	
Transport	1,940	2,317	26	(2)	298	298	299	299	
Supplies & Services	1,531	1,521	316	(20)	6,154	6,158	6,163	6,168	
3rd party payments	5,806	5,747	12,723	299	7,032	6,985	7,183	7,380	
Transfer payments	2	0	2	(2)	0	0	0	0	
Support services	2,828	2,720	366	0	406	406	406	406	
Depreciation	594	594	585	0	621	621	621	621	
Revenue £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	
<b>Income</b>	<b>3,497</b>	<b>3,983</b>	<b>956</b>	<b>(20)</b>	<b>1,373</b>	<b>1,573</b>	<b>1,573</b>	<b>1,573</b>	
Government grants	0	0	0	0	0	0	0	0	
Reimbursements	406	452	455	8	360	360	360	360	
Customer & client receipts	2,348	2,843	501	(28)	1,013	1,213	1,213	1,213	
Recharges	743	688	0		0	0	0		
Reserves									
Capital Funded									
<b>Council Funded Net Budget</b>	<b>17,253</b>	<b>17,370</b>	<b>14,501</b>	<b>259</b>	<b>14,299</b>	<b>14,061</b>	<b>14,269</b>	<b>14,476</b>	
Capital Budget £'000s	Final Budget 2016/17	Actual 2016/17	Original Budget 2017/18	Forecast Variance 2017/18 P8	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	
Waste Bins					2,674				
Fleet Vehicles		316	972	972	2,670				
Other			113	113					
	<b>0</b>	<b>316</b>	<b>1,085</b>	<b>1,085</b>	<b>5,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	

DETAILS OF MAJOR PROJECTS

PROJECT DESCRIPTION		Major Projects Benefits		Risk			
				Likelihood	Impact	Score	
<b>Project 1</b>	Project Title:	<b>New Waste collection Service (Wheelie Bins)</b>		Improved effectiveness			
Start date	<b>2016-17</b>	Project Details:	The introduction of a new borough wide waste collection service, including the introduction of two wheelie bins per house hold and a revised frequency of collection.	Optimised collection services delivering significant financial / environmental savings	<b>5</b>	<b>2</b>	<b>10</b>
End date	<b>2018-19</b>						
<b>Project 2</b>	Project Title:	<b>Energy Recovery Facility (Phase B)</b>		Improved effectiveness			
Start date	<b>2012-13</b>	Project Details:	Working alongside SLWP and Viridor to design, build and operate an Energy Recover Facility which will remain in the ownership of Viridor in which it will disposal of the SLWP boroughs municipal waste. Key dates a. Key Facility Planned Works Commencement Date 31st August 2015 b. Key Facility Planned Service Commencement Date 31st August 2018 c. Key facility Expiry Date 31st August 2043	Environmental benefits from diverting waste from landfill, sustainable waste management	<b>3</b>	<b>2</b>	<b>6</b>
End date	<b>2018-19</b>						



## **BUSINESS PLAN - GLOSSARY OF TERMS**

### **ASSET MANAGEMENT PLAN / REVIEW**

An Asset Management Plan (AMP) is a tactical plan for managing an organisation's infrastructure and other assets to deliver an agreed standard of service. The plan is reviewed annually as part of the budget cycle..

### **BALANCES**

Balances are maintained to meet expenditure pending the receipt of income and to provide a cushion against expenditure being higher or income lower than expected. Contributions to balances can be either a planned contribution from the revenue budget or a transfer of any revenue surplus at the year end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

### **BASELINE FUNDING LEVEL**

The amount of an individual council's Start-up Funding Assessment for 2013-14 provided through the local share of the Estimated Business Rates Aggregate, uprated in line with the small business rates multiplier (set at the September forecast of the Retail Price Index, unless otherwise decided).

### **BILLING AUTHORITIES**

A unitary council, or a lower tier council in a two-tier area, which collects the council tax for its own activities, and for those of the precepting authorities in its area. The billing authority passes on the precept receipts to each precepting authority in its area. These are the 326 billing authorities that collect council tax and business rates: district councils, London boroughs, and unitary councils. Before 1 April 2009 there were 354.

### **BORROWING STRATEGY**

A borrowing strategy set up the parameters within which money may be borrowed by the Authority. These parameters are designed to manage the risk taken by the authority within best practice.

### **BUDGET**

Statement of the spending plans for the year.

### **BUDGET PROFILE**

An allocated annual budget is split over the months in which it is estimated that expenditure will be incurred. For example, utility bills may well be split into four and entered into the months in which quarterly payments are due.

### **BUSINESS RATES**

These rates, formally called non-domestic rates, are the means by which local businesses contribute to the cost of providing local council services.

### **BUSINESS RATE BASELINE**

Determined for individual councils at the outset of the business rates retention scheme by dividing the local share of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **BUSINESS RATE RETENTION SCHEME**

The name given to the current system of funding local authorities through the local government finance settlement, set out in the Local Government Finance Act 2013. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### **CAPITAL FINANCING REQUIREMENT (CFR)**

The total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources i.e. a measure of the underlying borrowing need. See Minimum Revenue Provision

### **CAPITAL PROGRAMME**

Documentation which summarises the outcome of priority allocations contained in the capital strategy and details individual schemes for approval by Council / Cabinet.

### **CAPITAL PROGRAMME BOARD**

The Capital Programme Board ensures:

- that the overall capital investment strategy is consistent with strategic objectives, is affordable within the revenue budget strategy, examining potential funding options
- that bids are submitted in accordance with set framework and guidelines (including business cases, value for money and options appraisal) and prioritised in accordance of agreed criteria
- compiles and manages a multi-year capital programme for consideration by CMT and approval by Cabinet

### **CAPITAL PROJECTS / SCHEMES**

Capital Projects / Schemes is the level at which Member approval is obtained.

### **CAPITAL RECEIPTS**

Proceeds from the sale of fixed assets and repayments of capital grants and loans. These are divided into reserved and usable parts.

### **CAPITAL MONITORING**

The monthly comparison of actual spend against the anticipated spend (profiled budget) and the revision of projected year end spend where necessary. Periodically budget managers will be required to review their in year budget requirement and re-profile their projected expenditure over subsequent financial years.

### **CAPITAL STRATEGY**

A Capital Strategy is a core planning document designed to dovetail with the MTFs and Treasury Strategy to ensure that limited capital resources are deployed in accordance with corporate priorities / achieving our vision. The document will also detail how the proposed capital programme will be funded.

### **CASH FLOW MANAGEMENT**

Cash flow is the movement of money into or out of a business. Cash flow management optimises activity and investment around these cash flows.



## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The Institute produces standards and codes of practice that must be followed in preparing the Council's financial statements.

### **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

The Code of Practice on Local Authority Accounting ('The Code') applies International Financial Reporting Standards (IFRS) to the Local Authority context. The Code supports consistent financial reporting and Local Authorities must adhere to it when producing the annual Statement of Accounts.

### **COLLECTION FUND**

This is a statutory 'ring fenced' account. It records income and expenditure on Council Tax, Non Domestic Rates, payments to the precepting authorities and transfer to the Council's General Fund.

### **COMMUNITY ORGANISATION**

An organisation with benevolent or philanthropic purposes.

### **COMPACT**

Compacts are partnership agreements between statutory bodies and the voluntary and community sector to improve their relationships and provide a framework within which the sectors can understand what to expect from each other. Compacts offer the means of supporting the development of the voluntary and community sector's capacity so that groups can do more to meet both their aims and those of their statutory partners, thereby enhancing their contribution to the local community. The national compact (between central government and the voluntary and community sector) was launched in 1998 and it is now a requirement for all local authorities and PCTs to develop a compact with the voluntary and community sector. They are not legally binding documents but the Compact is approved and signed policy and affects the conduct of all partners.

### **COMPREHENSIVE SPENDING REVIEW (CSR)**

The CSR is a governmental process carried out by HM Treasury which sets out fixed three-year departmental expenditure limits and, through public sector service agreements, defines key service improvements.

### **CONTINGENCY**

A contingency is the setting aside of a finite sum to offset the cost of a future event or circumstance which may or may not occur. So is a reserve. You need to make distinction clearer. A reserve is a sum in the accounts whereas a contingency is a sum in a budget and the budget does not follow accounting conventions. A contingency can also be drawn more widely. The Govt has one to cover events dear boy, events. (Macmillan)

### **CORE SPENDING POWER**

To provide some certainty for the period 2016-17 through to 2019-20, the local authority core spending power as from the following core components:

- The Modified Settlement Funding Assessment as set out in the provisional local government finance settlement consultation.
- The council tax requirement estimated by applying the average annual growth in the council tax base between 2013-14 and 2015-16 and assuming that local authorities increase their Band D council tax in line with the OBR's forecast for CPI for each year.
- The potential additional council tax available from the adult social care council tax flexibility.
- The potential additional council tax available from a £5 cash principle for districts with a lower quartile Band D council tax level.
- The Improved Better Care Fund.
- Rural Services Delivery Grant.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. It has two elements - corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those which would be carried out by a series of independent, single purpose bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

### **CORPORATE GOVERNANCE**

Corporate Governance is the system by which local authorities direct and control their functions and communicate to their communities.

### **COUNCIL TAX**

A local tax on domestic property, set by councils – calculated by deducting any funding from reserves, income it expects to raise and general funding it will receive from the Government – in order to meet its planned spending.

### **COUNCIL TAX BASE**

This is the number of Band D equivalent dwellings in a council area. To calculate the tax base for an area, the number of dwellings in each council tax band is reduced to take account of discounts and exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate.

### **COUNCIL TAX BANDS**

There are eight council tax bands. How much council tax each household pays depends on the value of the homes.

### **COUNTRY LIMITS**

The current economic climate has not only affected companies and financial institutions; it has affected sovereigns (lending to countries[government bonds]) as well. This will be incorporated into counterparty selection.

### **CREDIT APPROVAL**

The permission to borrow given to each local authority annually by the Secretary of State. Local authorities can obtain supplementary credit approvals during the year for particular projects.

### **CREDITORS**

The individual or organisation to whom the Authority owes money. Accordingly, it does not include money on taxation to the Council.

### **COUNCIL'S BORROWING REQUIREMENT**

Based on projected spend, this is the amount of money a local authority will need to borrow to finance this projected spend.

### **COUNTERPARTIES**

The organisation in respect of which the Authority borrows from or invests money with. A counterparty will be removed, suspended or kept on close watch from the council's approved list if it fails to meet the Council's criteria.

### **CORPORATE BONDS**

Is a bond that a company issues to raise money in order to expand its business.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **COUPON**

Is the interest rate stated on a bond at the time it is issued.

### **CREDITWORTHINESS**

An assessment of the likelihood that a borrower will default on their debt obligations. It is based upon factors, such as their history of repayment and their credit score. Lending institutions also consider the availability of assets and extent of liabilities to determine the probability of default.

### **DEBTORS**

A debtor is an organisation or individual that owes the Authority money and the debt is legally enforceable

### **DEBT RESCHEDULING See rescheduling of debt**

Where certain debt may be redeemed and a further loan obtained. This may be undertaken to provide an even spread of debt redemption date and terms, It may also be used to optimise beneficial borrowing rates in the market while maintaining activity within acceptable risk levels.

### **DEPRECIATION**

Depreciation is a charge to the revenue account to reflect the reduction in the useful economic life of a fixed asset, reducing the value of the fixed asset in the balance sheet. It is not a charge to the General Fund as it is reversed in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

### **EARMARKED CAPITAL RESOURCES / GRANTS Overlaps with reserves**

Money received by the Authority which has certain conditions / restrictions (loose terminology) over its use limiting the type of expenditure that it may be applied against. IFRS refers to Stipulations and sub divides them into Conditions and Restrictions. Earmarked grants (revenue or capital) are grants which are subject to restrictions. I

### **ESTIMATED BUSINESS RATES AGGREGATE**

The total business rates forecast at the outset of the business rate retention scheme to be collected by all billing authorities in England in 2013-14. The Estimated Business Rates Aggregate is updated year on year in line with the change in the small business multiplier (usually the September Retail Price Index).

### **FINANCE LEASE**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable and that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **FINANCIAL INSTRUMENT**

A real or virtual document representing a legal agreement involving some sort of monetary value. In today's financial marketplace, financial instruments can be classified generally as equity based, representing ownership of the asset, or debt based, representing a loan made by an investor to the owner of the asset.

### **FINANCIAL YEAR**

The financial year runs from 1 April to the following 31 March.

### **FIXED ASSETS**

Assets that yield benefits to the local authority and the services it provides for a period of more than one year. These assets can be tangible or intangible.

### **FLOOR DAMPING**

A method by which stability in funding is protected through limiting the effect of wide variations in grant. A floor guarantees a lower limit to a year-on-year change in grant. The grant amounts of councils who receive changes above the floor are scaled back by a fixed proportion to help pay for the floor.

### **FTSE 100**

This is the index of the top 100 UK listed companies by market capitalisation.

### **GENERAL FUND**

The main fund of the Council, from which all expenditure is met and all income is paid, with the exception of those items, which by statute have to be taken to some other account.

### **GOVERNMENT GRANTS (Overlaps with Earmarked capital resources)**

Financial assistance by government and other bodies, in the form of cash transfers to an authority, issued in return for compliance with certain conditions relating to the activities of the authority.

### **GROSS EXPENDITURE**

The total expenditure of a fund or account.

### **GROUP LIMITS**

This is a limit on the amount of money that may be invested with or borrowed from a particular conglomerate.

### **IMPAIRMENT**

(Rewrite, someone should hang their head in shame for this sentence ) The loss of value in a fixed asset arising from physical damage, deterioration in the quality of service provided by the asset or from a general fall in prices. When this occurs the asset must be written down to the recoverable value. The charge is then reversed out from the General Fund in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)**

International Financial Reporting Standards are a single set of accounting standards, developed and maintained by the IASB (International Accounting Standards Board) for the purposes of being applied on a globally consistent basis by developed, emerging and developing economies. The Code of Practice on Local Authority Accounting is based on IFRSs

### **INVESTMENT POLICY**

The London Borough of Merton's investment policy has regard to the CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The council's investment priorities will be security first, liquidity second, then return.

### **INVESTMENT STRATEGY**

The investment of the Authority's cash balances to optimise its strategic and operational needs Surely we should include reference to maximising investment income and minimising cost of borrowing. Otherwise this is too vague.

### **INVESTMENT TREASURY INDICATOR AND LIMIT**

This is a prudential indicator for funds invested for more than 364 days, designed to measure the need for early investment redemption against the Authority's liquidity requirement.

### **LENDERS OPTION BORROWERS OPTION (LOBO)**

When borrowing or lending money, certain time related limits may be established when the arrangement is made e.g. at a certain point in time the interest rate of a loan will increase; at this point both parties have the opportunity to opt in / out of the arrangement.

### **LEVY**

Mechanism to limit disproportionate benefit from business rates. The levy is applied proportionally on a 1:1 basis (i.e. a 1% increase in business rates income results in an council getting a 1% increase in revenue from the rates retention scheme) but with a limit on the maximum levy rate that is imposed, at 50p in the pound. Levy payments are used to fund the safety net.

### **LIABILITIES**

A legally enforceable sum owed to a third a Party

### **LOCAL GOVERNMENT FINANCE SETTLEMENT**

The local government finance settlement is the annual determination of funding distribution as made by the Government and debated by Parliament.

### **LOCAL GOVERNMENT SPENDING CONTROL TOTAL**

The total amount of expenditure for Revenue Support Grant in the Department for Communities and Local Government's Local Government Departmental Expenditure Limit plus the local share of the Estimated Business Rates Aggregate that is allocated to the local government sector by Government for each year of a Spending Review.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **LOCAL SHARE**

The percentage share of locally collected business rates that is retained by local government. This is set at 50%.

### **LOCALISM ACT 2011**

It sets out a series of proposals with the potential to achieve a substantial and lasting shift in power away from central government and towards local people. They include: new freedoms and flexibilities for local government; new rights and powers for communities and individuals; reform to make the planning system more democratic and more effective

### **LOWER TIER COUNCILS**

Councils that carry out the functions which in shire areas with two tiers of local government are carried out by shire districts. They are the same councils as billing authorities.

### **MERTON IMPROVEMENT BOARD**

Merton Improvement Board oversees the management and monitoring of the Merton improvement programme and the promotion of best practices within the Council. Its work falls into four main areas:

- manage and monitor the Merton improvement programme including giving the “go ahead” for new projects and project closure;
- steer the implementation and future development of the Merton improvement programme;
- lead on developing and maintaining cross-cutting initiatives; and
- manage, co-ordinate and monitor business improvement activity across the council.

### **MINIMUM REVENUE PROVISION**

A provision, via a revenue charge, in respect of historical capital expenditure which has been financed by borrowing, as required by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

### **MULTIPLIER**

The business rates multiplier which, when multiplied by the rateable value of a property, determines a ratepayer’s business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business multiplier is updated annually by the Retail Price Index, unless the Government decides otherwise and the other multiplier adjusted accordingly, to fund rate relief for small businesses.

### **NATIONAL CONTROL TOTALS**

These are the national totals for each of the individual elements within the local spending control total. They are determined as part of the Spending Review. It is also the name given to the size of each of the different elements within the Settlement Funding Assessment.

### **NON-DOMESTIC RATE (NDR)**

A levy on businesses based on national ‘rateable value’ of the premises occupied. NDR is collected by the Council in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

### **NON-SPECIFIED INVESTMENTS**

A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **OPERATIONAL BOUNDARY**

The operational boundary is a prudential indicator for monitoring the total external debt, gross of investments, and separately identifying borrowing from other long term liabilities.

### **OPERATING LEASE**

A contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease is not capitalised; it is accounted for as a rental expense in what is known as "off balance sheet financing." For the lessor, the asset being leased is accounted for as an asset and is depreciated as such.

### **PENSION FUND**

The Local Government Pension Scheme (LGPS) is a scheme established by statute to provide death and retirement benefits for all eligible employees. The scheme's benefits are defined in the LGPS Regulations, and are geared to a scheme member's Career Average Revalued Earnings (CARE).

The scheme is financed by a combination of employee and employer contributions, together with income from a fund of investments. The employee contribution rate ranging from 5.5% to 12.5% of pensionable pay in nine salary bands. The contribution percentage that a member pays is based on their estimated actual annual pensionable salary from 1 April to 31 March each year. Whilst the employer's rate varies according to an assessment of the funds current and forecast pension/benefit costs, (the fund's liabilities), relative to its income. This assessment is undertaken, in accordance with LGPS Regulations, every three years by the Fund's appointed actuary, who sets the necessary level of employer contribution into the fund so that the fund's liabilities can be paid.

### **PERFORMANCE MANAGEMENT FRAMEWORK**

Performance management is about how an organisation consistently plans and manages to ensure continuous improvement. Sustainable improvements in services are unlikely to happen without it. A performance framework is designed to help individuals, teams, divisions etc. understand :

- what the organisation is trying to achieve (golden thread),
- the planning, monitoring and review cycle
- their responsibilities.

### **PRECEPT**

This is the amount of council tax income all billing and precepting authorities need to provide their services. The amounts for all authorities providing services in an area appear on one council tax bill, which is administered by the billing authority.

### **PRECEPTING AUTHORITY**

An authority or body that does not collect council tax or business rates but is part of the business rates retention scheme. This is an authority which sets a precept to be collected by billing authorities. County councils, police authorities, the Greater London Authority, single purpose fire and rescue authorities and parish councils are all precepting authorities.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **PRIVATE FINANCE INITIATIVE (PFI)**

PFI contracts are agreements with private sector organisations to refurbish, maintain and operate fixed assets on behalf of public sector organisations such as local authorities.

### **PROCUREMENT BOARD**

The Procurement Board provides a corporate focus for procurement issues and oversees the procurement development in Merton. The Board also provides both strategic direction for, and effective governance of, the procurement arrangements across the Authority, ensuring they are effective, efficient and utilised.

### **PROPORTIONATE SHARE**

This is the percentage of the national business rates yield which a council has collected on the basis of the average rates collected by councils over the two years to 2011-12. This percentage was applied to the local share of the 2013-14 Estimated Business Rates Aggregate to determine the billing authority business rates baseline.

### **PROVISIONS**

Amounts set aside for any liabilities or losses which are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

### **PRUDENTIAL CODE**

The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, the key objectives of which are to ensure that, within a clear framework, the capital investment and borrowing plans of the council are affordable, prudent and sustainable.

### **RESCHEDULING OF DEBT See debt resceduling**

The switching of debt between the short term and the longer term and vice versa to obtain favourable borrowing rates.

### **REVENUE EXPENDITURE**

Expenditure incurred on day to day running costs and confined to accounts within one financial year.

### **REVENUE MONITORING**

The monthly comparison of actual expenditure and income spend against the anticipated spend (profiled budget). A budget manager will then allow for known income/expenditure to project the year end position.

### **RESERVES**

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending. Reserves can be either capital or revenue

### **REVENUE SUPPORT GRANT**

A Government grant which can be used to finance revenue expenditure on any service.

### **RINGFENCED GRANT**

A grant paid to councils which has conditions attached to it, which restrict the purposes for which it may be spent.



## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **RISK MANAGEMENT**

A risk is a threat, obstacle or, barrier, that will stop the Authority from achieving its ambitions, aims and objectives. Risk management is the process of managing the risks that may prevent delivery of desired outcomes so that the organisation can anticipate and respond positively to change. Merton's approach to risk management is to raise awareness, integrate it into day to day operations and establish a robust framework and procedures to identify, analyse, assess and manage risk.

### **SECTION 151 OFFICER**

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget.

### **SECURITISATION**

'Securitisation' as used in this context means the disposal of future revenues. For example, someone receiving rents from properties might transfer the entitlement to that income to a bank for (e.g.) 20 years, in exchange for an immediate lump-sum payment.

### **SAFETY NET**

Mechanism to protect any council which sees its business rates income drop, in any year, by more than 7.5% below its baseline funding level (with baseline funding levels being uprated by the small business rates multiplier for the purposes of assessing eligibility for support).

### **SETS OF SERVICES**

There are four sets of services, corresponding to the services supplied by the four types of local authorities (although some councils may provide more than one tier of service). These are:

- upper-tier services – those services, other than fire, supplied by county councils in two-tier areas, and described in this consultation as relating to 'social care councils'
- police services
- fire and rescue services lower-tier services – those services supplied by district councils ('non-social care councils' in the consultation) in two-tier areas.

### **SETTLEMENT CORE FUNDING**

The definition of settlement core funding for this purpose takes into account the main resources available to councils, which for this purpose comprise:

- council tax income from 2015-16 (including any Council Tax Freeze Grant)
- the Settlement Funding Assessment, comprising:
  - estimated business rates income (baseline funding level under the rates retention scheme)
  - Revenue Support Grant.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **SETTLEMENT FUNDING ASSESSMENT**

Previously referred to as Start-Up Funding Assessment. It comprises at a national level the total Revenue Support Grant and the local share of Estimated Business Rates Aggregate for the year in question. On an individual council level it comprises each council's Revenue Support Grant for the year in question and its baseline funding level, updated year-on-year in line with the September forecast of the Retail Price Index, unless otherwise decided

### **SPECIFIC GRANT**

Grants paid under various specific powers, but excluding Revenue Support Grant or area-based grant. Some specific grants are ringfenced.

### **SPECIFIED BODY**

This is the term used for a body or bodies which are directly funded from Revenue Support Grant, and which provide services centrally for local government as a whole.

### **SPECIFIED INVESTMENTS**

These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is considered negligible.

### **SUPER OUTPUT AREA**

A Super Output Area (SOA) is a geographical area designed for the collection and publication of small area statistics. It is used on the Neighbourhood Statistics site, and has a wider application throughout national statistics. SOAs give an improved basis for comparison throughout the country because the units are more similar in size of population than, for example, electoral wards

### **SUPPORT SERVICES**

These are services that are not statutory local authority services but which give support to those services.

### **TARIFFS AND TOP UPS**

Calculated by comparing at the outset of the business rate retention scheme an individual council's business rates baseline against its baseline funding level. Tariffs and top ups are self-funding, fixed at the start of the scheme and updated year-on-year in line with the September forecast of the Retail Price Index, unless otherwise decided.

### **TAX INCREMENTAL FINANCING**

The Local Government Finance Bill was passed in December 2011 and introduces a rate retention scheme enabling local authorities to retain a proportion of the business rates generated in their area. The Bill also includes a framework for the localisation of support for council tax in England, which alongside other council tax measures will give councils increased financial autonomy and a greater stake in the economic future of their local area, while providing continuation of council tax support for the most vulnerable in society. In determining the affordability of borrowing for capital purposes, authorities currently take account of their current income streams and forecast future income.

## **BUSINESS PLAN - GLOSSARY OF TERMS Continued...**

### **TREASURY MANAGEMENT**

The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

### **TREASURY MANAGEMENT PRACTICES / TREASURY MANAGEMENT CODE OF PRACTICE**

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, the key objectives of which are to ensure that, within a clear framework, the capital investment plans of the council are affordable, prudent and sustainable.

### **USEFUL LIFE**

This is the period over which the local authority derives benefit from the use of a fixed asset.

## **BUSINESS PLAN – LIST OF ACRONYMS**

<b><u>Acronym</u></b>	<b><u>Definition</u></b>
AD	Assistant Director
ADASS	Association of Directors of Adult Social Services
Apps	Applications
ASB	Anti Social Behaviour
ASC	Adult Social Care
ASH	Our miscellaneous income, invoicing and recovery system
BC	Building Control
BESD	Behavioural Emotional and Social Difficulties
BME	Black Minority Ethnic
C & YP	Children and Young People
CAF	Common Assessment framework
CAMHS	Child and Adolescent Mental Health Services
CC	Children's Centre
CCTV	Close Circuit Television
CEN	Creative Environmental Networks
CEO	Civil Enforcement Officer
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CNEA	Clean Neighbourhood and Environment Act
COM	Current Operating Model
CPD	Centre for Professional Development
CPD	Continuing Professional Development
CPZ	Controlled Parking Zone
CRB	Criminal Records Bureau
CRM	Customer Relationship Management
CSC	Children's Social Care
CSF	Children Schools & Families
CYP	Children and Young People
CYPP	Children and Young peoples Plan
DC	Development Control
DEFRA	Department for Environment Food and Rural Affairs
DFG	Disabled Facilities grant
DMT	Departmental Management Team
DSG	Dedicated Schools Grant
E&R	Environment and Regeneration
EA	Equality Analysis
EAL	English as an Additional Language
EH	Environmental Health
EIA	Equalities Impact Assessment
EIG	Early Intervention Grant
ERTG	Enforcement Review Task Group
ESOL	English for Speakers of Other Languages
EU	European Union
EY	Early Years
FACS	Fair Access to Care Services
FM	Facilities Management
FOI	Freedom Of Information
FPN	Fixed Penalty Notice
FTE	Full Time Equivalent
GLA	Greater London Authority
HB	Housing Benefits
HC&OP	Healthier Communities and Older People

## **BUSINESS PLAN – LIST OF ACRONYMS Continued.....**

<b><u>Acronym</u></b>	<b><u>Definition</u></b>
HCA	Homes and Community Agency
HNES	Housing Needs and Enabling Services
HRRC	Household Reuse and Recycling Centre
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standard
IP	Intellectual Property
IT	Information Technology
iTrent	The Council's payroll system
JD	Job Description
K	£ Thousand
L & D	Learning and Development
LA	Local Authority
LAC	Looked After Children
LALO	Local Authority Liaison Officer
LATS	Landfill Allowances and Trading Scheme
LB	London Borough
LBM	London Borough of Merton
LCGS	London Councils Grant Scheme
LDD	Learning Development and Diversity
LGA	Local Government Association
LLC	Local Land Charges
LSC	Learning Skills Council
LSCB	Local Safeguarding Children's Board
LSP	Local Strategic Partnership
LOBO	Lenders Option Borrowers Option
MAE	Merton Adult Education
MARAC/D	Multi Agency Risk Assessment Case Conference / Domestic Violence
MCIL	Merton Centre for Independent Living
MIS	Management Information System
MP	Member of Parliament
MRP	Minimum Revenue Provision
MSLT1&2	Merton's Senior Leadership Team Levels 1 and 2
MTFS	Medium Term Financial Strategy
MVSC	Merton Voluntary Service Council
NEET	Not in Education Employment or Training
NDR	Non Domestic Rate
O&S	Overview and Scrutiny
OJEU	Official Journal of the European Union
OT	Occupational Therapy
PATAS	Parking And Traffic Appeals Service
PC	Police Constable
PCN	Penalty Charge Notice
PCT	Primary Care Trust
PFI	Private Finance Initiative
PM&R	Pavement Maintenance and Repair
PPD	Public Protection and Development

## **BUSINESS PLAN – LIST OF ACRONYMS Continued.....**

<b><u>Acronym</u></b>	<b><u>Definition</u></b>
PPP	Policy Planning and Performance
PRS	Private Rented Sector
PVI	Private Voluntary and Independent
QA	Quality Assurance
SC	Sustainable Communities
SEN	Special Educational Needs
SEND	Special Educational Needs and Disabilities
SFA	Skills Funding Agency
SLA	Service Level Agreement
SLWP	South West London Partnership
SME	Subject Matter Expert
SMT SOAs	Senior Management team Super Output Areas
SSQ	School Standards and Quality
SW	South West
SWLSG	South West London and St George's Mental Health NHS Trust
TBC	To Be Confirmed
TEC	Transport and Environment Committee
TFL	Transport For London
TOM	Target Operating Model
TUPE	The Transfer of Undertaking (Protection of Employment) Regulations
VAT	Value Added Tax
VLE	Virtual Learning Environment
VS	Voluntary Sector
YOT	Youth Offending Team

## SECTION 2: GENERAL FUND REVENUE BUDGET AND COUNCIL TAX STRATEGY

### 1. Background to Financial Planning

- 1.1 The approach to Medium Term Financial Planning provides a great deal of flexibility in decision making and enables the impact of alternative options to be modeled. This has assisted with progress towards a balanced budget over the four year plan.
- 1.2 The MTFs has been re-priced and rolled forward a year so that each year from 2018/19 to 2021/22 starts from the approved budget 2017/18 and is built up showing the cumulative effect of variations over the period. The initial re-priced MTFs showing the budget gap as reported to Council in March 2017 was as follows:-

**Table 1: Initial Re-priced MTFs**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
<b>Departmental Base Budget '17/18</b>	<b>151,131</b>	<b>151,131</b>	<b>151,131</b>	<b>151,131</b>
Departmental Budget Changes	(2,004)	(2,268)	2,075	5,646
<b>Re-Priced Departmental Budget</b>	<b>149,127</b>	<b>148,863</b>	<b>153,206</b>	<b>156,777</b>
Treasury/Capital financing	10,917	12,290	12,917	13,114
Other Corporate items	(14,260)	(14,514)	(14,417)	(14,342)
Levies	614	614	614	614
<b>Sub-total: Corporate provisions</b>	<b>(2,729)</b>	<b>(1,610)</b>	<b>(886)</b>	<b>(614)</b>
Use of Reserves	(3,249)	(92)	(234)	(100)
<b>BUDGET REQUIREMENT</b>	<b>143,149</b>	<b>147,161</b>	<b>152,086</b>	<b>156,063</b>
<b>TOTAL FUNDING</b>	<b>(139,664)</b>	<b>(137,453)</b>	<b>(133,999)</b>	<b>(136,134)</b>
<b>GAP (Cumulative)</b>	<b>3,485</b>	<b>9,708</b>	<b>18,087</b>	<b>19,929</b>

- 1.3 Since then, reports to Cabinet on 18 September 2017, 16 October 2017, 11 December 2017, and 15 January 2018 have presented updated information to Members, setting out the financial implications as assumptions have been reviewed and decisions made.
- 1.4 The decisions made in respect of each element of the MTFs impact on the overall financial position of the Authority. To balance the budget over 2018-22, an overall package of decisions of options and variables that need to be included in the budget have been modelled, enabling the impact of different scenarios to be seen. The details set out in this section summarise those that represent the most up to date information available.

## 1.5 Setting a Balanced Budget

1.5.1 Resource and expenditure projections have been continually updated throughout the year to inform Members and officers of the overall position for 2018-2022. A four-year forward plan is presented, but it is still a legal requirement that a balanced (i.e. fully funded) budget is achieved for 2018/19. There are a number of ways in which a balanced budget is achieved:

- Reducing expenditure/costs;
- Identifying new savings or additional income;
- Adjusting the level of Council Tax ;
- Using unallocated reserves as a temporary measure pending the implementation of the options above.

1.5.2 Budget savings and growth proposals have been formulated within the overall constraints of the resource projections. The proposals have been approved in principle by the Cabinet and then considered by Overview and Scrutiny Panels as part of the scrutiny process. Scrutiny Panels have met again during January 2018 and their feedback on the Council's spending proposals is set out in a separate report elsewhere on the agenda for this meeting.

1.5.3 The Medium Term Financial Strategy (MTFS) for the Council supports the achievement of the business plan and any financial implications arising from the agreed plan are included in financial planning for 2018/19 and beyond. The MTFS brings together all of the key elements relating to the Council's financial position which are reflected in the General Fund, and the Capital Programme.

1.5.4 The last detailed MTFS which was reported to Cabinet on 15 January 2018 showed that the budget gap was:-

**Table 2: Budget Gap Cabinet 15 January 2018**

Cumulative	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Gap exc. Savings/Growth	4,937	14,454	29,059	31,229
(Savings)/Growth	(4,937)	(11,907)	(13,033)	(13,128)
Gap Net of Savings/Growth	0	2,547	16,026	18,101

1.5.5 There have been further changes to some of the key budget variables as more information has become available and the details are set out in this report.



## 1.6 Review of previous year's Savings

1.6.1 As with previous years, the business planning process is a multi-year approach and this includes a review of total expenditure and income over the period 2018-22.

1.6.2 Cabinet on 16 October 2017 and 11 December 2017 considered revisions to current savings proposals . The overall impact of these proposed amendments on the MTFS is as follows:-

**Table 3: Net Revisions to current savings**

<b>Net Revisions to current savings (cumulative)</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Corporate Services	177	(103)	(74)	0	0
Children, Schools & Families	0	0	0	0	0
Environment and Regeneration	500	0	0	0	500
Community and Housing	930	(548)	0	0	382
<b>Total</b>	<b>1,607</b>	<b>(651)</b>	<b>(74)</b>	<b>0</b>	<b>882</b>
<b>Net Cumulative total</b>	<b>1,607</b>	<b>956</b>	<b>882</b>	<b>882</b>	

1.6.3 The current MTFS includes the following amounts in respect of the full year effects of previous year's savings, including those in Table 3 above.

**Table 4: Full Year Effects of previous years savings**

<b>Full Year Effects of previous years savings</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Corporate Services	1,866	404	74	0	2,344
Children, Schools & Families	489	429	0	0	918
Environment and Regeneration	858	650	0	0	1,508
Community and Housing	2,198	887	0	0	3,085
<b>Total</b>	<b>5,411</b>	<b>2,370</b>	<b>74</b>	<b>0</b>	<b>7,855</b>
<b>Total - Cumulative</b>	<b>5,411</b>	<b>7,781</b>	<b>7,855</b>	<b>7,855</b>	

1.6.4 One of the key objectives is to balance the budget and there has been a major improvement in recent years in the ability to look over a long-term period and identify significant savings over more than one year.

1.6.5 The Business planning framework aims to enable strategic resource allocation and investment decisions to be made that allow for services to transform and change at different times in the future and which would otherwise be very difficult to plan under an annual planning framework. This improved long-term financial planning process is the best way to ensure that budgets are robust and sustainable.

## 1.7 Growth

1.7.1 In response to budget pressures identified last year, growth was included for the following services:-

- Adult Social Care
- Waste
- Children's Services

1.7.2 The approved growth was as follows:-

**Table 5: Growth approved in 2017/18**

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Adult Social Care	9,345	252	(2,891)*	0*
Waste and Regeneration	1,582	222	(115)	0
Children's Services	1,000	500	500	500
Total	11,927	974	(2,506)	500
<b>Cumulative total</b>	<b>11,927</b>	<b>12,901</b>	<b>10,395</b>	<b>10,895</b>

\*Offset by Improving Better Care Fund

As reported to Cabinet on 16 October 2017, Environment and Regeneration department have swapped £500k of the agreed growth to mitigate pressures on achieving savings within the department.

## 2. **Local Government Finance Settlement 2018-19**

### 2.1 Local Government Finance Settlement

2.1.1 The financial projections in the report to Cabinet on 15 January 2018 were based on the information as announced in the provisional Local Government Finance Settlement on 15 December 2016. Information in this report has been updated as more information has become available.

2.1.2 On 6 February 2018, the Secretary of State for Housing, Communities and Local Government announced the Final Local Government Finance Settlement allocations. There are a number of major issues to update since the Provisional Settlement.

2.1.3 In the announcement Sajid Javid MP stated " I recognise the need to prioritise spending on social care services that councils provide to our elderly and vulnerable citizens ... .. And, having listened to representations since the provisional settlement, I am today announcing a further £150 million in 2018 to 2019 for an Adult Social Care Support Grant. This will be taken from anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government. This will be allocated according to relative needs and we will expect to see councils use it to build on their progress

so far in supporting sustainable local care markets.” Merton’s one-off allocation is £467,000

2.1.4 It was also confirmed that the Government recognise the good work that local authorities do in caring for unaccompanied asylum seeking children and have therefore made £19 million available to local authorities in 2017 to 2018 from within existing budgets, including the Controlling Migration Fund, to develop the skills and capacity to be able to support these very vulnerable children. Merton will receive £92k from this allocation

2.1.5 Merton’s allocation from the Controlling Migration Fund is £56,815 and the grant is expected to support work to secure sufficient skilled foster carers for unaccompanied asylum seeking children (UASC), thus building foster care capacity for older children across the borough. The grant should also fund a programme of learning activities within a peer network, which will help UASC to engage successfully with the wider community through language, connections, and cultural understanding. This is expected to reduce integration pressures and translation costs.

#### 2.1.6 Public Health Grant

Merton’s allocation for 2018/19 is £10.451m with an indicative allocation of £10.175m for 2019/20.

#### 2.1.7 Council Tax Referendum Threshold

The Final Settlement confirmed that the referendum threshold is set in line with inflation at 3%. In addition, local authorities with responsibility for social care may levy a precept to spend exclusively on adult social care. This precept equates to up to 6% over 3 years, from 2017-18 to 2019-20, with a maximum increase of 3% in the first 2 years and 2% in the final year.

2.1.8 Latest details on the Local Government Settlement are included in Appendix 2 and have been incorporated into Merton’s MTFs where applicable.

## 2.2 Business Rates

2.2.1 As was reported to the January 2018 Cabinet meeting, the Government has confirmed that the five existing 2017-18 pilots will continue in 2018-19 and confirmed 11 new pilots for 2018-19, including the London pilot pool. All pilots will trial the principles of 100% retention and will see RSG (and rural services grants in two tier areas) given up for higher retained business rates.

2.2.2 The Government confirmed that it intends to open a further bidding round for pilots in 2019 to 2020. Further information on this will be published in 2018 in due course. Local authorities will be able to keep more business rates, to the value of the Revenue Support Grant, the Greater London Authority Transport Grant, the Rural Services Delivery Grant and the Public Health Grant. Overall, this is equivalent to 75% retention at 2019

to 2020 levels. Local authorities will then be able to keep the equivalent share of business rates growth on their baseline levels from 2020 to 2021, when the system is reset. The new funding baselines will be informed by the Fair Funding Review which is currently subject to consultation. The government intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from a grant to retained business rates. The Government has confirmed that its continued long-term plan is to let local government keep 100% of its business rates.

2.2.3 Under the London Pilot Pool, the retained percentage share of non-domestic rate income in 2018/19 is:-

- Central government 0%, GLA 36%, London Boroughs 64%

2.2.4 Tariff and Top-up adjustments

Updated top-ups and tariffs for 2017-18, 2018-19 and 2019-20 were published as part of the Provisional Settlement. As a result of the adjustments for the 2017 Revaluation, which altered tariffs and top ups for individual authorities, and levy rates for tariff authorities in 2017-18, there was a significant change to the business rates retention scheme. This aimed to ensure that, as far as possible, each local authority's income was the same immediately before and after the revaluation on 1st April 2017. A provisional adjustment to 2017-18 top-ups and tariffs was made based on draft rating lists (published 28 September 2016) and 2015-16 NNDR3 data (updated for inflation).

In the Final Settlement, the adjustment has been finalised based on the most recent ratings list (published 5 October 2017) and 2016-17 NNDR3 data. Where there was a discrepancy between the provisional and final 2017-18 adjustment, the difference has been reconciled through a one-off adjustment to 2018-19 top-ups and tariffs.

Revised tariffs and top-ups were announced in the Final Settlement, which adjusted the figures in the Provisional Settlement figures as a result of an error in the Valuation Office Agency data. There were small changes to Merton's figures of £5k in 2018/19 and £2k in 2019/20

Merton has been a top-up authority since the start of the Business Rates Retention Scheme. This will change assuming that the London Business Rates Pilot Pool is implemented.

As the pilot is only being assumed for 2018/19 these revert to top-up authorities in 2019/20 if the pool does not continue.

**Table 6: Top-up/ Tariff Amounts under pilot/no pilot**

	2017/18 No Pool	2018/19 without a Business Rates Pool	2018/19 with a Pilot Business Rates Pool	2019/20 No Pool
	£m	£m	£m	£m
Top-Up	9.083	9.375		9.375
Tariff			-9.747	

**Table 7: Business Rates Funding Under the pre-pool arrangements set out in the 2017/18 Final Settlement**

Merton	2017/18	2018/19
	£m	£m
Business Rates Baseline	24.500	25.288
Top-Up	9.083	9.375
Baseline Funding	33.583	34.663

**Table 8: In terms of the 2018/19 Final Settlement with pool**

Merton	2018/19 Final Settlement 2017/18	2018/19 Final Settlement 2018/19
	£m	£m
Baseline Funding	34.663	44.662
Add:		
RSG – to be replaced by NDR	10.071	0
Settlement Funding Assessment	44.734	44.662

The slight downwards adjustment to baseline funding in 18/19 is because of the move from RPI to CPI inflation, which will be compensated for through a Section 31 grant.

- 2.2.5 Further details regarding how the 100% business Rates Pilot Pool and the latest information contained in the NNDR1 return will impact on Merton's MTFS are included in paragraph 9 of this report.

### 3. Review of Corporate and Technical Provisions

- 3.1 Previous reports to Cabinet have set out the details and assumptions on which the budget has been formulated. The latest information is set out in the following paragraphs.

#### 3.2 Review of Technical and Corporate Provisions

- 3.2.1 Technical and corporate adjustments incorporated in the MTFS have been reported to Cabinet throughout the business planning process for 2018/19.

3.2.2 The key assumptions included in the MTFS have been continually reviewed and updated as the budget process has developed. It should be noted that any one-off adjustments will need to be addressed in future years. The latest information is set out in the following paragraphs:-

### 3.3 Inflation

3.3.1 Predicting the level of inflation over a four year period with accuracy is not easy, particularly in the current economic climate and given the size of the Council's budget can lead to large variances if the actual inflation levels vary from the assumptions.

#### 3.3.2 Pay

As reported to Cabinet in December 2017, on 5 December 2017 the National Joint Council made the following offer to unions:-

Council employees have been offered a two-year pay increase from 1 April 2018. The majority of employees - those on salaries starting at £19,430 per annum - would receive an uplift of 2 per cent on 1 April 2018 and a further 2 per cent on 1 April 2019, with those on lower salaries receiving higher increases. The offer also includes the introduction of a new national pay spine on 1 April 2019.

The total increase to the national pay bill resulting from this offer is 5.6 per cent over two years (covering the period 1 April 2018 to 31 March 2020). This pay offer does not apply to council chief executives, senior officers, teachers or firefighters, who are covered by separate national pay arrangements.

The three unions representing local government staff will now put the offer to their respective committees for consideration. On 15 January 2018 it was announced that Unite has voted unanimously to reject the pay offer and is recommending members also reject it in a consultative ballot.

The provision for pay inflation was last reviewed in September 2017 using the approved budget for 2017/18. The National Employers estimate that:-

- This first year of the pay offer would increase the national paybill by 2.707%
- This second year of the pay offer would increase the national paybill by 2.802%
- The total increase to the national paybill over the two-year period would be 5.584%

Using these estimates the latest forecasts of pay inflation included in the MTFS are:-

**Table 9: Provision for Pay Inflation**

(Cumulative)	2018/19	2019/20	2020/21	2021/22
Pay inflation (%)	2.707%	2.802%	1.0%	1.0%
Revised Estimate (cumulative £000)	2,108	4,290	5,069	5,848

In the Autumn Budget 2017, the Chancellor of the Exchequer announced that in 2018-19, for those workforces covered by an independent Pay Review Body (PRB), the relevant Secretary of State will shortly write to the PRB Chair to initiate the 2018-19 pay round, before later submitting detailed evidence outlining recruitment and retention data and reflecting the different characteristics and circumstances of their workforce. Each PRB will then make its recommendations in the spring or summer, based on the submitted evidence. Secretaries of State will make final decisions on pay awards, taking into account their affordability, once the independent PRBs report.

### 3.3.3 Prices

The Consumer Prices Index (CPI) 12-month rate was 3.0% in January 2018, unchanged from December 2017. The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.7% in January 2018, also unchanged from December 2017.

The largest downward contribution to change in the rate came from prices for motor fuels, which rose by less than they did a year ago. The main upward effect came from prices for a range of recreational and cultural goods and services, in particular, admissions to attractions such as zoos and gardens, for which prices fell by less than they did a year ago. The RPI 12-month rate for January 2018 stood at 4.0%, down from 4.1% in December 2017.

#### 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. At its meeting ending on 7 February 2018, the MPC voted unanimously to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion. The February 2018 Inflation Report was published on the 8 February 2018.

In the February 2018 Inflation Report, the MPC noted that "CPI inflation has remained around 3%. The overshoot of the 2% target is almost entirely due to the effects of higher import prices, following the depreciation of sterling. As these effects begin to diminish, inflation is

expected to fall, but the recent rise in oil prices means that fall is more gradual in the near term than projected in November. Alongside that, wage growth appears to be picking up, suggesting building domestic cost pressures.”

In the minutes to its February 2018 meeting the MPC commented that “The firming of shorter-term measures of wage growth in recent quarters, and a range of survey indicators that suggests pay growth will rise further in response to the tightening labour market, give increasing confidence that growth in wages and unit labour costs will pick up to target-consistent rates. On balance, CPI inflation is projected to fall back gradually over the forecast but remain above the 2% target in the second and third years of the MPC’s central projection..”

In terms of potential increases in Bank Base Rate over the period of the next MTFs, the MPC had the following to say in the February 2018 Inflation Report, “UK GDP growth is projected to remain around its current pace, a slightly stronger near-term outlook than in November, supported by strengthening global growth. While modest by historical standards, that pace of UK growth is more than sufficient to use up the limited slack remaining in the economy. Under a conditioning path that embodies just under three further 25 basis point rises in Bank Rate over the next three years, a small margin of excess demand emerges by early 2020 and builds thereafter. Inflation remains above the target as domestic inflationary pressures continue to firm.”

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 10: Forecasts for the UK Economy**

Source: HM Treasury - Forecasts for the UK Economy (January 2018)

	Lowest %	Highest %	Average %
2017 (Quarter 4)			
CPI	2.7	3.2	3.0
RPI	3.6	4.0	3.9
LFS Unemployment Rate	3.9	4.4	4.3
2018 (Quarter 4)			
CPI	1.8	3.0	2.4
RPI	2.6	3.9	3.2
LFS Unemployment Rate	3.8	4.9	4.4

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



Independent medium-term projections for the calendar years 2017 to 2021 are summarised in the following table:-

**Table 11: Five year Forecasts**

Source: HM Treasury - Forecasts for the UK Economy (November 2017)					
	2017	2018	2019	2020	2021
	%	%	%	%	%
CPI	2.7	2.6	2.1	2.1	2.0
RPI	3.6	3.4	3.1	3.2	3.1
LFS Unemployment Rate	4.4	4.4	4.5	4.4	4.5

The MPC's forecast of Bank Base Rate in the February 2018 Quarterly Inflation Reports is summarised in the following table:-

	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.4 2018	End Q.1 2019	End Q.2 2019	End Q.3 2019	End Q.4 2019	End Q.1 2020	End Q.2 2020	End Q.3 2020	End Q.4 2020	End Q.1 2021
Feb.'18	0.5	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.2

The current assumptions regarding price inflation incorporated into the MTFS are

**Table 12: Price inflation assumptions in MTFS**

(Cumulative)	2018/19	2019/20	2020/21	2021/22
Price inflation (%)	1.5%	1.5%	1.5%	1.5%
Revised Estimate (cumulative £000)	2,279	4,559	6,838	9,117

Clearly, this will be treated as a cash limit and if 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.

### 3.3.4 Excess Inflation on volatile budgets

There is also a corporate provision which is held to assist services that may experience increases greatly in excess of the inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand. There is no further change proposed.

**Table 13: Excess Inflation Provision**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Excess Inflation provision	378	450	450	450

The cash limiting strategy is not without risks but if current levels of inflation (3%) were applied un-damped across the period then the budget gap would change by c.£9m by 2021/22.

### 3.3.5 Income

The MTFS does not include any specific provision for inflation on income from fees and charges. However, service departments can identify increased income as part of their savings proposals.

### 3.4 Collection Fund

3.4.1 The Collection Fund is a statutory fund separate from the General Fund. It accounts for income from Council Tax and from NNDR (Business Rates).

3.4.2 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly. The audited accounts for 2016/17 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2017:-

**Table 14: Collection Fund Surplus/Deficit as at 31 March 2017**

	Surplus/ (deficit) as at 31/03/17 Outturn	Surplus/ (deficit) as at 31/03/17 Outturn	Total surplus/ (deficit) as at 31/03/17
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(449)	(449)
GLA	411	(180)	231
Merton	1,663	(269)	1,394
Total	2,074	(898)	1,176

3.4.3 A review of the Collection Fund, related bad debt provisions, write offs, and collection rates in 2017/18 and anticipated collection rates in 2018/19 has been undertaken. With respect to Business Rates, the NNDR1 return has been submitted (24 January 2018 deadline for London pilot pool) which analyses the estimated Business Rates for 2018/19, estimated surplus/deficit as at 31<sup>st</sup> March 2018 and estimated Section 31 Grant for 2018/19, and the allocations between Merton, Central Government, and the GLA. As part of the move to a London Pilot Pool for 100% Business Rate Retention there will be a change in shares of funding currently anticipated to 0% central government , 36% GLA and 64% Merton.

3.4.4 As a result of the further analysis, the estimated surplus/deficit on the Collection Fund as at 31<sup>st</sup> March 2017 is as follows:-

**Table 15: Collection Fund Surplus/Deficit as at 31 March 2018**

	Surplus/ (deficit) as at 31/03/18 Estimate	Surplus/ (deficit) as at 31/03/18 Estimate	Total surplus/ (deficit) as at 31/03/18
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(1,714)	(1,714)
GLA	406	(1,140)	(734)
Merton	1,653	(1,223)	430
Total	2,059	(4,077)	(2,018)

A more detailed summary of the calculations relating to the Collection Fund is included in Appendix 3 together with a copy of Merton's NNDR1 form for 2018/19.

### 3.5 Taxicards and Freedom Passes

- 3.5.1 These schemes are administered by London Councils on behalf of London boroughs. Initial information from London councils indicates that there is more than sufficient provision in the latest draft MTFS to fund the cost of these schemes in 2017/18. The latest available details are set out in the following table:-

**Table 16: Freedom Passes and Taxicards 2018/19**

<u>Budget 2017/18</u>	<b>£000</b>
Freedom Passes	9,029
Taxicards	113
Total Budget 2017/18	9,142
Increase allowed for in MTFS in 2017/18	450
Total Provision 2018/19 in latest draft MTFS	9,592
<b><u>Latest Details from London Councils</u></b>	
Charge to Merton for Freedom Passes	8,927
Charge to Merton for Taxicards	113
<b>Latest Estimated Cost for 2018/19</b>	<b>9,040</b>
<b>Estimated Surplus Provision in MTFS</b>	<b>552</b>

### 3.6 Contingency

- 3.6.1 The latest MTFS includes provision of £1.5m as a contingency to meet unforeseen cost and demand pressures, particularly those arising as the economy recovers from the recession.

### 3.7 Bad Debt Provision

3.7.1 The bad debt provision is calculated on the basis of an examination of debts within the council's financial systems to assess the probability of their collection. Due to effective and proactive debt management it is not considered that an increase in contribution will be necessary for 2018/19, even under the current economic circumstances. The level of provision will be kept under review within the MTFS.

### 3.8 Revenuisation

In recent budgets it has been recognised that some expenditure formerly included in the capital programme could no longer be justified as it did not meet the definition of expenditure for capital purposes. Nevertheless, it is important that some of this expenditure takes place and the following amounts are included in service department budgets for 2018-22:-

**Table 17: Revenuisation**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Revenuisation	1,997	1,997	1,997	1,997

The expenditure charged to capital during the current year is being closely monitored and is being reported through the monitoring report.

### 3.9 Pensions

3.9.1 The pension scheme was revalued based on data at 31st March 2016. Using the agreed assumptions, the Fund had assets sufficient to cover 94% of the accrued liabilities as at 31 March 2016. This increased from 89% in 2013. Based on a recovery period of 12 years the following amounts have been included in the MTFS to fund past service deficiency:-

**Table 18: Pension Fund – Past Service Deficiency**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Pension Fund contribution	3,469	3,552	3,635	3,718

3.9.2 The next valuation will be based on data at 31st March 2019 and the provision for past service deficiency will be revised from 2020/21 to reflect this.

3.9.3 The current employers' oncost rate on current employees is 15.2% and this is included in departmental salary budgets.

### 3.10 Local Election

3.10.1 The MTFS includes £350,000 in 2018/19 only for the cost of the local election.

### 3.11 Summary of Corporate and Technical Adjustments

3.11.1 The financial implications of the corporate and technical adjustments discussed in this report are summarised in Appendix 4.

## 4. **Proposed Amendments to Previously Agreed Savings and Growth**

4.1 Cabinet on 16 October 2017 and 11 December 2017 agreed some proposed amendments to savings and growth that had been agreed in previous year's budgets and also agreed that the financial implications should be incorporated into the draft MTFS 2018-22.

4.2 The change over the four year MTFS period resulting from these proposals is set out in the following table:-

**Table 19: Amendments to Previously Agreed Savings and Growth**

<b>SAVINGS TARGETS BY DEPARTMENT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Corporate Services	177	(103)	(74)	0	0
Children, Schools and Families	0	0	0	0	0
Environment and Regeneration	0	0	0	0	0
Community and Housing	930	(548)	0	0	382
<b>Total</b>	<b>1,107</b>	<b>(651)</b>	<b>(74)</b>	<b>0</b>	<b>382</b>
<b>Cumulative</b>	<b>1,107</b>	<b>456</b>	<b>382</b>	<b>382</b>	

4.3 Details of the all the amendments have been referred to Overview and Scrutiny Panels and the Commission for scrutiny in January 2018 (all proposals) as part of the overall Budget Consultation pack circulated to all Members.

## 5. **Departmental Savings Proposals 2018-22 and Service Planning**

5.1 The approach to setting savings targets for departments for this year's Business Planning process is again based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) :

(50%), have been applied which reduces the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also take into account the level to which departments have identified savings against targets set for previous years.

5.2 There has been a change this year to the approach adopted to setting savings targets:-

- To reduce the pressure on Children, Schools and Families and Community and Housing, no additional savings will be required from these departments until 2020/21, giving them time to identify and plan strategic savings over a longer term. However, this means the burden has fallen on Corporate Services and Environment and Regeneration departments in 2019/20 and savings targets have been apportioned for these two departments on a 50:50 basis, adjusted for controllable budgets.

5.3 Based on these assumptions and using the revised MTFs gap set out in the report to Cabinet on 18 September 2017, the new savings targets set were :-

**Table 20: Savings Targets agreed by Cabinet in September 2017**

<b>SAVINGS TARGETS BY DEPARTMENT</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>Total £000</b>
Corporate Services	0	2,363	1,911	169	4,443
Children, Schools and Families	0	0	3,328	132	3,460
Environment and Regeneration	0	3,256	3,352	262	6,870
Community and Housing	0	0	6,693	265	6,958
<b>Total</b>	<b>0</b>	<b>5,619</b>	<b>15,284</b>	<b>828</b>	<b>21,731</b>
<b>Cumulative</b>	<b>0</b>	<b>5,619</b>	<b>20,903</b>	<b>21,731</b>	

5.4 Service departments reviewed their budgets and formulated proposals to address their targets. One saving was agreed for Environment and Regeneration Department by Cabinet on 16 October 2017 and further savings for all departments were agreed by Cabinet on 11 December 2017 and referred to Overview and Scrutiny Panels and the Commission for scrutiny in January 2018 (all proposals) as part of the overall Budget Consultation pack circulated to all Members.

5.5 The proposals submitted by each department are summarised in the following table:-

**Table 21: Savings Proposals to Cabinet**

SUMMARY (cumulative)	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Corporate Services	0	1,014	187	40	1,241
Children, Schools & Families	0	0	150	0	150
Environment & Regeneration	0	580	95	75	750
Community & Housing	0	500	1,100	0	1,600
Total	0	2,094	1,532	115	3,741
Net Cumulative total	0	2,094	3,626	3,741	

5.6 If all of the proposals are accepted, the balance remaining to find is:-

**Table 22: Balance of Savings Targets still to find**

	Targets £'000	Proposals £'000	Net change - replacements £'000	Balance £'000
Corporate Services	4,443	(1,241)	0	3,202
Children, Schools & Families	3,460	(150)	0	3,310
Environment & Regeneration	6,870	(750)	0	6,120
Community & Housing	6,958	(1,600)	382	5,740
Total	21,731	(3,741)	382	18,372

5.7 Where departments have not met their target or put forward options that are deemed not to be acceptable then the shortfall will be carried forward to later meetings and future years budget processes to be made good.

5.8 It is important that this balance remaining is kept in focus for future years budget setting processes since the balance remaining on the MTFS in the latter years are significant and will not be addressed without contributions from ongoing savings in departmental budgets.

5.9 Feedback from the Scrutiny Process:-

5.9.1 Comments from the Overview and Scrutiny Commission on 25 January 2018 are provided in a separate report on the agenda for this meeting.

5.9.2 Cabinet are asked to review the feedback from the Scrutiny process and make recommendations as appropriate.

5.10 Financial Implications of Changes arising from response to Scrutiny

5.10.1 The draft MTFS shown in Appendix 7 does not include the impact of any changes recommended by Overview and Scrutiny Commission. If Cabinet decide to accept any or all of the recommendations, the MTFS reported to Council on 28 February 2018 will be amended to reflect this.

## 6. **Budgetary Control 2017/18**

6.1 The revenue budgetary control information below summarises the corporate position using the latest available information as at 31<sup>st</sup> December 2017 as shown in a separate report on the agenda for this meeting. As at 31<sup>st</sup> December 2017, there is a forecast overspend for the Council of £0.577m.

6.2 The overspend of £0.577m is made up as follows :-

▪ departmental overspend	£1.839m
▪ corporate underspend	<u>(£1.262m)</u>
	£0.577m

6.3 Where appropriate any implications arising from these projections will be incorporated into the Medium Term Financial Strategy for 2018-22.

## 7. **Capital Financing and Treasury Management**

### Treasury Management, Capital Financing and Investment Income:

7.1 Details are included in Section 5 of this report. Capital financing costs are derived from the draft capital programme which is discussed in Section 4 and estimated revenue funding is built into the MTFS for the level of borrowing that is expected.

7.2 Details relating to how the capital programme has changed from that approved by Council in March 2017 to the capital programme for 2018-22 are discussed in Section 4 of this report and related appendices. The capital programme has continued to be subject to major review as part of monthly monitoring and the process of developing the Business Plan for 2018-22.

7.3 In addition to reviewing the capital programme, focus has also been maintained on the treasury management aspects of funding the programme, to improve forecasts of available funding and to minimise as far as possible the costs of funding capital. This has included improved cash flow forecasting to enable the programme to be funded from capital receipts and internal resources for as long as possible to take advantage of current low levels of interest. Work is also continuing to ensure that grants and contributions are utilised effectively and this work will continue into the closing of accounts process for 2017/18 to ensure that the revenue impact of the capital programme is minimised in 2018/19 and beyond.

7.4 The revenue budget implications of the capital programme 2018-22 compared to those included in the MTFS approved by Council in March 2016 are summarised in the following table:-



**Table 23: Summary of Capital Financing Costs and movement since 2017/18**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Budgeted Capital financing costs of Programme approved by Council 1/03/2017	<b>10,917</b>	<b>12,290</b>	<b>12,917</b>	<b>13,114</b>
Change in MRP policy agreed by Council on 22 November 2017	(3,474)	(1,526)	(1,392)	(1,264)
Change arising from recalculation of charges including financing and review and re-profiling of capital programme as set out in Section 4	201	376	712	1,094
Estimated capital financing costs of Capital Programme 2018-22	<b>7,644</b>	<b>10,388</b>	<b>12,237</b>	<b>12,944</b>

7.5 The analysis of the budget for capital financing costs and investment income is set out in the following table:-

**Table 24: Details of Budgets for capital financing costs**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
MRP	2,088	4,706	6,431	7,217
Interest	6,315	6,315	6,315	6,213
<b>Capital financing costs</b>	<b>8,403</b>	<b>11,021</b>	<b>12,746</b>	<b>13,430</b>
Investment Income	(759)	(633)	(509)	(486)
<b>Net</b>	<b>7,644</b>	<b>10,388</b>	<b>12,237</b>	<b>12,944</b>

## 8 GENERAL FUND BALANCES AND RESERVES

8.1 In determining an appropriate level of general fund balances previously, an analysis of the overall expenditure of the authority had been prepared. An updated version of this analysis has been prepared and is attached as Appendix 10. The overall level of balances is summarised below and compares with current GF balances of £12.778m as shown in the final accounts for 2016/17, but will need to be adjusted for outturn, with a projected overspend of £0.577m, leaving a balance of £12.201m.

**Table 25: Indicative range of balances**

	Min	Medium	Max
	£m	£m	£m
Level of balances	12.09	18.01	24.27

- 8.2 An alternative approach would be to look at a percentage based on the net spending of the authority. From the Audit Commission's report "Striking a Balance", most Chief Officers regarded an amount of between 3 and 5 per cent as a prudent level and the minimum the auditors would consider prudent. There are also some other areas of risk and unknowns in relation to the localisation of business rates and how this impact will flow thorough, in particular in relation to appeals. There is now an amount calculated for Merton called the safety net, below which income must fall before Merton becomes entitled to funding from central government. This approach is set out below, using an amount of 5 per cent.

**Table 26: Indicative level of balances**

	£m
Net spending	7.3
Safety Net	1.3
Appeals	3.2
Level of balances	11.8

- 8.3 The average level of General Fund balances for outer London boroughs for 2016/17 was £15.025m, with a low of £8.018m and a high of £38.738m.
- 8.4 A review of all reserves has been undertaken and details are shown in Appendix 8. This shows the level of earmarked reserves falling from £28.6m to £6.3m by 31 March 2022.
- 8.5 The average level of earmarked reserves (excluding schools and HRA) for outer London boroughs for 2016/17 was £59.478m, with a low of £25.932m and a high of £128.912m. Merton, with £40.235m (excluding schools) is ranked 13<sup>th</sup> lowest out of 20 outer London boroughs.

## 9. Revenue Support Grant and Baseline Funding (Non-Domestic Rates)

- 9.1 Details of the information included in the Provisional Local Government Finance Settlement with respect to RSG and Business Rates were included in the report to Cabinet in January 2018. The Final Local Government Finance Settlement was announced on 6 February 2018 and the main changes are summarised in paragraph 2 and Appendix 2 of this report.
- 9.2 Update arising from completion of the NNDR 1 Return and assuming the London 100% Business Rates Pilot Pool proceeds
- 9.2.1 Revenue Support Grant  
Under 100% Business Rates Retention, Revenue Support Grant will be replaced by Business Rates.

### 9.2.2 Updating potential Business Rate Funding following NNDR1 Submission

The latest information available regarding potential resources from Business Rates is contained in Merton's NNDR1 form which has been completed and submitted to the DCLG and the City of London Corporation who are administering the pilot pool arrangements.

Merton's NNDR1 return is attached as Appendix 3. The NNDR1 return provides the following key information that is used to inform Merton's budget process and MTFS as well as providing key information to both the DCLG and the GLA:-

- Estimated Surplus/Deficit on the Collection Fund in respect of 2017/18 and the shares for Merton, central Government and the GLA
- Merton's estimated non-domestic rating income for 2018/19 and the shares for Merton, central Government and the GLA
- The amount of Section 31 grant to be received from Central Government to Merton and the GLA to compensate authorities for the cost of changes to the business rates system announced in the 2013 to 2016 Autumn Statements and 2017 (November) Budget

### 9.2.3 Financial implications of the NNDR1 for Merton's MTFS

#### a) Estimated Surplus/Deficit:

Based on the information from Merton's final outturn for 2016/17 (as per the NNDR3 return) and latest estimates for the level of appeals and required Bad Debt Provision, there will be an estimated deficit of £4.077m on the Collection Fund at 31 March 2018.

This will be shared as follows:-

**Table 27: Share of Deficit on Collection Fund – Business Rates**

	£m
Merton	1.223
GLA	1.140
Central Government	1.714
Total	4.077

#### b) Share of 2018/19 Business Rates

Assuming that the pool proceeds Merton will share its Business Rates income with the GLA in the ratio 64:36.

The total estimated Business Rates for 2018/19 of £87.981m will therefore be shared as follows:

**Table 28: Share of Business Rates 2018/19**

	£m
Merton	56.308
GLA	31.673
Total	87.981

Under the pilot pool arrangements, Merton will become a tariff authority and the Final Local Government Finance Settlement indicates that Merton's tariff will be £9.747m which means that Merton's estimated share of Business Rates income would be £46.561m in 2018/19.

c) Amount of Section 31 grant due from Central Government to compensate for reliefs

Merton's estimated share of Section 31 grant due in 2018/19 is £3.440m which is based on a 64% share under the pilot pool arrangements.

d) Impact on 2018/19

The overall change in resources compared to the MTFs reported to Cabinet in January 2018 is as follows:-

**Table 29: Impact of NNDR1 on MTFs**

	2018/19 (MTFS – Cabinet January 2017)	Latest Based on NNDR1/Final Settlement/London Councils "No Worse" Off Calculation	Change
	£m	£m	£m
RSG	10.071	0	(10.071)
NNDR	36.304	45.636	9.332
Share of Deficit	(0.649)	(1.223)	(0.574)
Section 31 Grant	0	1.975	1.975
Total	45.726	46.388	0.662

The latest figures use the data from Merton's NNDR1 and the Final Local Government Finance Settlement together with the methodology adopted by London Councils' in their London Pilot Pool model. This produces the amount of NNDR and Section 31 grant Merton would receive on a "No worse Off" basis which the Government guaranteed as a condition of participation in the pool.

9.2.4 Impact of London 100% Business Rates Pilot Pool

The City of London Corporation is consolidating the NNDR1 returns from all London boroughs. Final figures for Merton's actual NNDR and Section 31 grant will not be known until all London boroughs have submitted audited NNDR 3 returns in the summer. It is impossible to estimate the final figure for Merton's resources at this stage.

10. **Council Tax Strategy**

10.1 The Government's council tax referendum principles are set out in the Final Local Government Finance Settlement in the "The

Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19". The Government has decided to make changes to the council tax referendum principles in line with higher inflation and the pressure on services such as social care. The main change is that the Government will increase the council tax referendum threshold in 2018-19 and 2019-20 from 2% to 3% for the portion of the authority's council tax increase that has not been hypothecated for ASC. The increase in 2019/20 has been allowed for in the MTFs. A 2.99% Council Tax increase in 2018/19 would raise an additional £2.5m.

- 10.2 For 2018-19, the relevant basic amount of council tax of an authority such as Merton is excessive if the authority's relevant basic amount of council tax for 2018-19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure), or more than 6%, greater than its relevant basic amount of council tax for 2017-18.

## 11. Council Tax Base

- 11.1 Cabinet on 11 December 2017 agreed the Council Tax Base calculation for 2018/19. Details of the calculation are included as Appendix 3.

- 11.2 For 2018/19 the Council Tax Base has been calculated as:-

**Table 30: Council Tax Base 2018/19**

<b>Council Tax Base 2018/19</b>	74,124.0
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- 11.3 A separate council tax base calculation has been produced for the properties covered by the Wimbledon and Putney Common Conservators (WPCC) area. For 2018/19 the Council Tax Base for Wimbledon and Putney Commons Conservators has been calculated as:-

**Table 31: WPCC Council Tax Base 2018/19**

<b>WPCC Council Tax Base 2018/19</b>	11,308.8
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## 12. Greater London Authority Precept and Other Levies

- 12.1 The Greater London Authority (GLA) sets a budget for itself and each of the four functional bodies: Transport for London, the London Development Agency, the Metropolitan Police Authority, and the London Fire and Emergency Planning Authority. These budgets together form the consolidated budget.

- 12.2 On 21 December 2017, the Mayor of London published his draft revenue budget and capital spending plan for 2018-19 for consultation. This includes his draft budget proposals for the GLA (Mayor and Assembly), the Mayor's Office for Policing and Crime (MOPAC), the London Fire and

Emergency Planning Authority (LFEPA), Transport for London (TfL), the London Legacy Development Corporation (LLDC) and the new Old Oak and Park Royal Development Corporation (OPDC). On 17 January 2018 the Mayor published his draft consolidated budget for 2018-19

- 12.3 The draft consolidated budget proposes an increase in the Mayor's Band D council tax precept of £14.21 (5.1 percent) from £280.02 to £294.23 in 2018-19 for council taxpayers in the 32 London boroughs.
- 12.4 The Mayor's draft budget was considered by the London Assembly on 25 January 2018. Once final returns are made at the end of January 2018 by the 33 billing authorities in London in respect of their retained business rates forecasts and council tax bases for 2018-19 and collection fund surpluses and deficits for 2017-18, there will be changes to the precept calculations. These will be reflected in the Mayor's final draft budget for 2018-19, which will be considered by the Assembly on 22 February 2018. Following this the Mayor will confirm formally the final precept and GLA group budget for 2018-19.

## 12.5 Other Levies

- 12.5.1 The Council is required by statute to pay certain levies to the organisations listed below. The levies for 2018/19 have been confirmed and are set out in the following table:-

**Table 32: Other Levies**

	2017/18 £000	2018/19 £000	2018/19 Change %
London Pension Fund Authority	260	260	0%
Lee Valley Regional Park	190	179	(5.8%)
Environment Agency	164	168	2.4%

## 12.6 Wimbledon and Putney Commons Conservators (WPCC)

- 12.6.1 A separate precept is levied in respect of those residents of properties bordering the Wimbledon and Putney Commons. The amount is calculated on the basis of the amount levied by the Commons Conservators and the Band D Council Tax in respect of the WPCC precept in 2018/19 will be £331,349, an increase of £12,906 (4.1%) from the 2017/18 levy of £318,443.

**Table 33: Wimbledon and Putney Commons Conservators Precept**

	2017/18 £000	2018/19 £000	Change %
Wimbledon & Putney Commons Conservators	318	331	4.1%

12.6.2 The average Band D cost to a council taxpayer in the WPCC area has changed from £28.61 in 2017/18 to £29.30 (+2.4%) in 2018/19.

### 13. CONCLUSIONS

13.1 It is a statutory requirement that the council sets a balanced budget in 2018/19.

13.2 In accordance with sections 52ZY and 68 of the Local Government Finance Act 1992 ('the 1992 Act'), section 139A of the Local Government Finance Act 1988, and section 230 of the Local Government Act 1972 authorities are required to supply information required to measure whether any proposed Council Tax increase is in excess of the principles laid down requiring a local referendum.

13.3 The Government return is the Council Tax Requirement form CTR1 and authorities are required to complete and submit this to the Ministry of Housing, Communities and Local Government within 7 days of approving their Council Tax requirements.

13.4 The Medium Term Financial Strategy assumes that all of the corporate provisions and proposals for savings, in 2018/19 discussed in this report are agreed and if this is the case, the following financial position is achieved:-

**Table 34: Average Band D Council Tax**

<b>Average Council Tax Calculation at Band D</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>
Budget Requirement	145.314	144.333
RSG + Business Rates + Transition	(51.004)	(45.636)
Section 31 Grant (NNDR)	(1.035)	(1.975)
New Homes Bonus	(4.150)	(2.371)
PFI Grant	(4.797)	(4.797)
ASC Improved BCF	0	(2.115)
Collection Fund Surplus (Net)	(1.766)	(0.430)
Council Tax Requirement	82.562	87.009
Council Tax Base	72,442.3	74,124
<b>Average Council Tax</b>	<b>1,139.71</b>	<b>1,173.83</b>

13.5 The calculation of Band D council tax for properties outside the Wimbledon and Putney Commons Conservators area is as follows:

**Table 35: Council Tax calculation**

<b>Council Tax Calculation Band D</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>
Budget requirement	145.314	144.333
WPCC	(0.318)	(0.331)
RSG + Business Rates (inc. S.31 grant) + Transition	(52.039)	(47.611)
New Homes Bonus	(4.150)	(2.371)
PFI Grant	(4.797)	(4.797)
ASC Improved BCF	0	(2.115)
Collection Fund Surplus	(1.766)	(0.430)
Balance to be met from Council Tax	82.244	86.678
<b>Implied Council Tax (Band D)</b>	<b>1,135.31</b>	<b>1,169.36</b>

- 13.6 The implications for the level of Council Tax on a Band D property, including the GLA precept are set out as follows:-

**Table 36: Band D Council Tax**

<b>Council Tax at Band D</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>% change from 2017/18</b>
Merton (exc. WPCC)	1,135.31	1,169.36	3.0%
GLA Precept (Provisional)	280.02	294.23	5.1%
<b>Implied Council Tax at Band D</b>	<b>1,415.33</b>	<b>1,463.59</b>	<b>3.4%</b>

- 13.7 A summary Statement of Council Tax requirements and balances based on the proposals set out in this report is attached as Appendix 6, and a revised MTFs summary incorporating the proposed changes set out in this report is provided at Appendix 7.

## 14. Risk Management

- 14.1 The management of risk is strategically driven by the Corporate Risk Management Group. This is the central hub of a number of council mechanisms for risk management including a Corporate Key Strategic Risk Register, departmental risk registers and project risk registers. The group collates on a quarterly basis the headline departmental risks and planned mitigation activity from each department, project and partnership, to be put forward for discussion at CMT. Reports on risk are made through the General Purposes to cabinet and council. Developing a corporate business plan and setting a balanced budget 2018-22 and beyond has been highlighted as a key strategic risk on the corporate risk register.
- 14.2 Currently c.£10 million of savings are being progressed for 2017-18, coupled with a further c. £11.6m of savings identified for 2018-22.



Current practice is to monitor delivery of savings as part of the monthly Business Plan Monitoring, it is envisaged that given the size of the savings target over the next three years, additional mechanisms may need to be established to monitor more transformational and longer term projects.

## 15. Summary

- 15.1 Taking into account the changes that have taken place since the Cabinet meeting in January, before taking into account any changes that Cabinet are minded to make following the feedback from Scrutiny, the budget gap in the MTFS has changed to the following:-

**Table 37: Cumulative MTFS Gap 2018-2022**

Cumulative	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Gap exc. Savings	5,411	11,234	27,023	29,213
Savings	(5,411)	(9,875)	(11,481)	(11,596)
Gap Net of Savings	0	1,359	15,542	17,617

## 16 Future Years

- 16.1 As indicated in the updated MTFS there is a gap between the forecast level of resources and budget requirements for later years which will need to be addressed if balanced budgets are to be set for those years. The updated MTFS is set out in Appendix 7.
- 16.2 The budget process for 2019/20 will commence in the new financial year and some of the options available to the Council to eliminate the budget gaps include:-
- Savings – reduction/deletion of services
  - Savings – efficiencies including procurement
  - Income – increase in fees and charges/new sources of income/commercialisation
  - Council Tax increase
  - Adult Social Care Precept
  - Use of balances

## 17. Positive Assurance Statement

- 17.1 Section 25(2) of the Local Government Act 2003 requires the Chief Financial Officer of an authority to report on:

- (a) the robustness of the estimates made for the purposes of the calculations, and

(b) the adequacy of the proposed financial reserves.

In doing so, the Director of Corporate Services has had particular regard to the guidance offered by the Chartered Institute of Public Finance and Accountancy and the views of the Council's external auditor.

- 17.2 One of the Council's stated priorities is to keep council tax low. To achieve this, the Council must have regard to the major risks to its financial position and in particular:
- The current economic position
  - Whether budget setting and monitoring processes are robust and effective
  - Demand pressures on the budget
  - Identifying and achieving cost and income improvements
  - Risks to Government funding levels
  - Risks to other income streams
- 17.3 Since 2010 local government finance issues have been dominated by cuts in government funding and pressure to keep council tax increases down with a recent change in emphasis to allow council tax increases to help alleviate service pressures, particularly in adult social care. This year's Financial Settlement includes an increase in the Council Tax referendum threshold for 2018-19 to 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure). Alongside this, the Government has approved the London Business Rates Pilot pool for 2018/19 and all London boroughs have signed up to participate in this.
- 17.4 However, this has been approved for 2018/19 only at this stage so there is no long term certainty going forward and the Government have announced that they intend to move to a system of 75% business rates retention across local government in 2020-21. This appears to be a step back from 100% Business Rate Retention previously heralded but this will require primary legislation. This has introduced uncertainty as it is unclear whether 75% is an average and pilots trialling 100% business rate retention will continue in the longer-term.
- 17.5 The longer term position is also made more uncertain by potential changes in the way Government Funding is allocated. In the Local Government Finance Settlement, the Government issued a technical consultation paper "Fair funding review: a review of relative needs and resources" with the objective to set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best evidence available. The Government proposes to work towards an implementation date for the review of 2020/21 and the review will include:-
- setting new baseline funding allocations for local authorities,

- delivering an up-to-date assessment of the relative needs of local authorities. to enable redistribution of business rates between local authorities
  - examining the relative resources of local authorities including how council tax income should be taken into account when redistributing business rates at local government finance settlements, and will also consider other potential sources of income available to councils,
- 17.6 The redistribution of resources arising from the review could therefore have significant, ongoing implications for the Council's Medium Term Financial Strategy from 2020/21 onwards and although the MTFS shows significant progress to date towards a balanced budget over the next two years there is a large budget gap from 2020/21 onwards still to be addressed, with increases in council tax already built in.
- 17.7 The Council has sufficient reserves to deal with such a position in the short term and will be reviewing transformation of the authority to identify further saving opportunities over the next four year budgeting period. The Council's reserves and their usage is linked to both the capital and revenue budget. A list of the current reserves held by the Council is attached at Appendix 8. Reserves are likely to reduce overall, and this is a result of their use for the purposes they were established and in order to address pressures in demand-led budgets. The overall level therefore remains adequate.
- 17.8 It should be noted that the Pension Fund Reserve is, in common with many other Pension Funds, showing a large deficit. The Council has a long term recovery plan for the fund and expects employer funding requirements to be improved by the outcome of the Governments proposed changes to public sector pension schemes and the implementation of the revised Pension Fund Investment Strategy. Balancing this, the expected reducing numbers contributing to the fund over time will increase pressure on employer contribution rates.
- 17.9 Chief Officers have reviewed their budgets in line with departmental finance officers and are confident that the budgets set for their services are robust and with the corporate contingency will meet the strategic objectives and performance targets set out in the Business Plan.
- 17.10 In summary, it is the view of the Chief Financial Officer (being the Director of Corporate Services) that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are adequate.

**DRAFT RESOLUTIONS****Revenue Report:**

1. Members consider the views of the Overview and Scrutiny Commission set out in a separate report on the agenda (Item 6), and approve the proposed budget for 2018/19 set out in Section 2 of the revenue report, together with the proposed Council Tax levy in 2018/19.
2. That it be noted that at its meeting on 11 December 2017 the Council calculated its **Council Tax Base for the year as 74,124** in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012(SI 2012: 2914).
3. That it be noted that the Council calculated the **Wimbledon and Putney Commons Conservators (WPCC) Tax Base for the year as 11,308.8** in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.
4. That the Council agrees 4(a) - 4(i) below, which are calculated in accordance with Section 31A to 49B of the Localism Act 2011, amending Section 32 of the Local Government Finance Act 1992.
  - a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act

	<b>£m</b>
Gross Revenue Expenditure of Service Committees	554.121
Corporate Provisions	(2.725)
Amounts Payable to the Levying Bodies	0.938
Contribution to/(from) Financial Reserves	(1.342)
<b>Gross Expenditure</b>	<b>550.992</b>

- b) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act

	<b>£m</b>
<b>Gross Income</b>	<b>463.983</b>

NB: The final analysis of gross expenditure and income may vary from the figures shown above as a result of some minor changes in allocations e.g. Final LGF Settlement

- c) being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31(4) of the Act, as its Council Tax Requirement for the year

	£m
Council Tax Requirement for the Council's own purposes for 2017/18 (including special expenses re WPCC)	<b>87.009</b>

d) being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of revenue support grant, and baseline funding (NNDR) to constitute the Council's formula grant

	£m
Revenue Support Grant including Transition Grant	<b>0</b>
Baseline funding NNDR inc. top-up & Section 31 Grant	<b>49.996</b>
Settlement Funding Assessment	<b>49.996</b>

e) being the amount at 4(c) above, divided by the amount for Council Tax Base at 2 above, calculated by the Council above, in accordance with Section 31B of the Act as the basic amount of its Council Tax for the year (including special items (WPCC)).

	£
<b>Merton's General Band D Council Tax Levy (including properties within Wimbledon and Putney Commons Conservators area)</b>	<b>1,173.83</b>

f) being the aggregate amount of all special items referred to in Section 34(1) of the Act

	£
<b>Wimbledon and Putney Commons Conservators Special Levy</b>	<b>331,349</b>

g) being the amount at 4(e) above, less the result given by dividing the amount at 4(f) above by the amount of the Council Tax Base at 2 above in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items (WPCC special levy) relates.

	£
<b>Merton's General Band D Council Tax Levy (excluding WPCC)</b>	<b>1,169.36</b>

h) being the amounts given by adding to the amount at 4(g) above, the amounts of the special item or items relating to dwellings in the area of Wimbledon and Putney Commons Conservators (WPCC) mentioned above at 4(f) divided by the amount at 3 above, calculated in

accordance with Section 34(1) of the Act, as the basic amounts of its Council Tax for the year for dwellings in the area of WPCC.

	<b>£</b>
<b>Wimbledon and Putney Commons Conservators Band D</b>	<b>1,198.66</b>

- i) being the amounts given by multiplying the amounts at 4(g) and 4(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 30 and 36 of the Local Government Finance Act 1992, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Part of the Councils Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
	779.57	909.51	1,039.43	1,169.36	1,429.21	1,689.08	1,948.93	2,338.72
Parts inc. WPCC	799.10	932.30	1,065.48	1,198.66	1,465.02	1,731.40	1,997.76	2,397.32

5. To note that the Greater London Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below, and that the Council agrees the Council Tax levy for 2017/18 by taking the aggregate of 4(i) above and the Greater London Authority precept.

Precepting Authority	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
G L A	196.15	228.85	261.54	294.23	359.61	425.00	490.38	588.46

For information purposes this would result in the following Council Tax Levy for Merton residents:-

Part of the Council's Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
	975.72	1,138.35	1,300.97	1,463.59	1,788.83	2,114.08	2,439.31	2,927.18
Parts inc. WPCC	995.26	1,161.14	1,327.02	1,492.89	1,824.64	2,156.40	2,488.15	2,985.78

**LOCAL GOVERNMENT FINANCE SETTLEMENT 2018/19**

1. Details of the provisional Local Government Settlement were published on 19 December 2017. On 6 February 2018 the Final Local Government Finance Settlement was announced.
2. This section sets out the main details set out in the Final Settlement and assesses the implications for Merton's finances as set out in the Medium Term Financial Strategy (MTFS).
3. The main change in the Final Settlement was the announcement of an extra £150m Adult Social Care Grant to be distributed on the basis of the Adult Social Care relative need formula. London boroughs receive £23.2m (15.5% of the England total and Merton's allocation is £0.467m).
4. The figures for tariffs and top-ups within the Business Rates retention figures have been revised to amend an error in the Valuation Office Agency's original data. This has very small impact on Merton's figures of £5k in 2018/19 and £2k in 2019/20.
5. The Final Settlement outlined core funding allocations (Settlement Funding Assessment (SFA) for local authorities for the two year period 2018-19 to 2019-20.
6. The Settlement Funding Assessment is the total of Revenue Support Grant (RSG) and Baseline Funding (BF) from Business Rates.

	2016/17 Final	2017/18 Final	2018/19 Final	2019/20 Illustrative
Merton (£m)	55.5	48.5	44.7	40.4
Annual % Change	-	-12.6%	-7.8%	-9.6%
Cumulative % change	-	-12.6%	-19.5%	-27.2%
England (£m)	18,601.5	17,905.0	16,943.1	14,550.8
Annual % Change	-	-3.7%	-5.4%	-14.1%
Cumulative % change	-	-3.7%	-8.9%	-21.8%
London Boroughs (£m)	3,398.5	3,078.3	2,901.2	2,711.9
Annual % Change	-	-9.4%	-5.8%	-6.5%
Cumulative % change	-	-9.4%	-14.6%	-20.2%

7. Core Spending Power

There have been a number of changes to Core Spending Power in the 2018-19 Settlement. Adult Social Care Support Grant 2018-19 has been added for 2018-19 following the Final Settlement. The Transition grant that was awarded for 2016/17 and 2017/18 has been removed.

Core Spending Power includes two new funding elements in 2018-19 compared with 2017-18. These are compensation for under-indexing the business rates multiplier (i.e. the change from RPI to CPI indexation), and the separate returned funding for New Homes Bonus (previous Core Spending Power has only included the total NHB topsliced amounts).

Core Spending Power in 2018-19 is therefore made up of:

- Settlement Funding Assessment (although excluding changes relating to business rates pilots)
- Estimated Council Tax excluding Parish Precepts
- Additional revenue from referendum principle for social care
- Potential additional Council Tax revenue from referendum principle for all districts.
- Adult Social Care Support Grant 2018-19
- Improved Better Care Fund
- New Homes Bonus;
- Rural Services Delivery Grant
- Compensation for under-indexing the business rates multiplier

At the England level across the four years there will be a cumulative increase in spending power of £1.9 billion (4% in cash terms) from £43.7 billion to £45.6 billion. The equivalent figures for London boroughs are an increase of £186 million 2.8% from £6.7 billion to £6.8 billion.

However, as Core Spending Power includes a number of assumptions, this is unlikely to be an accurate reflection of the actual resources available to local authorities. In particular it assumes

- All authorities that are eligible raise the social care precept to its maximum in 2018-19 and 2019-20
- All authorities increase overall council tax by the maximum amount (2.99% in 2018-19 and 2019-20)
- Tax base increases at the same average rate for each authority as between 2013-14 and 2017-18
- New Homes Bonus allocations are based on the share of NHB to date

#### Detailed Breakdown of Core Spending Power – Merton

	Final	Final	Final	Illustrative	Annual Change (17-18 to 18-19)	Cumulative Change (16-17 to 19-20)
	2016-17	2017-18	2018/19	2019/20	%	%
Council Tax	78.9	82.6	89.2	93.8	8.0%	18.9%
Settlement Funding Assessment*	55.5	48.5	44.7	40.4	-7.8%	-27.2%
Compensation for under-indexing the business rates multiplier	0.5	0.5	0.8	1.1	60.0%	120.0%
Improved Better Care Fund	0	2.7	3.5	4.1	29.6%	-
New Homes Bonus	4.7	4.1	2.4	2.3	-41.5%	-51.1%
Transition Grant	0.6	0.6	0	0	-100.0%	-100.0%
Adult Social Care Support Grant	0	0.8	0.5	0	-37.5%	-
<b>Core Spending Power</b>	<b>140.2</b>	<b>139.8</b>	<b>141.1</b>	<b>141.7</b>	<b>0.9%</b>	<b>1.1%</b>

\* SFA figures do not reflect the London Business Rates Pilot Pool

#### 8. Council Tax

In recognition of “higher than expected inflation and the pressures on services such as social care and policing”, the Government has decided to make



changes to the council tax referendum principles. The main change is that the Government will increase the council tax referendum threshold in 2018-19 and 2019-20 from 2% to 3% for the portion of the authority's council tax increase that has not been hypothecated for Adult Social Care.

The Final Settlement confirmed that the referendum threshold is set in line with inflation at 3%. In addition, local authorities with responsibility for social care may levy a precept to spend exclusively on adult social care. This precept equates to up to 6% over 3 years, from 2017-18 to 2019-20, with a maximum increase of 3% in the first 2 years and 2% in the final year.

The flexibility to raise the Social Care Precept (SCP) up to a maximum of 6% over the three years to 2019-20, announced in last year's settlement, will continue as planned. Merton increased its Council Tax by 3% for the SCP in 2017/18 and the MTFs currently assumes that the remaining 3% will be used in 2018/19.

The financial projections in this report are based on the following levels of council tax increase:-

	2018/19 %	2019/20 %	2020/21 %	2021/22 %
Council Tax increase - General	0	2.99*	2	2
Council Tax increase - ASC	3	0	0	0
<b>Total</b>	<b>3</b>	<b>2.99</b>	<b>2</b>	<b>2</b>

\* The Government's assumption in the calculation of core spending power in the Final Local Government Finance Settlement is that local authorities increase their Band D council tax in line with the 3% referendum limit throughout the period to 2019-20.

## 9. Business Rates Retention

### 100% Pilots

The Government has confirmed that the five existing 2017-18 pilots will continue in 2018-19 and confirmed 11 new pilots for 2018-19, including the London pilot pool. All pilots will trial the principles of 100% retention and will see RSG (and rural services grants in two tier areas) given up for higher retained business rates. The new pilot areas are: London; Berkshire; Derbyshire; Devon; Gloucestershire; Kent & Medway; Leeds; Lincolnshire; Solent; Suffolk; and Surrey. These have been confirmed in the final settlement.

London Boroughs should have received "Designation Order" letters from DCLG. The deadline for any authority wishing not to accept the designation was therefore 16 January 2018.

The settlement consultation also commits the Government to continue to pilot future reform of the system in 2019- 20, with further details to be provided in 2018. It therefore stopped short of confirming the extension of the newly announced pilots for 2019/20.

Further retention

The Final Settlement also included an announcement that the government intends to move to a system of 75% business rates retention across local government in 2020-21. This will coincide with the start of the new funding baselines that the Fair Funding Review will establish (a consultation on that was been also published on 19 December 2017). This will include rolling in RSG, Rural Services Grant, GLA Transport Grant and Public Health Grant into Business Rate Retention, but did not mention any transfer of any other new responsibilities/grants.

Tariff and Top-up adjustments

Updated top-ups and tariffs for 2017-18, 2018-19 and 2019-20 were also published as part of the Final Settlement. As a result of the adjustments for the 2017 Revaluation, which altered tariffs and top ups for individual authorities, and levy rates for tariff authorities in 2017-18, there was a significant change to the business rates retention scheme. This aimed to ensure that, as far as possible, each local authority's income was the same immediately before and after the revaluation on 1st April 2017. A provisional adjustment to 2017-18 top-ups and tariffs was made based on draft rating lists (published 28 September 2016) and 2015-16 NNDR3 data (uprated for inflation).

In the Final Settlement, the adjustment has been finalised based on the most recent ratings list (published 5 October 2017) and 2016-17 NNDR3 data. Where there is a discrepancy between the final 2018/19 and final 2017-18 adjustment, the difference has been reconciled through a one-off adjustment to 2018-19 top-ups and tariffs.

Merton has been a top-up authority since the start of the Business Rates Retention Scheme. This will change if the London Business Rates Pilot Pool is implemented.

As the pilot is only being assumed for 2018/19 these revert to top-up authorities in 2019/20.

Top-up/ Tariff Amounts under pilot/no pilot

	2017/18 No Pool	2018/19 without a Business Rates Pool	2018/19 with a Pilot Business Rates Pool	2019/20 No Pool
	£m	£m	£m	£m
Top-Up	9.083	9.375		9.375
Tariff			-9.747	

In the 2017/18 Final Settlement which was prepared under the pre-pool arrangements, Merton's Settlement Funding assessment calculation was:-

Merton	2017/18	2018/19
	£m	£m
Business Rates Baseline	24.500	25.288
Top-Up/(Tariff)	9.083	9.375
<b>Baseline Funding</b>	<b>33.583</b>	<b>34.663</b>
Revenue Support Grant	14.963	10.071
<b>Settlement Funding Assessment</b>	<b>48.546</b>	<b>44.734</b>

In terms of the 2018/19 Final Settlement

Merton	2018/19 Final Settlement 2017/18	2018/19 Final Settlement 2018/19
	£m	£m
Business Rates Baseline	25.288	54.409
Top-Up/(Tariff)	9.375	(9.747)
<b>Baseline Funding</b>	<b>34.663</b>	<b>44.662</b>
Revenue Support Grant	10.071	-
<b>Settlement Funding Assessment</b>	<b>44.734</b>	<b>44.662</b>

#### Issues relating to the Pool that affect Merton

The figures included in the Final Settlement do not provide an accurate or meaningful representation of the resources that pilot authorities can expect from Business Rates in 2018/19. The level of resources from Business Rates that authorities include in their Budgets is based on the latest estimates as shown in the NNDR1 return.

In the Final Settlement Merton's Business Rates Baseline of £54.409m (Baseline £44.662m + Tariff £9.747) is equivalent to 64%. Grossed up to 100% suggests Merton's Business Rate yield in 2018/19 will be c.£85m

Based on this year's NNDR1 return, Merton's business rates yield for 2018/19 is expected to be c.£88m.

(£88m - £85m) x 64% = £1.92m which suggests Merton's business rates resources in 2018/19 could be improved upon, subject to appeals and review of bad debt provisions. Initial estimates by London Councils suggested this will be of the order of £3.5m.

One of the key pooling principles is that the first call on any additional resources generated by the pool would be to ensure that each borough and the GLA receives at least the same amount as it would without entering the pool.

Given the uncertainty that remains about the introduction of the pilot pool and the accuracy of data compared to outturn, at this stage Merton's share of business rates shown in the Council's NNDR1 Form has been used in the MTF5, rather than the one-off contribution indicated in the estimate provided by London Councils. The actual amount is likely to be confirmed by June 2019.

The figure for NNDR included in the MTF5 for 2018/19 assumes London Councils "No Worse Off" calculation which is the amount that Merton would receive using the latest NNDR1 data but without pooling arrangements. i.e. Using the guarantee that there is no loss arising from participation in the pool. On this basis Merton's NNDR and Section 31 Grant in 2018/19 would be :

	2018/19 £000
NNDR	45,636
Section 31 Grant	1,975
Total	47,611

10. Special and specific grants

The distribution of a number of grants was published alongside the Final Settlement. Within core spending power these include:-

- New Homes Bonus
- Improved Better Care Fund
- Rural Services Delivery Grant (not applicable to London)
- Compensation for under-indexing the business rates multiplier

Outside of the Final Settlement, allocations of a number of other grants have also been published including:-

- Lead Local Flood Authorities funding
- Flexible Homelessness Support Grant
- Homelessness Reduction Act new burdens funding

11. Public Health Grant allocations for 2018-19

In 2018/19 the total public health grant to local authorities is £3.215bn. The grant will be ring fenced for use on public health functions exclusively for all ages. The 2018/19 grant will be paid in quarterly instalments.

Merton's allocation for 2018/19 is £10.451m with an indicative allocation of £10.175m for 2019/20.

Unaccompanied Asylum Seeking Children Funding and Controlling Migration Fund

The Secretary of State announced £19 million of funding in 2017 to 2018 from within existing budgets, including the Controlling Migration Fund, to recognise

the good work that local authorities do in caring for unaccompanied asylum seeking children and to develop the skills and capacity to be able to support these very vulnerable children. Merton will receive £92k from this allocation

Merton's allocation from the Controlling Migration Fund is £56,815 and the grant is expected to support work to secure sufficient skilled foster carers for unaccompanied asylum seeking children (UASC), thus building foster care capacity for older children across the borough.

The schools funding settlement for 2018/19 has been published by the Department for Education and details of funding for Merton's schools are set out in Section 3 of this report.

## 12. New Homes Bonus

In December 2016, following consultation, the Government announced reforms to the Bonus. The Government has decided not to make any additional change to the baseline, below which the Bonus will not be paid, and it will remain at 0.4% for the 2018-19 allocations. It has retained the option of making adjustments to the baseline in future years. In September, the Government consulted on withholding part of the Bonus from authorities not planning effectively for new homes, but has decided not to implement any further reforms to the Bonus for 2018-19.

Final NHB allocations for 2018-19 have been published. London's share of the national total has stayed broadly the same at 21%, receiving £200 million of the £946 million national total. Overall NHB funding has fallen by £280.7 million (22.9%) as a result of the reforms announced last year. London boroughs' allocations have fallen by £60.3 million (23.1%). Funding for New Homes Bonus will be made up from £900 million provided from Revenue Support Grant, and an expected £46 million from departmental budgets.

In the Final Settlement last year, the DCLG provided the following details with respect to New Homes Bonus allocations:-

	2015-16 £m	2016-17 £ m	2017-18 £ m	2018-19 £ m	2019-20 £ m
New Homes Bonus	3.8	4.7	4.1	3.1	3.0

Comparing Merton's illustrative allocations in last year's Settlement with the latest ones in this year's Final Settlement shows a significant reduction:-

	2018-19 £ m	2019-20 £ m
New Homes Bonus – 2017/18 Settlement	-3.110	-2.984
New Homes Bonus – 2018/19 Settlement	-2.371	-2.301
Change (£m)	0.739	0.683
Change (%)	-24%	-23%

The reasons for this reduction are:-

- The number of affordable homes reduced from 124 in 2016 to 9 in 2017
- The number of empty properties brought back into use was +8 in 2016 and -93 in 2017.
- From 2018/19 the NHB moves to a four year funding basis from a five years basis.

13. Improved Better Care Fund

There is no change to the illustrative figures set following the March Budget announcement of further funding for iBCF. In 2018-19, the Government is providing £1.5 billion, rising to £1.8 billion in 2019-20 across England. London boroughs will receive £244 million in 2018-19 and £299 million in 2019-20. As confirmed in the allocation methodology last year, the allocation methodology takes into account the ability to raise Social Care Precept and therefore benefits those councils with lower capacity to raise council tax.

<b>Improved Better Care Fund</b>	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>
Merton	2.746	3.523	4.114

Compensation for under-indexing the business rates multiplier

At Autumn Budget 2017, the government announced plans to bring forward a move from RPI to CPI indexation of the business rates multiplier. This change will now take effect from 2018/19 instead of 2020/21. The Final Settlement confirmed the level of section 31 grant paid to local authorities in compensation for lost income. £250.0 million of funding will be made available in 2018/19, of which £44.3 million will be paid to London boroughs, rising to £375.5 million in 2019/20 (£66.5 million in London).

This new compensation grant has been included within Core Spending Power. Similarly, ongoing grants to compensate for the 2% multiplier caps in 2014/15 and 2015/16 have also been included within core spending power this year.

Merton's allocation for this is:-

Compensation for under-indexing the business rates multiplier	2017-18 £m	2018-19 £m	2019-20 £m
Merton	0.432	0.721	1.082

14. Lead Local Flood Authority Grant

The Government has also published Lead Local Flood Authority Grant allocations for 2018-19 (for the grant that sits outside the funding within SFA). London Boroughs will receive £0.8 million (from the national total of £4.1 million), rising to £0.87 million (out of £4.3 million) by 2019-20

Merton's allocation for this is:-

	2017-18 £m	2018-19 £m	2019-20 £m
Lead Local Flood Authority Grant			
Merton	0.172	0.175	0.179

15. Flexible Homelessness Support Grant

The Government has also published Flexible Homelessness Support Grant allocations for 2018- 19. London boroughs will receive £115.8 million in 2018-19 – this is 61% of the national total of £191.3 million.

Merton's allocation for this is:-

Flexible Homelessness Support Grant	2017-18 £m	2018-19 £m
Merton	0.406	0.481

16. Homelessness Reduction Act new burdens funding

Homelessness Reduction Act new burdens funding was published in October 2017. London boroughs will receive £30.2m(41%) of the England total of £72.7m over the three years to 2019-20.

Homelessness Reduction Act new burdens funding	2017-18 £m	2018-19 £m	2019-20 £m
Merton	0.157	0.144	0.136

## THE COLLECTION FUND, COUNCIL TAX BASE AND BUSINESS RATES

### 1. Introduction

- 1.1 This appendix summarises three key areas which are fundamental to the Council's revenue resource generation. It sets out the procedures and calculations that underpin each of them.

### 2. Collection Fund

- 2.1 The Collection Fund is a statutory fund separate from the General Fund. It accounts for income from Council Tax, including those properties within the Wimbledon and Putney Commons Conservators area. The bodies on whose behalf the council tax income has been raised are the Council and the Greater London Authority (which includes the services of the Metropolitan Police and the London Fire and Emergency Planning Authority (LFEPA)). The Council's demand on the Collection Fund is by its General Fund. The Greater London Authority's demand is expressed as a precept.
- 2.2 Under the localised arrangements for council tax support, the Collection Fund entries for council tax remain unchanged, and council tax discounts reduce the council tax base and the amount of collectable council tax income.
- 2.3 The Collection Fund also accounts for National Non-Domestic Rates and there have been significant changes to the treatment of NNDR due to the changes to local government funding arising from business rates retention and the Local Government Finance Act 2012 (Section 3, part 2). There are further changes in 2018/19 arising from the proposed pool to pilot 100% business rates retention in London. These are set out in more detail in paragraph 4.
- 2.4 The Collection Fund will account for receipts from business ratepayers, together with payments:
- to central government in respect of the central share. This will be zero in 2018/19 if the London pilot pool proceeds.
  - to/from central government in respect of transitional protection payments where applicable
  - to relevant precepting authorities in respect of their share of rating income, in Merton's case this is the GLA.
- 2.5 While there remains a single Collection Fund, local authorities now have to be able to separate the elements relating to council tax and non-domestic . rates and calculate separate surpluses and deficits on each.
- 2.6 A billing authority needs to ensure that its collection fund has sufficient resources to meet the demands on it at all times. To the extent that there is insufficient in the collection fund to meet those demands at any time, the



billing authority has temporarily to "borrow" from its general fund.

- 2.7 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly.
- 2.8 The audited accounts for 2016/17 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2017:-

	Surplus/ (deficit) as at 31/03/17 Outturn	Surplus/ (deficit) as at 31/03/17 Outturn	Total surplus/ (deficit) as at 31/03/17
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(449)	(449)
GLA	411	(180)	231
Merton	1,663	(269)	1,394
Total	2,074	(898)	1,176

### 2.9 Council Tax

The estimated surplus on the Collection Fund as at 31<sup>st</sup> March 2018 due to Council Tax is £2.059m. This is to be shared £1.653m (80%) to Merton and £0.406m (20 %) to the GLA.

### 2.10 NNDR

Since 2013/14, it is necessary to calculate the estimated surplus/deficit on the Collection Fund arising from Business Rates. This estimation is required as part of the council's NNDR1 Return which has to be submitted to the Department for Communities and Local Government (DCLG) by 31 January 2017. Part 4 of this return relates to the calculation of the estimated Collection Fund balance as at 31/3/18.

Based on the calculation in the Council's NNDR1 (Part 4) there is an estimated deficit on the Collection Fund as at 31<sup>st</sup> March 2018 due to NNDR of £4.077m. This is to be shared £1.714m (42%) to Central Government, £1.223m (30% to Merton) and £1.140m (28%) to the GLA.

## 3. **Council Tax Base 2018/19**

- 3.1 The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent).
- 3.2 Since 2013/14 the Council Tax Base calculation has been affected by the introduction of the new local council tax support scheme and technical reforms to council tax. On 30 November 2012, new regulations set out in the

Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) came into force. These regulations ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.

- 3.3 Under the regulations, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year.
- 3.4 The relevant amounts are calculated as
- number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year,
  - adjusted for the number of discounts, and reductions for disability, that apply to those Dwellings
- 3.5 All authorities notify the DCLG of their unadjusted Council Tax Base using a CTB Form and the deadline for return was 13 October 2017 and Merton met this deadline.
- 3.6 The CTB form for 2018/19 includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.
- 3.7 There is a separate council tax base for those properties within the area covered by Wimbledon and Putney Commons Conservators. The Conservators use this, together with the Council Tax bases from RB Kingston, and Wandsworth to calculate the levy which is charged each year.
- 3.8 Assumptions in the MTFS for calculating the 2018/19 Council Tax Base
- 3.8.1 In producing a forecast of council tax yield in future years, there are two key variables to be considered:-
- the year on year change in Council Tax Base
  - the council tax collection rate
- 3.8.2 The draft MTFS reported to Cabinet assumes that the Council Tax Base increases 0.5% per year and that the collection rate is 98.0% in each of the years.
- 3.9 Details of the Council's Tax Base calculation for 2018/19 were reported to Cabinet on 11 December 2017 and a Council Tax Base for Merton as a whole and for the Wimbledon and Putney Commons Conservators area was agreed as follows:-

<b>Council Tax Base</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Change</b>
			%
Whole Area	72,442.3	74,124.0	2.3%
Wimbledon & Putney Common Conservators	11,131.2	11,308.8	1.6%

### 3.10 Council Tax Yield 2018/19

3.10.1 Based on the latest information about Council Tax proposals for 2018/19 the estimated Council Tax yield for 2018/19 is:-

<b>Council Tax: Whole area</b>	<b>Tax Base</b>	<b>Band D 2018/19</b>	<b>Council Tax Yield 2018/19</b>	<b>Council Tax Yield 2017/18</b>
Merton - General	74,124.0	£1,102.25	£81.703m	£79.850m
Merton – Adult Social Care (3% in 2017/18)	74,124.0	£33.06	£2.451m	£2.395m
Merton – Adult Social Care (3% in 2018/19)	74,124.0	£34.05	£2.524m	-
WPCC	11,308.8	£29.30	£0.331m	£0.318m
GLA	74,124.0	£294.23	£21.810m	£20.285m

The amounts collected for the GLA and WPCC are paid over to each of them as precepts.

## 4. Business Rates

### 4.1 Introduction

The Local Government Finance Act 2012 entailed major changes to the funding of local government. From April 2013, the Government reformed the way in which local government is funded through the introduction of the business rates retention scheme. 2018-19 will be the sixth year of the rates retention scheme. From 2013/14 to 2016/17 for London boroughs, 50% of the income was paid to central government, the Greater London Authority (GLA) received 20%, leaving London boroughs with the remaining 30%. This changed in 2017/18 as part of the GLA pilot arrangements towards 100% retention of Business Rates by 2020. The 2017/18 changes for the GLA:-

- related to Transport for London (TfL) capital grant and the GLA's RSG was also funded from the central share of business rates. This resulted in a change in shares of funding to 33% central government, 37% GLA and 30% Merton (unchanged).

#### 4.2 London Pilot Pool 2018/19

For 2018/19, all London boroughs, the GLA, and the City of London corporation have agreed to participate in a pilot pool based on 100% business rate retention. The terms of the 100% pilot have been agreed via a memorandum of understanding (MOU) between the Chair of London Councils, the Mayor, the Secretary of State and the Minister for London. Details of the terms relating to the pilot were included in the report to Cabinet on 11 December 2017.

The timeline that the Government, GLA and London boroughs are following by which the pool is expected to become operational is set out in the table below:-

Government to publish draft baseline figures in the provisional settlement	19 December 2017. Published in the Provisional Local Government Finance Settlement.
Boroughs to take formal decisions to participate in the pool and the framework for its operation within 28 days of the Provisional Settlement	Mid – December 2017. All boroughs have now completed this.
Final baselines published in final LGF Settlement	February 2018
Pool goes live	1 April 2018

Under the pilot pool arrangements, the central share payable to the Government reduces to nil but there will continue to be a split between the GLA and London Boroughs in the ratio 36:64. In moving to 100% rates retention, the Department for Communities and Local Government will no longer pay Revenue Support Grant (RSG) to the London authorities in 2018/19.

#### 4.3 Future of the pilot

As set out in the final prospectus for the London pool, the Government will undertake a qualitative evaluation of the progress of the pilot based on the current research programme for the existing business rate retention pilots, with additional focus on the governance mechanism and decision making process, and the scale of resources dedicated to strategic investment. The Memorandum of Understanding between London Government and the Government only commits to the pilot operating for one year. However, subject to the evaluation of the pilot, it also commits the Government to working with London authorities to explore: future options for grants including, but not limited to, Public Health Grant and the Improved Better Care Fund; the potential for transferring properties on the central list in London to the local list where appropriate; and legislative changes needed to develop a Joint Committee model for future governance of a London pool.

#### 4.4 NNDR1

The statutory framework effectively requires a billing authority, before the beginning of a financial year, to forecast the amount of business rates that it will collect during the course of the year and, from this, to make a number of allowable deductions in order to arrive at a figure for its non-domestic rating income. It is the non-domestic rating income that is shared between the parties to the scheme. The framework also sets out how the billing authority is to treat allowable deductions – requiring that either they are paid to major precepting authorities, or transferred to the authority's General Fund.

4.5 The calculations that authorities make before the start of the financial year determine how much they must pay to central government and their major precepting authorities during the course of the year. Since these payments are fixed at the outset of the year, it follows that any difference between forecast amounts and final outturns will result in a surplus, or deficit on the billing authority's Collection Fund. Any such surplus or deficit is shared between government, billing authorities and their major preceptors (excluding policing bodies) in line with their share of the business rates baseline.

4.6 The estimate for the actual income figure (or net rate yield) for 2018/19 is based on the NNDR1 return to the DCLG. This had to be returned to the DCLG by 31 January 2018, and calculates the amounts to be paid to central government, to the GLA and the amount to be retained by Merton to be used as part of the budget setting process. There was also the additional responsibility to provide the City of London as lead authority for the London Pilot Pool with the completed NNDR1 by 24 January 2018 to enable them to consolidate Merton's NNDR1 details with those of the other London boroughs to be able to calculate the overall NNDR resources for London and the individual allocations to each borough.

#### 4.7 Other changes relating to NNDR

4.7.1 The Final Local Government Finance Settlement consultation also committed the Government to continue to pilot future reform of the system in 2019- 20, with further details to be provided in 2018. It therefore stopped short of confirming the extension of the newly announced pilots for 2019/20.

The Final Settlement also included an announcement that the government intends to move to a system of 75% business rates retention across local government in 2020-21. This will coincide with the start of the new funding baselines that the Fair Funding Review will establish (a consultation on that was been also published on 19 December 2017). This will include rolling in RSG, Rural Services Grant, GLA Transport Grant and Public Health Grant into Business Rate Retention, but did not mention any transfer of any other new responsibilities/grants.

#### Tariff and Top-up adjustments

Updated top-ups and tariffs for 2017-18, 2018-19 and 2019-20 were also published as part of the Final Settlement. As a result of the adjustments for the 2017 Revaluation, which altered tariffs and top ups for individual

authorities, and levy rates for tariff authorities in 2017-18, there was a significant change to the business rates retention scheme. This aimed to ensure that, as far as possible, each local authority's income was the same immediately before and after the revaluation on 1st April 2017. A provisional adjustment to 2017-18 top-ups and tariffs was made based on draft rating lists (published 28 September 2016) and 2015-16 NNDR3 data (updated for inflation).

In the Final Settlement, the adjustment was finalised based on the most recent ratings list (published 5 October 2017) and 2016-17 NNDR3 data. Where there is a discrepancy between the provisional and final 2017-18 adjustment, the difference has been reconciled through a one-off adjustment to 2018-19 top-ups and tariffs.

Merton has been a top-up authority since the start of the Business Rates Retention Scheme. This will change to a tariff under London Business Rates Pilot Pool. As the pilot is only being assumed for 2018/19 this would revert to a top-up in 2019/20.

The multipliers are still classed as Provisional and will not be confirmed until February. The business rate multipliers for 2018/19 are:-

- Small Business Multiplier 48.0p per £ (46.6p in 2017/18)
- Standard Multiplier 49.3p per £ (47.9p in 2017/18)

Large individual properties in London with a rateable value of more than £70,000 will also be subject to a 2p in the £ business rate supplement to help pay for Crossrail.

#### 4.8 **Estimating the net rate yield for 2018/19**

The starting point is the aggregate rateable value for Merton as at 31 December 2017. (£214.818m) This is a fixed figure based on the VO's valuations for all business properties in Merton at that date. A multiplier is then applied to this rateable value as set by central government (the rate in the pound charged for that year, which for 2018/19 will be 48.0p in the £). This gives a gross rates figure of £103.112m.

#### 4.9 **Estimating the income figure is extremely difficult, as there are many factors which can significantly affect the overall figure. These include:**

- Changes in rateable value from new properties entering rating or properties being taken out of rating
- Revaluations due to the backlog of appeals which, if successful, will be backdated in most cases to April 2017.
- Empty and charitable reliefs
- Losses in collection

4.10 Estimated Surplus or Deficit

Due to the variability of some of the factors, it is inevitable that the final figure at the end of each year will be different to the estimate. Therefore, a further calculation is required at the end of each year to estimate the surplus or deficit on the Collection Fund (as is also done for Council Tax).

- 4.11 2015-16 was the first year for which authorities had to estimate the non-domestic rating surplus, or deficit on the Collection Fund. The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) require billing authorities to notify the Secretary of State and their major precepting authorities of their calculation of non-domestic rating income for 2018-19 and estimate the surplus/deficit on the Collection Fund by 31 January 2018.

Regulation 13 effectively requires an estimate of the surplus/deficit that the authority believes will exist at 31 March 2018, on the basis of a statutory calculation set out in Schedule 4 to the Regulations. The estimated amount will be shared between the authority, its major preceptors and central Government and will be added (or subtracted) from each party's share of 2018-19 non-domestic rating income.

- 4.12 A copy of Merton's NNDR1 for 2018/19 is attached.

- 4.13 Merton's final 2018/19 funding from Business Rates is based on the allocations from the consolidated NNDR1's from all London authorities using the methodology approved as part of the decision to participate in the 100% Business Rates Retention London Pilot Pool arrangements.

4.14 Government Decisions that impact on Business Rates Income

As part of Autumn Statement 2013, the Chancellor announced changes to business rates. Some of these measures continue to have a financial impact in 2018-19. Further measures were announced as part of Autumn Statements 2015 and 2016. The cost of the 2013, 2014, 2015, 2016 and 2017 Autumn Statements, and 2017 Budget measures, will be fully met by Government. Accordingly, authorities will be compensated for any loss to their "local share" of business rates. Compensation will be provided by means of Section 31 grant.

4.15 The 2017-18 Small Business Rates Relief Threshold Changes – Implementation Methodology

At Budget 2016, the Chancellor announced that from 1 April 2017, the doubling of small business rates relief (SBRR) would be made permanent and that the thresholds at which relief is available would be increased from a RV 'ceiling' of £12,000 to £15,000.

At the same time the applicable RV from which the Small Business Multiplier can be applied would increase from an RV of £18,000 (£25,500 in London) to £51,000.

From 2017-18, therefore, the cost of small business rates relief will increase and, as a result, authorities will lose business rates income. In announcing the changes, the Government agreed to compensate authorities for the loss of income, resulting from the doubling of relief and the increase in thresholds. Compensation will be provided through s.31 grant, in the same way as now.

The Government has issued a consultation paper describing the Government's proposed methodology to calculate the correct amount of compensation due to each authority. The consultation asks specific questions regarding the proposed methodology. As a result of the proposed methodology, compensation is due to each authority and will be paid a Section 31 Grant.

#### 4.16 Summary of Implications arising from NNDR 1 2018/19 and the Pilot Pool

The following table summarises the estimates included in the MTFS at the January 2018 Cabinet, the estimates from Merton's NNDR1 for 2018/19 and the NNDR allocations provided by the City of London as administrator of the London Business Rates Pilot Pool:-

##### Merton's Funding in 2018/19

	MTFS (January 2018) £000	NNDR1 £000	London Pilot Pool "No Worse Off" £000
NNDR 2018/19	26,929	56,308	
- Top Up	9,375	0	
- Tariff	0	(9,752)	
<b>Sub-total</b>	<b>36,304</b>	<b>46,556</b>	<b>45,636</b>
Collection Fund Surplus/(Deficit)	(649)	(1,223)	(1,223)
Section 31 Grant	0	3,440	1,975
<b>Sub-total</b>	<b>35,655</b>	<b>48,773</b>	<b>46,388</b>
Revenue Support Grant	10,071	0	0
<b>TOTAL</b>	<b>45,726</b>	<b>48,773</b>	<b>46,388</b>



**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2018-19**

Please e-mail to: [nndr\\_statistics@communities.gsi.gov.uk](mailto:nndr_statistics@communities.gsi.gov.uk) by no later than **31 January 2018**.  
 In addition, a certified copy of the form should be returned by no later than **31 January 2018** to the same email address

**All figures must be entered in whole £**

If you are content with your answers please return this form to DCLG as soon as possible

Select your local authority's name from this list:

Authority Name  
 E-code  
 Local authority contact name  
 Local authority contact number  
 Local authority e-mail address

Hansfield
Heddon IA
Milton
Harrogate
Merton
Hill Owen
Merton
E5044
Eamon Maher
0208 545 3177
eamon.maher@merton.gov.uk

Ver 1

**PART 1A: NON-DOMESTIC RATING INCOME**  
**COLLECTIBLE RATES**

£

1 Net amount receivable from rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs and accounting adjustments **89,039,796**

**TRANSITIONAL PROTECTION PAYMENTS**

2 Sums due to the authority **0**

3 Sums due from the authority **793,917**

**COST OF COLLECTION (See Note A)**

4 Cost of collection formula **265,211**

5 Legal costs **0**

6 Allowance for cost of collection **265,211**

**SPECIAL AUTHORITY DEDUCTIONS**

7 City of London Offset - Not applicable for your authority **0**

**DISREGARDED AMOUNTS**

8 Amounts retained in respect of Designated Areas **0**

9 Amounts retained in respect of Renewable Energy Schemes (See Note B) **0**

of which  
 10 sums retained by billing authority **0**

11 sums retained by major precepting authority **0**

**NON-DOMESTIC RATING INCOME**

12 Line 1 plus line 2, minus lines 3 and 6 - 9 **87,980,668**

## NATIONAL NON-DOMESTIC RATES RETURN - NNDR1

2018-19

Please e-mail to: [nndr.statistics@communities.gsi.gov.uk](mailto:nndr.statistics@communities.gsi.gov.uk) by no later than 31 January 2018.  
In addition, a certified copy of the form should be returned by no later than 31 January 2018 to the same email address

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Local Authority : Merton

Ver 1 00

## PART 1B: PAYMENTS

This page is for information only; please do not amend any of the figures

The payments to be made, during the course of 2018-19 to

- i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013;
- ii) major precepting authorities in accordance with Regulations 5, 6 and 7 and to be
- iii) transferred by the billing authority from its Collection Fund to its General Fund,

are set out below

	Column 1 Central Government	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
<b>Retained NNDR shares</b>	£	£	£	£	£
13. % of non-domestic rating income to be allocated to each authority in 2018-19	0%	64%	35%	0%	100%
<b>Non-Domestic Rating Income for 2018-19</b>					
14. Non-domestic rating income from rates retention scheme	0	56,307,628	31,673,040	0	87,980,668
15. (less) deductions from central share	0	0	0	0	0
16. <b>TOTAL:</b>	0	56,307,628	31,673,040	0	87,980,668
<b>Other Income for 2018-19</b>					
17. add: cost of collection allowance		265,211			265,211
18. add: amounts retained in respect of Designated Areas		0			0
19. add: amounts retained in respect of renewable energy schemes		0	0		0
20. add: qualifying relief in Designated Areas		0	0	0	0
21. add: City of London Offset		0			0
22. add: additional retained Growth in Pilot Areas		0	0	0	0
23. add: in respect of Port of Bristol hereditament		0			0
<b>Estimated Surplus/Deficit on Collection Fund</b>	£	£	£	£	£
24. % of 2017-18 surplus/deficit to be allocated to each authority using 2016-17 shares (for row 25)	50%	30%	20%	0%	100%
25. Estimated Surplus/Deficit at end of 2017-18	-1,713,805	-1,223,215	-1,140,351	0	-4,077,381
<b>TOTAL FOR THE YEAR</b>	£	£	£	£	£
26. Total amount due to authorities	-1,713,805	55,348,624	30,532,679	0	84,168,498

**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
2018-19

Please e-mail to: [ndr.statistics@communities.gsi.gov.uk](mailto:ndr.statistics@communities.gsi.gov.uk) by no later than **31 January 2018**.  
In addition, a certified copy of the form should be returned by no later than **31 January 2018** to the same email address

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Local Authority : Merton

Ver 1.00

**PART 1C: SECTION 31 GRANT (See Note C)**

This page is for information only; please do not amend any of the figures

Estimated sums due from Government via Section 31 grant, to compensate authorities for the cost of changes to the business rates system announced in the 2013 to 2016 Autumn Statements and 2017 (November) Budget

	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
	£	£	£	£
<b>Multiplier Cap</b>				
27. Cost of cap on 2014-15, 2015-16 and 2018-19 small business rates multiplier	1,173,076	659,855	0	1,832,931
<b>Small Business Rate Relief</b>				
28. Cost of doubling SBRR & threshold changes for 2018-19	2,291,785	1,289,129	0	3,580,914
29. Cost to authorities of maintaining relief on "first" property	0	0	0	0
<b>Rural Rate Relief</b>				
30. Cost to authorities of providing 100% rural rate relief	0	0	0	0
<b>Local Newspaper Temporary Relief</b>				
31. Cost to authorities of providing relief	0	0	0	0
<b>Supporting Small Businesses Relief</b>				
32. Cost to authorities of providing relief	14,613	8,220	0	22,833
<b>Discretionary Scheme</b>				
33. Cost to authorities of providing relief	145,893	81,953	0	227,846
<b>Pub Relief (&lt;£100k RV)</b>				
34. Cost to authorities of providing relief	17,640	9,923	0	27,563
<b>Designated Areas qualifying relief in 100% pilot areas</b>				
35. Cost to authorities of providing relief	0	0	0	0
<b>TOTAL FOR THE YEAR</b>				
36. Amount of Section 31 grant due to authorities to compensate for reliefs	3,642,807	2,049,080	0	5,691,887

NB To determine the amount of S31 grant due to it, the authority will have to add / deduct from the amount shown in line 36, a sum to reflect the adjustment to tariffs / top-ups in respect of the multiplier cap (See notes for Line 36)

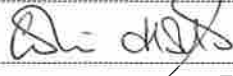
**Certificate of Chief Financial Officer / Section 151 Officer**

I confirm that the entries in this form are the best I can make on the information available to me and amounts are calculated in accordance with regulations made under Schedule 7B to the Local Government Act 1988. I also confirm that the authority has acted diligently in relation to the collection of non-domestic rates.

Name of Chief Financial Officer  
or Section 151 Officer :

CAROLINE HOLLAND

Signature :



Date :

25.1.18

**PROVISIONAL NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2018-19**

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Ver 1

**Local Authority : Merton**

**PART 2: NET RATES PAYABLE**

**You should complete column 1 only**

**GROSS RATES PAYABLE**

(All data should be entered as +ve unless specified otherwise)

	Column 1 BA Area (exc. Designated areas) Complete this column £	Column 2 Designated areas Do not complete this column £	Column 3 TOTAL (All BA Area) Do not complete this column £
1. Rateable Value at <input type="text" value="27/12/2017"/>	<input type="text" value="214,817,543"/>	<input type="text" value="0"/>	<input type="text" value="214,817,543"/>
2. Small business rating multiplier for 2018-19 (pence) <input type="text" value="48.0"/>			
3. Gross rates 2018-19 (RV x multiplier)	<input type="text" value="103,112,421"/>	<input type="text" value="0"/>	<input type="text" value="103,112,421"/>
4. Estimated growth/decline in gross rates (+ = increase, - = decrease)	<input type="text" value="480,000"/>	<input type="text" value="0"/>	<input type="text" value="480,000"/>
5. Forecast gross rates payable in 2018-19	<input type="text" value="103,592,421"/>	<input type="text" value="0"/>	<input type="text" value="103,592,421"/>

**TRANSITIONAL ARRANGEMENTS (See Note E)**

6. Revenue foregone because increases in rates have been deferred (Show as -ve)	<input type="text" value="-923,334"/>	<input type="text" value="0"/>	<input type="text" value="-923,334"/>
7. Additional income received because reductions in rates have been deferred (Show as +ve)	<input type="text" value="1,717,251"/>	<input type="text" value="0"/>	<input type="text" value="1,717,251"/>
8. Net cost of transitional arrangements	<input type="text" value="793,917"/>	<input type="text" value="0"/>	<input type="text" value="793,917"/>
9. Changes as a result of estimated growth / decline in cost of transitional arrangements (+ = decline, - = increase)	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
10. Forecast net cost of transitional arrangements	<input type="text" value="793,917"/>	<input type="text" value="0"/>	<input type="text" value="793,917"/>

**TRANSITIONAL PROTECTION PAYMENTS (See Note F)**

11. Sum due to/(from) authority	<input type="text" value="-793,917"/>	<input type="text" value="0"/>	<input type="text" value="-793,917"/>
---------------------------------	---------------------------------------	--------------------------------	---------------------------------------

**MANDATORY RELIEFS (See Note G) (All data should be entered as -ve unless specified otherwise)**

**Small Business Rate Relief**

12. Forecast of relief to be provided in 2018-19	<input type="text" value="-4,683,357"/>	<input type="text" value="0"/>	<input type="text" value="-4,683,357"/>
13. of which: relief on existing properties where a 2nd property is occupied	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
14. Additional yield from the small business supplement (Show as +ve)	<input type="text" value="2,160,758"/>	<input type="text" value="0"/>	<input type="text" value="2,160,758"/>
15. Net cost of small business rate relief (line 12 + line 14)	<input type="text" value="-2,522,599"/>	<input type="text" value="0"/>	<input type="text" value="-2,522,599"/>

**Charitable occupation**

16. Forecast of relief to be provided in 2018-19	<input type="text" value="-5,877,777"/>	<input type="text" value="0"/>	<input type="text" value="-5,877,777"/>
--	---	--------------------------------	---

**Community Amateur Sports Clubs (CASCs)**

17. Forecast of relief to be provided in 2018-19	<input type="text" value="-119,938"/>	<input type="text" value="0"/>	<input type="text" value="-119,938"/>
--	---------------------------------------	--------------------------------	---------------------------------------

**Rural rate relief**

18. Forecast of relief to be provided in 2018-19	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>
--	--------------------------------	--------------------------------	--------------------------------

**PROVISIONAL NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2018-19**

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Ver 1

**Local Authority : Merton**

**PART 2: NET RATES PAYABLE**

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas)	Column 2 Designated areas	Column 3 TOTAL (All BA Area)
19. Forecast of mandatory reliefs to be provided in 2018-19 (Sum of lines 15 to 18)	-8,520,314	0	
20. Changes as a result of estimated growth/decline in mandatory relief (+ = decline, - = increase)	0	0	
<b>21. Total forecast mandatory reliefs to be provided in 2018-19</b>	<b>-8,520,314</b>	<b>0</b>	<b>-8,520,314</b>

**UNOCCUPIED PROPERTY (See Note H) (All data should be entered as -ve unless specified otherwise)**

**Partially occupied hereditaments**

22. Forecast of 'relief' to be provided in 2018-19

0	0	0
---	---	---

**Empty premises**

23. Forecast of 'relief' to be provided in 2018-19

-641,417	0	-641,417
----------	---	----------

24. Forecast of unoccupied property 'relief' to be provided in 2018-19 (Line 22 + line 23)	-641,417	0	
25. Changes as a result of estimated growth/decline in unoccupied property 'relief' (+ = decline, - = increase)	-627,170	0	
<b>26. Total forecast unoccupied property 'relief' to be provided in 2018-19</b>	<b>-1,268,587</b>	<b>0</b>	<b>-1,268,587</b>

**DISCRETIONARY RELIEFS (See Note J) (All data should be entered as -ve unless specified otherwise)**

**Charitable occupation**

27. Forecast of relief to be provided in 2018-19

-456,716	0	-456,716
----------	---	----------

**Non-profit making bodies**

28. Forecast of relief to be provided in 2018-19

-124,375	0	-124,375
----------	---	----------

**Community Amateur Sports Clubs (CASCs)**

29. Forecast of relief to be provided in 2018-19

-4,974	0	-4,974
--------	---	--------

**Rural shops etc**

30. Forecast of relief to be provided in 2018-19

0	0	0
---	---	---

**Small rural businesses**

31. Forecast of relief to be provided in 2018-19

0	0	0
---	---	---

**Other ratepayers**

32. Forecast of relief to be provided in 2018-19

-100,000	0	-100,000
----------	---	----------

33. Relief given to Case A hereditaments

*of which:*

0
---

*of which:*

0
---

34. Relief given to Case B hereditaments

**PROVISIONAL NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2018-19**

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Ver 1

**Local Authority : Merton**

**PART 2: NET RATES PAYABLE**

**You should complete column 1 only**

Column 1  
BA Area (exc.  
Designated areas)

Column 2  
Designated  
areas

Column 3  
**TOTAL**  
(All BA Area)

35. Forecast of discretionary relief to be provided in 2018-19 (Sum of lines 27 to 32)

-686,065

0

36. Changes as a result of estimated growth/decline in discretionary relief (+ = decline, - = increase)

0

0

37. Total forecast discretionary relief to be provided in 2018-19

-686,065

0

-686,065

**DISCRETIONARY RELIEFS FUNDED THROUGH SECTION 31 GRANT**  
(See Note K) (All data should be entered as -ve unless specified otherwise)

**Rural Rate Relief**

38. Forecast of relief to be provided in 2018-19

0

0

0

**Local Newspaper Relief**

39. Forecast of relief to be provided in 2018-19

0

0

0

**Supporting Small Businesses Relief**

40. Forecast of relief to be provided in 2018-19

-22,367

0

-22,367

**Discretionary Scheme**

41. Forecast of relief to be provided in 2018-19

-223,000

0

-223,000

**Pub Relief (<£100k RV)**

42. Forecast of relief to be provided in 2018-19

-27,000

0

-27,000

43. Forecast of discretionary reliefs funded through S31 grant to be provided in 2018-19 (Sum of lines 38 to 42)

-272,367

0

44. Changes as a result of estimated growth/decline in Section 31 discretionary relief (+ = decline, - = increase)

0

0

45. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2018-19

-272,367

0

-272,367

**NET RATES PAYABLE**

46. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs

£  
93,639,005

£  
0

£  
93,639,005

**PROVISIONAL NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
2018-19

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Ver 1

**Local Authority : Merton**

**PART 3: COLLECTABLE RATES AND DISREGARDED AMOUNTS**

**You should complete column 1 only**

	Column 1	Column 2	Column 3
	BA Area (exc. Designated areas) <i>Complete this column</i>	Designated Areas	TOTAL (All BA Area) <i>Do not complete this column</i>
	£	£	£
<b>NET RATES PAYABLE</b>			
1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs	93,639,005	0	93,639,005
<b>(LESS) LOSSES</b>			
2. Estimated bad debts in respect of 2018-19 rates payable	-1,402,144	0	-1,402,144
3. Estimated repayments in respect of 2018-19 rates payable	-3,197,065	0	-3,197,065
<b>COLLECTABLE RATES</b>			
4. Net Rates payable less losses	89,039,796	0	89,039,796
<b>DISREGARDED AMOUNTS</b>			
5. Renewable Energy	0	0	0
6. Transitional Protection Payment		0	
7. Baseline		0	
<b>DISREGARDED AMOUNTS</b>			
8. Total Disregarded Amounts		0	0
<b>DESIGNATED AREAS IN 100% PILOT AREAS</b>			
9. Designated Areas Qualifying Relief	0	0	0
<b>DEDUCTIONS FROM CENTRAL SHARE</b>			
10. Designated Areas Qualifying Relief: Not applicable	0	0	0
<b>Growth Pilot Areas</b>			
11. Net Rates payable for Growth Baseline comparison	0		0
12. Growth Baseline	0		0
13. Additional Growth in 'Growth Pilot' Areas	0		0
<b>Port of Bristol</b>			
14. In respect of Port of Bristol: Not applicable	0		0
<b>DEDUCTIONS FROM CENTRAL SHARE</b>			
15. Total Deductions	0	0	0





**PROVISIONAL NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2018-19**

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Ver 1

**Local Authority : Merton**

**PART 4: ESTIMATED COLLECTION FUND BALANCE**

**OPENING BALANCE**

1. Opening Balance (From Collection Fund Statement)	£	£
		-898,000

**BUSINESS RATES CREDITS AND CHARGES**

2. Business rates credited and charged to the Collection Fund in 2017-18	88,935,260	
3. Sums written off in excess of the allowance for non-collection	0	
4. Changes to the allowance for non-collection	-1,496,169	
5. Amounts charged against the provision for appeals following RV list changes	2,497,964	
6. Changes to the provision for appeals	-2,425,844	
<b>7. Total business rates credits and charges (Total lines 2 to 6)</b>		<b>87,511,211</b>

**OTHER RATES RETENTION SCHEME CREDITS**

8. Transitional protection payments received, or to be received in 2017-18	0	
9. Transfers/payments to the Collection Fund for end-year reconciliations	0	
10. Transfers/payments into the Collection Fund in 2017-18 in respect of a previous year's deficit	0	
<b>11. Total Other Credits (Total lines 8 to 10)</b>		<b>0</b>

**OTHER RATES RETENTION SCHEME CHARGES**

12. Transitional protection payments made, or to be made, in 2017-18	-1,155,663	
13. Payments made, or to be made, to the Secretary of State in respect of the central share in 2017-18	-29,040,752	
14. Payments made, or to be made to, major precepting authorities in respect of business rates income in 2017-18	-32,560,842	
15. Transfers made, or to be made, to the billing authority's General Fund in respect of business rates income in 2017-18	-26,400,683	
16. Transfers made, or to be made, to the billing authority's General Fund; and payments made, or to be made, to a precepting authority in respect of disregarded amounts in 2017-18	-264,360	
17. Transfers/payments from the Collection Fund for end-year reconciliations	0	
18. Transfers/payments made from the Collection Fund in 2017-18 in respect of a previous year's surplus	-1,268,292	
<b>19. Total Other Charges (Total lines 12 to 18)</b>		<b>-90,690,592</b>

**ESTIMATED SURPLUS/(DEFICIT) ON COLLECTION FUND IN RESPECT OF FINANCIAL YEAR 2017-18 - Surplus (positive), Deficit (Negative)**

20. Opening balance plus total credits, less total charges (Total lines 1, 7, 11 & 19)	£	£
		-4,077,381

Checked by Chief Financial / Section 151 Officer : 

## OTHER CORPORATE ITEMS - CABINET 19 February 2018

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Recharge to Education of Past Service Deficiency/Redundancy	(463)	(463)	(463)	(463)
Changes in Corporate Specific and Special Grants	209	208	219	205
Loss of HB Admin. Grant	200	200	200	200
CHAS IP fee and dividend income	(1,367)	(1,367)	(1,367)	(1,367)
Bad Debt provision	500	500	500	500
Contingency	1,500	1,500	1,500	1,500
Additional Revenuisation & miscellaneous	116	116	116	116
WPCC Levy	331	331	331	331
Depreciation/Impairment	(19,008)	(19,008)	(19,008)	(19,008)
Redundancy/Pension Strain	1,000	1,000	1,000	1,000
Overheads Charge to Non-GF	19	20	20	20
Local Election 2018	350	0	0	0
Apprenticeship Levy	450	450	450	450
LPFA - Contribution to Budget Deficit	86	86	86	86
Cyber Security	92	92	92	92
Rounding	0	1	0	3
<b>Other Corporate items</b>	<b>(15,985)</b>	<b>(16,334)</b>	<b>(16,324)</b>	<b>(16,335)</b>

## Summarised Transition from Council March 2017 to Cabinet February 2018

<b>Budget Forecast 2018/19 to 2022/23</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Budget Gap Council March 2017</b>	<b>3,485</b>	<b>9,708</b>	<b>18,087</b>	<b>19,929</b>
<b>EXPENDITURE</b>				
Inflation - Pay	1,136	2,347	2,154	1,962
Inflation - Prices	79	159	239	318
Provision for Excess Inflation > 1.5%	(140)	(140)	(140)	(140)
FYE - Amendments to existing savings since Cabinet 1 March 2017	1,822	1,171	1,097	1,097
FYE - Amendments to existing growth since Cabinet 1 March 2017	(500)	(500)	(500)	(500)
Funding t/f from NHS for Social Care: Income	0	0	1,807	2,004
Effect of Change in MRP methodology	(3,474)	(1,526)	(1,392)	(1,264)
External Borrowing Costs	201	(376)	712	1,094
Change in NNDR	53	53	53	53
P3/P4	(200)	(200)	0	0
<u>Other Corporate Items</u>				
C&H: Taxicard & Concessionary Fares	(548)	(548)	(548)	(548)
EA and Office 365	290	290	290	290
Autoenrollment	(450)	(450)	(450)	(450)
Corporate expenditure (utilities inflation)	(300)	(300)	(300)	(300)
CHAS IP fee and dividend income	(215)	(215)	(215)	(215)
Cyber Security	92	92	92	92
<b>NEW SAVINGS 2018/19:</b>	<b>0</b>	<b>(2,094)</b>	<b>(3,626)</b>	<b>(3,741)</b>
<u>Levies</u>				
Lee Valley	(11)	(11)	(11)	(11)
London Pensions Fund	0	0	0	0
Environment Agency	4	4	4	4
WPCC Levy	13	13	13	13
<b>FUNDING</b>				
RSG	10,071	0	0	0
NNDR	(9,332)	1,817	0	0
NNDR - Section 31 Grant	(1,975)	0	0	0
Improved Better Care Fund - Budget 2017	(2,115)	(1,054)	0	0
Council Tax income	(1,614)	(2,465)	(2,506)	(2,548)
WPCC Levy	(13)	(13)	(13)	(13)
Collection Fund - t/f of Ctax surplus(-)/deficit	(1,653)	0	0	0
Collection Fund - t/f of BRates surplus(-)/deficit	1,223	0	0	0
New Homes Bonus	739	956	696	492
Use of Reserves	3,332	(5,360)	0	0
<b>Cabinet 19 February 2018</b>	<b>0</b>	<b>1,359</b>	<b>15,542</b>	<b>17,617</b>

STATEMENT OF COUNCIL TAX REQUIREMENTS AND BALANCES

	ORIGINAL BUDGET 2010/11	ORIGINAL BUDGET 2011/12	ORIGINAL BUDGET 2012/13	ORIGINAL BUDGET 2013/14	ORIGINAL BUDGET 2014/15	ORIGINAL BUDGET 2015/16	ORIGINAL BUDGET 2016/17	ORIGINAL BUDGET 2017/18	ORIGINAL BUDGET 2018/19	2010/11 Band D Council Tax Equivalent	2011/12 Band D Council Tax Equivalent	2012/13 Band D Council Tax Equivalent	2013/14 Band D Council Tax Equivalent	2014/15 Band D Council Tax Equivalent	2015/16 Band D Council Tax Equivalent	2016/17 Band D Council Tax Equivalent	2017/18 Band D Council Tax Equivalent	2018/19 Band D Council Tax
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£	£	£	£	£	£	£	£	£
Merton																		
Net Cost of General Fund Services	148.599	148.193	145.820	153.491	151.258	149.062	134.496	138.220	136.059	2,001.34	1,989.55	1,949.04	2,291.55	2,221.53	2,140.53	1,885.63	1,907.99	1,835.56
Contingency	2.900	1.820	2.000	1.500	1.500	1.500	1.500	1.500	1.500	39.06	24.43	26.73	22.39	22.03	21.54	21.03	20.71	20.24
	151.499	150.013	147.820	154.991	152.758	150.562	135.996	139.720	137.559	2,040.39	2,013.98	1,975.77	2,313.95	2,243.56	2,162.07	1,906.66	1,928.70	1,855.80
<u>Levies</u>																		
Lee Valley	0.227	0.220	0.215	0.220	0.214	0.209	0.204	0.190	0.179	3.06	2.95	2.87	3.28	3.14	3.00	2.86	2.62	2.41
London Pensions Fund	0.283	0.254	0.253	0.268	0.266	0.264	0.262	0.260	0.260	3.81	3.41	3.38	4.00	3.91	3.79	3.67	3.59	3.51
Environment Agency	0.148	0.146	0.146	0.157	0.157	0.159	0.162	0.164	0.168	1.99	1.96	1.95	2.34	2.31	2.28	2.27	2.26	2.27
Total Levies	0.658	0.620	0.614	0.645	0.637	0.632	0.628	0.614	0.607	8.86	8.32	8.21	9.63	9.36	9.08	8.80	8.48	8.19
<b>TOTAL BUDGET (before balances, etc adjustment)</b>	<b>152.157</b>	<b>150.633</b>	<b>148.434</b>	<b>155.636</b>	<b>153.395</b>	<b>151.194</b>	<b>136.624</b>	<b>140.334</b>	<b>138.166</b>	<b>2,049.25</b>	<b>2,022.31</b>	<b>1,983.98</b>	<b>2,323.58</b>	<b>2,252.91</b>	<b>2,171.14</b>	<b>1,915.46</b>	<b>1,937.18</b>	<b>1,863.98</b>
<u>Provisions, Contributions and Balances</u>																		
Appropriations to/from Reserves	0.000	0.000	0.000	0.000	0.000	(4.771)	1.683	(3.533)	(1.332)	0.00	0.00	0.00	0.00	0.00	-68.51	23.60	(48.77)	(17.97)
<b>TOTAL BUDGET REQUIREMENT</b>	<b>152.157</b>	<b>150.633</b>	<b>148.434</b>	<b>155.636</b>	<b>153.395</b>	<b>146.423</b>	<b>138.307</b>	<b>136.801</b>	<b>136.834</b>	<b>2,049.25</b>	<b>2,022.31</b>	<b>1,983.98</b>	<b>2,323.58</b>	<b>2,252.91</b>	<b>2,102.63</b>	<b>1,939.06</b>	<b>1,888.41</b>	<b>1,846.01</b>
<b>Less: Central Government Support</b>																		
Government (Formula) Grant:																		
Revenue Support Grant (including Transition Grant)	(8.588)	(15.730)	(1.180)	(47.221)	(39.738)	(30.425)	(23.156)	(15.520)	0.000	(115.66)	(211.17)	(15.77)	(704.99)	(583.63)	(436.90)	(324.65)	(214.24)	0.00
National Non-Domestic Rates inc. Section 31 Grant	(59.145)	(50.888)	(60.841)	(32.020)	(34.371)	(34.820)	(35.052)	(36.519)	(47.611)	(796.56)	(683.19)	(813.21)	(478.04)	(504.81)	(500.01)	(491.43)	(504.11)	(642.32)
Adult Social Care Support Grant 2017/18 & Improved Better Care Fund	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(0.751)	(2.115)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(10.37)	(28.53)
Total Revenue Support Grant + Baseline NNDR Funding:	(67.733)	(66.617)	(62.021)	(79.241)	(74.109)	(65.245)	(58.208)	(52.790)	(49.726)	(912.23)	(894.36)	(828.98)	(1,183.03)	(1,088.44)	(936.92)	(816.07)	(728.72)	(670.85)
Contribution to/(from) Collection Fund	(2.519)	(1.859)	(3.891)	(2.545)	(4.236)	(4.420)	(1.479)	(1.766)	(0.430)	(33.93)	(24.96)	(52.01)	(38.00)	(62.21)	(63.47)	(20.74)	(24.38)	(5.80)
<b>Council Tax Requirement</b>																		
Merton - General (excluding WPCC)	81.905	82.157	82.522	73.850	75.049	76.758	78.620	82.245	86.678	1,103.10	1,102.99	1,102.99	1,102.55	1,102.25	1,102.25	1,102.25	1,135.31	1,169.36
<b>Merton - COUNCIL TAX FUNDING REQUIREMENT</b>	<b>81.905</b>	<b>82.157</b>	<b>82.522</b>	<b>73.850</b>	<b>75.049</b>	<b>76.758</b>	<b>78.620</b>	<b>82.245</b>	<b>86.678</b>	<b>1,103.10</b>	<b>1,102.99</b>	<b>1,102.99</b>	<b>1,102.55</b>	<b>1,102.25</b>	<b>1,102.25</b>	<b>1,102.25</b>	<b>1,135.31</b>	<b>1,169.36</b>
<u>Greater London Authority Precept</u>																		
Metropolitan Police Authority/Mayor's Office for Policing and Crime	16.657	16.979	17.467	14.753	14.903	14.939	14.750	14.933	16.169	224.34	227.95	233.46	220.25	218.88	214.52	206.79	206.13	218.13
Other Non-Police Services	6.347	6.098	5.481	5.543	5.455	5.604	4.937	5.353	5.641	85.48	81.87	73.26	82.75	80.12	80.48	69.21	73.89	76.10
<b>Greater London Authority Precept</b>	<b>23.004</b>	<b>23.077</b>	<b>22.948</b>	<b>20.295</b>	<b>20.358</b>	<b>20.543</b>	<b>19.686</b>	<b>20.285</b>	<b>21.810</b>	<b>309.82</b>	<b>309.82</b>	<b>306.72</b>	<b>303.00</b>	<b>299.00</b>	<b>295.00</b>	<b>276.00</b>	<b>280.02</b>	<b>294.23</b>
<b>TOTAL COUNCIL TAX REQUIREMENT</b>	<b>104.909</b>	<b>105.234</b>	<b>105.469</b>	<b>94.145</b>	<b>95.407</b>	<b>97.302</b>	<b>98.306</b>	<b>102.530</b>	<b>108.488</b>	<b>1,412.92</b>	<b>1,412.81</b>	<b>1,409.71</b>	<b>1,405.55</b>	<b>1,401.25</b>	<b>1,397.25</b>	<b>1,378.25</b>	<b>1,415.33</b>	<b>1,463.59</b>

<b>DRAFT MTFS 2018-22:</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Departmental Base Budget 2017/18</b>	<b>151,131</b>	<b>151,131</b>	<b>151,131</b>	<b>151,131</b>
Inflation (Pay, Prices)	4,387	8,849	11,907	14,965
Autoenrolment/Nat. ins changes	165	165	165	165
FYE – Previous Years Savings	(7,018)	(8,737)	(8,737)	(8,737)
FYE – Previous Years Growth	974	(1,532)	(1,032)	(1,032)
Amendments to previously agreed savings/growth	1,322	671	597	597
Change in Net Appropriations to/(from) Reserves	167	266	409	565
Taxi card/Concessionary Fares	(98)	352	802	1,252
Change in depreciation/Impairment (Contra Other Corporate items)	(3,310)	(3,310)	(3,310)	(3,310)
Growth	0	0	0	0
Other	2,220	2,307	4,398	4,681
<b>Re-Priced Departmental Budget</b>	<b>149,940</b>	<b>150,161</b>	<b>156,329</b>	<b>160,276</b>
Treasury/Capital financing	7,644	10,388	12,237	12,944
Pensions	3,469	3,552	3,635	3,718
Other Corporate items	(15,985)	(16,334)	(16,324)	(16,335)
Levies	607	607	607	607
<b>Sub-total: Corporate provisions</b>	<b>(4,265)</b>	<b>(1,787)</b>	<b>155</b>	<b>934</b>
<b>Sub-total: Repriced Departmental Budget + Corporate Provisions</b>	<b>145,675</b>	<b>148,374</b>	<b>156,484</b>	<b>161,210</b>
Savings/Income Proposals 2018/19	0	(2,094)	(3,626)	(3,741)
<b>Sub-total</b>	<b>145,675</b>	<b>146,280</b>	<b>152,858</b>	<b>157,469</b>
Appropriation to/from departmental reserves	(1,251)	(1,351)	(1,494)	(1,649)
Appropriation to/from Balancing the Budget Reserve	(91)	(5,359)	0	0
<b>BUDGET REQUIREMENT</b>	<b>144,333</b>	<b>139,570</b>	<b>151,364</b>	<b>155,820</b>
<b>Funded by:</b>				
Revenue Support Grant	0	(5,076)	0	0
Business Rates (inc. Section 31 grant)	(47,611)	(35,359)	(37,725)	(38,285)
Adult Social Care Improved BCF - Budget 2017	(2,115)	(1,054)	0	0
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(2,371)	(2,028)	(1,304)	(1,008)
Council Tax inc. WPC	(87,009)	(89,898)	(91,996)	(94,113)
Collection Fund – (Surplus)/Deficit	(430)	0	0	0
<b>TOTAL FUNDING</b>	<b>(144,333)</b>	<b>(138,212)</b>	<b>(135,822)</b>	<b>(138,203)</b>
<b>GAP including Use of Reserves (Cumulative)</b>	<b>0</b>	<b>1,359</b>	<b>15,542</b>	<b>17,617</b>

## Reserves

Forecast Movement in Reserves 2016/17	Bal. at 31/3/17 £'000	Net Movt. in year £'000	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000
General Fund Reserve	12,778	(508)	12,270	0	12,270	0	12,270	0	12,270	0	12,270
Earmarked Reserves	28,619	(9,966)	18,652	(4,560)	14,092	(6,491)	7,601	(1,156)	6,446	(167)	6,279
Grants & Contributions	1,023	(635)	388	(118)	270	(109)	161	(19)	142	(19)	123
<b>Total Available Gen. Fund Rev. Reser</b>	<b>42,420</b>	<b>(11,109)</b>	<b>31,311</b>	<b>(4,678)</b>	<b>26,632</b>	<b>(6,600)</b>	<b>20,032</b>	<b>(1,175)</b>	<b>18,858</b>	<b>(186)</b>	<b>18,672</b>
<b>Fixed to Contracts</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>
<b>Total General Fund revenue reserves</b>	<b>44,374</b>	<b>(11,109)</b>	<b>33,265</b>	<b>(4,678)</b>	<b>28,587</b>	<b>(6,600)</b>	<b>21,987</b>	<b>(1,175)</b>	<b>20,812</b>	<b>(186)</b>	<b>20,626</b>
<b>Schools Balances &amp; Reserves</b>	<b>16,884</b>	<b>(1,969)</b>	<b>14,916</b>	<b>(725)</b>	<b>14,191</b>	<b>(409)</b>	<b>13,782</b>	<b>(133)</b>	<b>13,649</b>	<b>(291)</b>	<b>13,358</b>

## APPENDIX 8

Analysis	Actual Bal at 31/3/17 £'000	Net Movt. in year £'000	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000
<b>Earmarked Reserves</b>											
Outstanding Council Programme Board Reserve	4,919	(1,362)	3,558	(1,804)	1,754	(349)	1,405	(176)	1,229	(28)	1,201
For use in future years' budgets	7,789	(2,339)	5,450	(91)	5,359	(5,359)	(0)	0	(0)	0	(0)
Revenue Reserve for Capital/Revenuisation	6,815	(5,029)	1,786	(1,761)	25	(15)	10	(7)	3	(3)	(0)
Energy renewable reserve	1,523	0	1,523	(250)	1,273	(500)	773	(750)	23	(23)	0
Repairs and Renewals Fund	1,147	(57)	1,090	(320)	770	0	770	0	770	0	770
Transforming families reserve	0	0	0	0	0	0	0	0	0	0	0
Pension Fund additional contribution	497	(194)	303	(100)	203	(100)	103	(103)	(0)	0	(0)
Local Land Charges	1,903	250	2,153	250	2,403	0	2,403	0	2,403	0	2,403
Apprenticeships	303	(45)	258	(210)	48	(48)	(0)	0	(0)	0	(0)
Community Care Reserve	1,385	0	1,385	0	1,385	0	1,385	0	1,385	0	1,385
Local Welfare Support Reserve	443	(90)	353	(90)	263	(90)	173	(90)	83	(83)	(0)
Performance Reward Grant	0	0	0	0	0	0	0	0	0	0	0
Economic Development Strategy	102	(102)	0	(4)	(4)	0	(4)	0	(4)	0	(4)
Supporting People balances	0	0	0	0	0	0	0	0	0	0	0
LEP - New Homes Bonus funded projects	291	(290)	0	0	0	0	0	0	0	0	0
Merton Adult Education - Redundancy payments	600	(600)	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Corporate Services Reserves	776	(133)	643	(30)	613	(30)	583	(30)	553	(30)	523
Wimbledon Tennis Court Renewal Fund	126	25	151	(151)	(0)	0	(0)	0	(0)	0	(0)
<b>Earmarked Reserves</b>	<b>28,619</b>	<b>(9,966)</b>	<b>18,652</b>	<b>(4,560)</b>	<b>14,092</b>	<b>(6,491)</b>	<b>7,601</b>	<b>(1,156)</b>	<b>6,446</b>	<b>(167)</b>	<b>6,279</b>
Adult Social care contributions	0	0	0	0	0	0	0	0	0	0	0
Culture and Environment contributions	14	(5)	9	(9)	(0)	0	(0)	0	(0)	0	(0)
Culture and Environment grant	250	(156)	94	(19)	75	(19)	56	(19)	37	(19)	18
Childrens & Education grant	307	(127)	180	(90)	90	(90)	(0)	0	(0)	0	(0)
Adult Social care grants	0	0	0	0	0	0	0	0	0	0	0
Housing Planning Development grant	0	0	0	0	0	0	0	0	0	0	0
Housing GF grants	106	0	106	0	106	0	106	0	106	0	106
Public Health Grant Reserve	347	(347)	(0)	0	(0)	0	(0)	0	(0)	0	(0)
<b>Grants &amp; Contributions</b>	<b>1,023</b>	<b>(635)</b>	<b>388</b>	<b>(118)</b>	<b>270</b>	<b>(109)</b>	<b>161</b>	<b>(19)</b>	<b>142</b>	<b>(19)</b>	<b>123</b>
<b>Total</b>	<b>29,642</b>	<b>(10,601)</b>	<b>19,041</b>	<b>(4,678)</b>	<b>14,362</b>	<b>(6,600)</b>	<b>7,762</b>	<b>(1,175)</b>	<b>6,588</b>	<b>(186)</b>	<b>6,402</b>
Insurance Reserve	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
<b>Fixed to Contracts</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>

## APPENDIX 8

Analysis	Actual Bal at 31/3/17 £'000	Net Movt. in year £'000	Bal. at 31/3/18 £'000	Net Movt. in year £'000	Bal. at 31/3/19 £'000	Net Movt. in year £'000	Bal. at 31/3/20 £'000	Net Movt. in year £'000	Bal. at 31/3/21 £'000	Net Movt. in year £'000	Bal. at 31/3/22 £'000
DSG Reserve	3,663	(2,289)	1,374	(1,000)	374	(374)	0	0	0	0	0
Governor Support Reserve	43	0	43	0	43	(43)	0	0	0	0	0
Schools Reserve	0	0	0	0	0	0	0	0	0	0	0
CSF reserve	0	0	0	0	0	0	0	0	0	0	0
Refund of PFI contributions	100	(100)	0	0	0	0	0	0	0	0	0
Schools PFI Fund	4,826	421	5,247	275	5,522	8	5,530	(133)	5,397	(291)	5,106
Earmarked Schools Balances	8,181	0	8,181	0	8,181	0	8,181	0	8,181	0	8,181
Schools Standards Fund balances	6	0	6	0	6	0	6	0	6	0	6
Schools Fund	65	0	65	0	65	0	65	0	65	0	65
<b>Schools Reserves</b>	<b>16,884</b>	<b>(1,969)</b>	<b>14,916</b>	<b>(725)</b>	<b>14,191</b>	<b>(409)</b>	<b>13,782</b>	<b>(133)</b>	<b>13,649</b>	<b>(291)</b>	<b>13,358</b>



<b>Forecast Movement in Reserves 2017-22</b>	<b>Bal. at 31/3/17 £'000</b>	<b>Net Movt. in year £'000</b>	<b>Bal. at 31/3/18 £'000</b>	<b>Net Movt. in year £'000</b>	<b>Bal. at 31/3/19 £'000</b>	<b>Net Movt. in year £'000</b>	<b>Bal. at 31/3/20 £'000</b>	<b>Net Movt. in year £'000</b>	<b>Bal. at 31/3/21 £'000</b>	<b>Net Movt. in year £'000</b>	<b>Bal. at 31/3/22 £'000</b>
Capital Grants	312	288	600	0	600	0	600	0	600	0	600
Capital Contributions	6,939	0	6,939	0	6,939	0	6,939	0	6,939	0	6,939
Capital Receipts	22,986	-11,080	11,906	-10,383	1,523	-1,027	496	-495	1	8	9
<b>Capital Reserves</b>	<b>30,237</b>	<b>-10,792</b>	<b>19,445</b>	<b>-10,383</b>	<b>9,062</b>	<b>-1,027</b>	<b>8,035</b>	<b>-495</b>	<b>7,540</b>	<b>8</b>	<b>7,548</b>

# **Draft Departmental Budget Summaries 2018-19**

NB: The financial information in the budget summaries includes the latest available details but may change as further information becomes available. Updates will be provided for Council on 28 February 2018.

## SUMMARY

## FULL TIME EQUIVALENTS

Total FTE Staff

2017/18	2018/19
1,739.4	1,753.6

## SERVICE AREA ANALYSIS

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
Corporate Services	10,866	264	(1,636)	9,494
Education Services ]				
Children's Services ] CSF	52,579	733	2,833	56,145
Environment and Regeneration ]				
Adult Social Care ]				
Cultural Services ] C&H	64,317	1,686	(2,248)	63,755
Housing General Fund ]				
Single Status	100	0	0	100
National insurances changes/autoenrolment	89		165	254
Pay Award	0	0	2,108	2,108
<b>TOTAL NET SERVICE EXPENDITURE</b>	<b>151,135</b>	<b>3,110</b>	<b>(4,437)</b>	<b>149,808</b>
<i>Corporate Provisions/Appropriations</i>	<i>(5,071)</i>	<i>0</i>	<i>(404)</i>	<i>(5,475)</i>
<b>NET EXPENDITURE</b>	<b>146,065</b>	<b>3,110</b>	<b>(4,841)</b>	<b>144,333</b>
<b>Funded by:</b>				
Revenue Support Grant	(15,520)	0	15,520	0
Business Rates	(36,518)	0	(11,093)	(47,611)
Improved Better Care Fund - Budget 2017	0		(2,115)	(2,115)
Adult Social Care Support Grant 2017-18	(751)	0	751	0
New Homes Bonus	(4,150)	0	1,779	(2,371)
Council Tax	(82,244)	0	(4,434)	(86,678)
WPCC Levy	(318)	0	(13)	(331)
Collection Fund	(1,766)	0	1,336	(430)
PFI Grant	(4,797)	0	(0)	(4,797)
	<b>(146,065)</b>	<b>0</b>	<b>1,731</b>	<b>(144,333)</b>
<b>NET</b>	<b>0</b>	<b>3,110</b>	<b>(3,110)</b>	<b>0</b>
NB				
<b>Public Health</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Other Variations: Contingency/Other

Major Items: Corporate Provisions	£000	fte
Corporate borrowing and Investment	(4,585)	0.0
Further provision for revaluation/RCCO	(8)	0.0
Pension Fund and Auto-enrolment	(169)	0.0
Contingency and centrally held provisions	(573)	0.0
Change in Grants	3	0.0
Appropriation to/from Reserves	2,191	0.0
Depreciation and impairment	3,310	0.0
Reduction in Education Services Grant	(819)	0.0
Overheads - Charge to non-general fund	(2)	0.0
Transport - Additional provision	(193)	0.0
Loss of HB Admin. Grant	(21)	0.0
CHAS - IP/Dividend	(215)	0.0
Balance Sheet Management CT & HB	230	0.0
Local Election	350	
Change in Levies	6	
<b>TOTAL</b>	<b>(496)</b>	<b>0</b>

## SUMMARY - SUBJECTIVE ANALYSIS

<b>FULL TIME EQUIVALENTS</b>		<b>2017/18</b>	<b>2018/19</b>	
Total FTE Staff		<b>1,739.4</b>	<b>1,753.6</b>	
<b>SUBJECTIVE ANALYSIS OF ESTIMATES</b>	<b>2017/18 Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2018/19 Estimate £000</b>
<b>Expenditure</b>				
Employees	82,578	289	2,663	85,530
Premises	7,799	122	642	8,563
Transport	11,919	198	(4,220)	7,897
Supplies and Services	179,340	819	27,912	208,072
Third Party Payments	97,212	1,679	(5,408)	93,484
Transfer Payments	103,475	1	340	103,816
Support Services	29,239	0	(1,489)	27,750
Depreciation and Impairment Losses	22,317	0	(3,309)	19,008
<b>GROSS EXPENDITURE</b>	<b>533,881</b>	<b>3,109</b>	<b>17,130</b>	<b>554,120</b>
<b>Income</b>				
Government Grants	(269,892)	0	(23,956)	(293,848)
Other Reimbursements and Contributions	(21,288)	0	(2,143)	(23,432)
Customer and Client Receipts	(61,292)	0	2,054	(59,238)
Interest	0	0	0	0
Recharges	(30,402)	0	2,200	(28,201)
Reserves	130	0	277	407
<b>GROSS INCOME</b>	<b>(382,744)</b>	<b>0</b>	<b>(21,567)</b>	<b>(404,312)</b>
<b>NET EXPENDITURE</b>	<b>151,136</b>	<b>3,110</b>	<b>(4,437)</b>	<b>149,808</b>
Corporate Provisions	(5,071)	0	(404)	(5,475)
<b>NET EXPENDITURE</b>	<b>146,065</b>	<b>3,110</b>	<b>(4,841)</b>	<b>144,334</b>
<b>Funded by:</b>				
Revenue Support Grant	(15,520)	0	15,520	0
Business Rates	(36,518)	0	(11,093)	(47,611)
Improved Better Care Fund - Budget 2017	0	0	(2,115)	(2,115)
Adult Social Care Support Grant 2017-18	(751)	0	751	0
New Homes Bonus	(4,150)	0	1,779	(2,371)
Council Tax	(82,244)	0	(4,434)	(86,678)
WPCC Levy	(318)	0	(13)	(331)
Collection Fund	(1,766)	0	1,336	(430)
PFI Grant	(4,797)	0	(0)	(4,797)
	<b>(146,065)</b>	<b>0</b>	<b>1,731</b>	<b>(144,333)</b>
<b>NET</b>	<b>0</b>	<b>3,110</b>	<b>(3,110)</b>	<b>0</b>
Other Variations: Contingency/Other				
<b>Major Items: Corporate Provisions</b>		<b>£000</b>		<b>fte</b>
Corporate borrowing and Investment		(4,585)		0.0
Further provision for revaluation/RCCO		(8)		0.0
Pension Fund and Auto-enrolment		(169)		0.0
Contingency and centrally held provisions		(573)		0.0
Change in Grants		3		0.0
Appropriation to/from Reserves		2,191		0.0
Depreciation and impairment		3,310		0.0
Reduction in Education Services Grant		(819)		0.0
Overheads - Charge to non-general fund		(2)		0.0
Transport - Additional provision		(193)		0.0
Loss of HB Admin. Grant		(21)		0.0
CHAS - IP/Dividend		(215)		0.0
Balance Sheet Management CT & HB		230		0.0
Local Election		350		0.0
Change in Levies		6		0.0
<b>TOTAL</b>		<b>(496)</b>		<b>0</b>

<b>CORPORATE ITEMS ANALYSIS</b>				
	<b>2017/18 Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2018/19 Estimate £000</b>
<b>Expenditure</b>				
Cost of Borrowing including Minimum Revenue Provision	13,415	0	(5,012)	8,403
Further provision for revaluisation/RCCO	25	0	(8)	17
Pension Fund	2,875	0	131	3,006
Pensions: Auto-enrolment	300	0	(300)	0
Centrally held provision for Utilities inflation	300	0	(300)	0
Adjustment re Income re P3/P4	400	0	(200)	200
Overheads - Charge to non-general fund	17	0	(2)	15
Provision for excess inflation	451	0	(73)	378
Bad Debt Provision	500	0	0	500
Redundancy/Pension Strain	1,000	0	0	1,000
Transport Holding Account	91	0	(193)	(102)
Contingency	1,500	0	0	1,500
Apprenticeship Levy	450	0	0	450
Merton Adult Education	0	0	0	0
Loss of HB Admin. Grant	200	0	(21)	179
Change in Corporate Specific and Special Grants	206	0	3	209
LPFA - Provision for deficit contribution	86	0	0	86
Reduction in Education Services Grant	819	0	(819)	0
Cyber Security	0	0	92	92
Other/Rounding	2	0	0	2
Local Election	0	0	350	350
Levies:-				
Lee Valley	190	0	(11)	179
London Pensions Fund	260	0	(0)	259
Environment Agency	164	0	4	168
WPCC	318	0	13	331
<b>GROSS EXPENDITURE</b>	<b>23,570</b>	<b>0</b>	<b>(6,347)</b>	<b>17,221</b>
<b>Income</b>				
Investment Income	(1,186)	0	427	(759)
Depreciation & Impairment	(22,318)	0	3,310	(19,008)
Appropriations to/from reserves (excluding Public Health)	(3,533)	0	2,191	(1,342)
Balance Sheet Management CT & HB	(450)	0	230	(220)
CHAS - IP/Dividend	(1,152)	0	(215)	(1,367)
<b>GROSS INCOME</b>	<b>(28,639)</b>	<b>0</b>	<b>5,943</b>	<b>(22,696)</b>
<b>NET EXPENDITURE</b>	<b>(5,069)</b>	<b>0</b>	<b>(404)</b>	<b>(5,475)</b>



**2018/2019 ESTIMATES**

**CORPORATE SERVICES  
DEPARTMENT**

## SUMMARY: CORPORATE SERVICES DEPARTMENT

### FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff  
 Number of Fixed term contracts  
 Number of FTE Richmond TUPE staff  
 Total FTE

2017/18	2018/19
471.1	472.6
25.0	21.3
6.0	6.0
<b>502.1</b>	<b>499.9</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	23,830	26	(119)	23,736
Premises	2,890	43	(615)	2,318
Transport	149	2	48	198
Supplies and Services	10,573	172	160	10,906
Third Party Payments	1,647	21	(97)	1,571
Transfer Payments	93,388	0	0	93,388
Support Services	8,488	0	(270)	8,217
Depreciation and Impairment Losses	2,140	0	(180)	1,961
<b>GROSS EXPENDITURE</b>	<b>143,105</b>	<b>264</b>	<b>(1,074)</b>	<b>142,296</b>
<b>Income</b>				
Government Grants	(94,878)	0	21	(94,858)
Other Reimbursements and Contributions	(1,149)	0	(163)	(1,312)
Customer and Client Receipts	(13,037)	0	(188)	(13,225)
Interest	0	0	0	0
Recharges	(23,843)	0	435	(23,407)
Reserves	667	0	(667)	0
<b>GROSS INCOME</b>	<b>(132,239)</b>	<b>0</b>	<b>(562)</b>	<b>(132,801)</b>
<b>NET EXPENDITURE</b>	<b>10,866</b>	<b>264</b>	<b>(1,636)</b>	<b>9,494</b>

## SUMMARY: CORPORATE SERVICES DEPARTMENT

### FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff  
 Number of Fixed term contracts  
 Number of FTE Richmond TUPE staff  
 Total FTE

2017/18	2018/19
471.1	472.6
25.0	21.3
6.0	6.0
<b>502.1</b>	<b>499.9</b>

### SERVICE AREA ANALYSIS

	CHANGE BETWEEN YEARS			2018/19 Estimate £000
	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	
Customer Services	2,441	24	145	2,610
Infrastructure & Transactions	231	81	(537)	(225)
Business Improvement	215	25	(817)	(577)
Corporate Governance	1,390	32	(197)	1,225
Resources	2,041	60	(156)	1,945
HR	31	11	(42)	0
Corporate Items	4,518	30	(31)	4,517
<b>TOTAL EXPENDITURE</b>	<b>10,866</b>	<b>264</b>	<b>(1,636)</b>	<b>9,494</b>
Contingency / Other	0	0	0	0
Capital Financing Adjustment	0	0	0	0
Levies	0	0	0	0
<b>NET EXPENDITURE</b>	<b>10,866</b>	<b>264</b>	<b>(1,636)</b>	<b>9,494</b>



## CUSTOMER SERVICES

The Customer Services Division consists of: Merton Link (including the Cash Office, Translation Services and Contact Centre), Support Team, Local Taxation (including Business Rates, Bailiff Team and Recovery Team), Benefits Administration, Registrars, Debt Recovery, Corporate Communications, Web Team and Consultation & Community Engagement

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**

**Number of Fixed term contracts**

**Total FTE**

2017/18	2018/19
133.0	132.0
9.0	9.0
142.0	141.0

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18		Other	2018/19
	Original Estimate £000	Inflation £000	Variations £000	Estimate £000
<b>Expenditure</b>				
Employees	5,152	0	(49)	5,103
Premises	29	0	(12)	18
Transport	80	1	30	111
Supplies and Services	1,048	16	3	1,067
Third Party Payments	431	6	0	438
Transfer Payments	0	0	0	0
Support Services	2,180	0	74	2,253
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>8,920</b>	<b>24</b>	<b>46</b>	<b>8,990</b>
<b>Income</b>				
Government Grants	(1,232)	0	21	(1,211)
Other Reimbursements and Contributions	(970)	0	0	(970)
Customer and Client Receipts	(2,308)	0	(10)	(2,318)
Interest	0	0	0	0
Recharges	(1,969)	0	89	(1,880)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(6,479)</b>	<b>0</b>	<b>100</b>	<b>(6,380)</b>
<b>NET EXPENDITURE</b>	<b>2,441</b>	<b>24</b>	<b>145</b>	<b>2,610</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(68)	(1.0)
Transfer between departments	30	
Technical adjustments	21	
Depreciation adjustments		
Overhead adjustments	163	
Use of Reserves		
<b>TOTAL</b>	<b>145</b>	<b>(1.0)</b>

## INFRASTRUCTURE & TRANSACTIONS

The Infrastructure & Transactions Division consists of Facilities Management, IT Service Delivery, Post & Print Room, Transactional services and Commercial Services.

### FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2017/18	2018/19
90.7	89.3
0.0	4.0
90.7	93.3

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	4,118	0	(73)	4,045
Premises	2,705	41	(603)	2,143
Transport	26	0	1	27
Supplies and Services	2,562	38	318	2,918
Third Party Payments	112	2	(15)	98
Transfer Payments	9	0	0	9
Support Services	936	0	(59)	876
Depreciation and Impairment Losses	2,140	0	(180)	1,961
<b>GROSS EXPENDITURE</b>	<b>12,608</b>	<b>81</b>	<b>(611)</b>	<b>12,079</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(46)	0	0	(46)
Customer and Client Receipts	(2,367)	0	(20)	(2,387)
Interest	0	0	0	0
Recharges	(9,964)	0	93	(9,871)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(12,377)</b>	<b>0</b>	<b>73</b>	<b>(12,304)</b>
<b>NET EXPENDITURE</b>	<b>231</b>	<b>81</b>	<b>(537)</b>	<b>(225)</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(688)	(1.0)
Transfer between departments	31	
Technical adjustments	265	3.6
Depreciation adjustments	(180)	
Overheads adjustments	34	
Use of reserves		
<b>TOTAL</b>	<b>(537)</b>	<b>2.6</b>

## CORPORATE GOVERNANCE

The Corporate Governance Division consists of the South London Legal Partnership, Shared Internal Audit, Investigations, Democracy Services, Electoral Services and Information Governance.

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**

**Number of Fixed term contracts**

**Number of Richmond TUPE staff**

**Total FTE**

	2017/18	2018/19
Number of Permanent Staff	136.2	143.9
Number of Fixed term contracts	1.0	0.0
Number of Richmond TUPE staff	6.0	6.0
Total FTE	143.2	149.9

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	7,337	0	152	7,490
Premises	6	0	(0)	5
Transport	35	1	18	54
Supplies and Services	1,608	24	(43)	1,588
Third Party Payments	461	7	(82)	386
Transfer Payments	0	0	0	0
Support Services	689	0	(178)	511
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>10,136</b>	<b>32</b>	<b>(133)</b>	<b>10,035</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	(6,962)	0	(158)	(7,120)
Interest	0	0	0	0
Recharges	(1,784)	0	94	(1,690)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(8,746)</b>	<b>0</b>	<b>(64)</b>	<b>(8,810)</b>
<b>NET EXPENDITURE</b>	<b>1,390</b>	<b>32</b>	<b>(197)</b>	<b>1,225</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(147)	1.0
Transfer between departments	6	
Technical adjustments	27	5.7
Depreciation adjustments		
Overhead adjustments	(83)	
Use of Reserves		
<b>TOTAL</b>	<b>(197)</b>	<b>6.7</b>

## BUSINESS IMPROVEMENT

The Business Improvement Division consists of IT Business Systems, IT Business Process Re-engineering and Continuous Improvement

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**  
**Number of Fixed term contracts**  
**Total FTE**

	2017/18	2018/19
Number of Permanent Staff	25.5	26.2
Number of Fixed term contracts	11.0	7.3
<b>Total FTE</b>	<b>36.5</b>	<b>33.5</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	1,244	0	193	1,437
Premises	0	0	0	0
Transport	3	0	(2)	2
Supplies and Services	1,026	25	16	1,068
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	303	0	(2)	301
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>2,577</b>	<b>25</b>	<b>205</b>	<b>2,807</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	(35)	(35)
Customer and Client Receipts	(114)	0	0	(114)
Interest	0	0	0	0
Recharges	(2,916)	0	(320)	(3,236)
Reserves	667	0	(667)	0
<b>GROSS INCOME</b>	<b>(2,363)</b>	<b>0</b>	<b>(1,022)</b>	<b>(3,385)</b>
<b>NET EXPENDITURE</b>	<b>215</b>	<b>25</b>	<b>(817)</b>	<b>(577)</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	8	1.0
Transfer between departments	118	
Technical adjustments	46	
Depreciation adjustments		
Overheads adjustments	(322)	
Use of reserves	(667)	(4.0)
<b>TOTAL</b>	<b>(817)</b>	<b>(3.0)</b>

## RESOURCES

The Resources Division consists of Policy & Strategy, Business Planning, Treasury and Accountancy. The Pensions service is managed by LB Wandsworth.

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**  
**Number of Fixed term contracts**  
**Total FTE**

2017/18	2018/19
50.6	49.6
3.0	1.0
53.6	50.6

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18		Other	2018/19
	Original Estimate £000	Inflation £000	Variations £000	Estimate £000
<b>Expenditure</b>				
Employees	3,229	0	(175)	3,054
Premises	103	2	0	104
Transport	2	0	0	2
Supplies and Services	3,807	57	(115)	3,749
Third Party Payments	108	2	0	109
Transfer Payments	0	0	0	0
Support Services	466	0	(44)	422
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>7,715</b>	<b>60</b>	<b>(334)</b>	<b>7,440</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(54)	0	(128)	(182)
Customer and Client Receipts	(726)	0	0	(726)
Interest	0	0	0	0
Recharges	(4,894)	0	307	(4,587)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(5,674)</b>	<b>0</b>	<b>179</b>	<b>(5,495)</b>
<b>NET EXPENDITURE</b>	<b>2,041</b>	<b>60</b>	<b>(156)</b>	<b>1,945</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(351)	(2.0)
Transfer between departments		
Technical adjustments	(67)	(1.0)
Depreciation adjustments		
Overhead adjustments	262	
Use of Reserves		
<b>TOTAL</b>	<b>(156)</b>	<b>(3.0)</b>

## HR

The HR division consists of: Strategic HR, Business Partnerships, Corporate Learning & Development, Diversity, iTrent Client team, Recruitment & Resourcing, Central Operations Team. The function also interfaces with Staff Side.

### FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff  
Number of Fixed term contracts  
Number of FTE Sutton TUPE staff  
Total FTE

2017/18	2018/19
35.0	31.5
1.0	0.0
0.0	0.0
<b>36.0</b>	<b>31.5</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	2,041	3	(167)	1,877
Premises	47	1	0	48
Transport	2	0	0	2
Supplies and Services	207	3	(18)	192
Third Party Payments	290	4	0	294
Transfer Payments	0	0	0	0
Support Services	398	0	(29)	368
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>2,984</b>	<b>11</b>	<b>(214)</b>	<b>2,781</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(79)	0	0	(79)
Customer and Client Receipts	(560)	0	0	(560)
Interest	0	0	0	0
Recharges	(2,315)	0	172	(2,143)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(2,953)</b>	<b>0</b>	<b>172</b>	<b>(2,781)</b>
<b>NET EXPENDITURE</b>	<b>31</b>	<b>11</b>	<b>(42)</b>	<b>0</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(185)	(3.5)
Transfer between departments		
Technical adjustments		
Depreciation adjustments		
Overheads adjustments	143	
Use of reserves		
<b>TOTAL</b>	<b>(42)</b>	<b>(3.5)</b>

## CORPORATE ITEMS

Corporate Items is composed of Housing Benefit subsidy payments and entitlements, Agency contract, Coroners Court and Severance payments. The temporary accommodation budget was transferred to Community and Housing.

### FULL TIME EQUIVALENTS (FTE) Number of Permanent Staff

2017/18	2018/19
0	0

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18		Other	2018/19
	Original Estimate £000	Inflation £000	Variations £000	Estimate £000
<b>Expenditure</b>				
Employees*	708	22	0	730
Premises	0	0	0	0
Transport	0	0	0	0
Supplies and Services	315	8	0	323
Third Party Payments	246	0	0	246
Transfer Payments	93,379	0	0	93,379
Support Services	3,516	0	(31)	3,485
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>98,165</b>	<b>30</b>	<b>(31)</b>	<b>98,164</b>
<b>Income</b>				
Government Grants	(93,647)	0	0	(93,647)
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	(0)	0	0	(0)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(93,647)</b>	<b>0</b>	<b>0</b>	<b>(93,647)</b>
<b>NET EXPENDITURE</b>	<b>4,518</b>	<b>30</b>	<b>(31)</b>	<b>4,517</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings		
Transfer between departments		
Technical adjustments		
Overheads adjustments	(31)	
<b>TOTAL</b>	<b>(31)</b>	<b>0.0</b>

\* The employee budgets shown here relate to employee redundancy payments. There are no FTEs in Corporate Items



## **2018/2019 ESTIMATES**

# **CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT**



## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

This Page contains the Budget for the whole Children, Schools and Families Department including funding provided directly to Merton's Schools

## FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

	2017/18	2018/19
Number of Permanent Staff	432.2	433.3
Number of DSG Staff	79.2	78.7
Number of Fixed term contracts	12.2	14.0
Total FTE	523.6	526.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18		Other	2018/19	2018/19	2018/19
	Estimate	Inflation	Variations	Estimate	DSG	LA
	£000	£000	£000	£000	Estimate	Estimate
<b>Expenditure</b>						
Employees	27,443	45	868	28,356	4,795	23,561
Premises	1,137	17	731	1,885	73	1,812
Transport	4,366	64	64	4,494	67	4,427
Supplies and Services	156,555	448	23,045	180,048	157,501	22,547
Third Party Payments	24,095	159	482	24,736	13,855	10,881
Transfer Payments	0	0	0	0	0	0
Support Services	5,066	0	(50)	5,016	234	4,782
Depreciation and Impairment Losses	5,922	0	1,111	7,033	0	7,033
<b>GROSS EXPENDITURE</b>	<b>224,584</b>	<b>733</b>	<b>26,251</b>	<b>251,568</b>	<b>176,525</b>	<b>75,043</b>
<b>Income</b>						
Government Grants	(162,819)	0	(22,736)	(185,555)	(174,578)	(10,977)
Other Reimbursements and Contributions	(4,867)	0	(1,888)	(6,755)	(1,467)	(5,288)
Customer and Client Receipts	(3,023)	0	149	(2,874)	(287)	(2,587)
Interest	0	0	0	0	0	0
Recharges	(759)	0	713	(46)	0	(46)
Reserves	(537)	0	344	(193)	(193)	0
<b>GROSS INCOME</b>	<b>(172,005)</b>	<b>0</b>	<b>(23,418)</b>	<b>(195,423)</b>	<b>(176,525)</b>	<b>(18,898)</b>
<b>NET EXPENDITURE</b>	<b>52,579</b>	<b>733</b>	<b>2,833</b>	<b>56,145</b>	<b>0</b>	<b>56,145</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(489)	(1.0)
Overhead adjustments	(50)	
Depreciation adjustments	1,111	
Technical adjustments	1,402	
Transfer between departments	125	
Growth	500	
Use of Reserves adjustment	234	
<b>TOTAL</b>	<b>2,833</b>	<b>(1.0)</b>

**SUMMARY: CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT**

SERVICE AREA ANALYSIS	2017/18		Other	2018/19	2018/19	2018/19
	Estimate £000	Inflation £000	Variations £000	Estimate £000	DSG Estimate £000	LA Estimate £000
Senior Management	1,220	12	8	1,240	0	1,240
Childrens Social Care	22,197	151	909	23,257	139	23,118
Education	46,093	120	2,668	48,881	34,605	14,276
Schools	(26,216)	0	(1,804)	(28,020)	(34,744)	6,724
Other Childrens, Schools and Families	9,285	450	1,052	10,787	0	10,787
<b>TOTAL NET EXPENDITURE</b>	<b>52,579</b>	<b>733</b>	<b>2,833</b>	<b>56,145</b>	<b>0</b>	<b>56,145</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Senior Management

This budget contains provision for the Senior Management of Children, Schools and Families Department.

## FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

2017/18	2018/19
3.0	3.0
0.0	0.0
0.0	0.0
3.0	3.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000	2018/19 DSG Estimate £000	2018/19 LA Estimate £000
<b>Expenditure</b>						
Employees	506	1	0	507	0	507
Premises	0	0	0	0	0	0
Transport	1	0	1	2	0	2
Supplies and Services	672	11	0	683	0	683
Third Party Payments	0	0	10	10	0	10
Transfer Payments	0	0	0	0	0	0
Support Services	41	0	(3)	38	0	38
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,220</b>	<b>12</b>	<b>8</b>	<b>1,240</b>	<b>0</b>	<b>1,240</b>
<b>Income</b>						
Government Grants	0	0	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0	0	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET EXPENDITURE</b>	<b>1,220</b>	<b>12</b>	<b>8</b>	<b>1,240</b>	<b>0</b>	<b>1,240</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Overhead adjustments	(3)	
Transfer between departments	0	
Savings	(90)	0.0
Technical adjustments	101	
<b>TOTAL</b>	<b>8</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

### Children's Social Care

This budget contains the funding for central social work; family and adolescent services; Mash and child protection; permanency, placements and looked after children; as well as safeguarding, standards and training.

#### FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

2017/18	2018/19
202.0	203.3
2.0	2.0
12.2	14.0
216.2	219.3

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000	2018/19 DSG Estimate £000	2018/19 LA Estimate £000
<b>Expenditure</b>						
Employees	10,846	1	528	11,375	111	11,264
Premises	54	1	2	57	0	57
Transport	245	3	(11)	237	1	236
Supplies and Services	678	10	(19)	669	5	664
Third Party Payments	9,063	136	296	9,495	0	9,495
Transfer Payments	0	0	0	0	0	0
Support Services	2,299	0	253	2,552	22	2,530
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>23,185</b>	<b>151</b>	<b>1,049</b>	<b>24,385</b>	<b>139</b>	<b>24,246</b>
<b>Income</b>						
Government Grants	(947)	0	(140)	(1,087)	0	(1,087)
Other Reimbursements and Contributions	(41)	0	0	(41)	0	(41)
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(988)</b>	<b>0</b>	<b>(140)</b>	<b>(1,128)</b>	<b>0</b>	<b>(1,128)</b>
<b>NET EXPENDITURE</b>	<b>22,197</b>	<b>151</b>	<b>909</b>	<b>23,257</b>	<b>139</b>	<b>23,118</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	0.0
Growth	400	
Transfer between departments	(72)	
Overhead adjustments	253	
Depreciation adjustments	0	
Use of Reserves adjustment	136	
Technical adjustments	192	
<b>TOTAL</b>	<b>909</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

### Education

To page contains the budgets for school improvement; early years and children's centres; education inclusion; as well as special educational needs and disability integrated service.

#### FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

2017/18	2018/19
208.6	209.4
77.2	76.7
0.0	0.0
285.7	286.1

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000	2018/19 DSG Estimate £000	2018/19 LA Estimate £000
<b>Expenditure</b>						
Employees	12,336	0	209	12,546	3,803	8,742
Premises	1,030	17	87	1,133	21	1,113
Transport	4,116	61	74	4,251	65	4,186
Supplies and Services	18,002	35	2,099	20,136	17,649	2,487
Third Party Payments	13,736	7	228	13,971	13,644	327
Transfer Payments	0	0	0	0	0	0
Support Services	2,470	0	(258)	2,212	211	2,001
Depreciation and Impairment Losses	167	0	141	308	0	308
<b>GROSS EXPENDITURE</b>	<b>51,857</b>	<b>120</b>	<b>2,580</b>	<b>54,557</b>	<b>35,393</b>	<b>19,164</b>
<b>Income</b>						
Government Grants	(232)	0	(321)	(553)	0	(553)
Other Reimbursements and Contributions	(1,481)	0	(653)	(2,134)	(308)	(1,826)
Customer and Client Receipts	(2,962)	0	166	(2,796)	(287)	(2,509)
Interest	0	0	0	0	0	0
Recharges	(552)	0	552	0	0	0
Reserves	(537)	0	344	(193)	(193)	0
<b>GROSS INCOME</b>	<b>(5,764)</b>	<b>0</b>	<b>88</b>	<b>(5,676)</b>	<b>(788)</b>	<b>(4,888)</b>
<b>NET EXPENDITURE</b>	<b>46,093</b>	<b>120</b>	<b>2,668</b>	<b>48,881</b>	<b>34,605</b>	<b>14,276</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(43)	0.0
Growth	100	
Overhead adjustments	(258)	
Transfer between departments	224	
Use of Reserves adjustment	324	
Depreciation adjustments	142	
Technical adjustments	2,179	
<b>TOTAL</b>	<b>2,668</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Schools

This budget covers schools funding as well as some centrally retained DSG money to support the schools function.

## FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

2017/18	2018/19
0.0	0.0
0.0	0.0
0.0	0.0
0.0	0.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000	2018/19 DSG Estimate £000	2018/19 LA Estimate £000
<b>Expenditure</b>						
Employees	768	0	113	881	881	0
Premises	48	0	4	52	52	0
Transport	0	0	0	0	0	0
Supplies and Services	126,965	0	21,668	148,633	139,848	8,785
Third Party Payments	212	0	0	212	212	0
Transfer Payments	0	0	0	0	0	0
Support Services	0	0	0	0	0	0
Depreciation and Impairment Losses	5,755	0	969	6,724	0	6,724
<b>GROSS EXPENDITURE</b>	<b>133,748</b>	<b>0</b>	<b>22,754</b>	<b>156,502</b>	<b>140,993</b>	<b>15,509</b>
<b>Income</b>						
Government Grants	(158,805)	0	(24,558)	(183,363)	(174,578)	(8,785)
Other Reimbursements and Contributions	(1,159)	0	0	(1,159)	(1,159)	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(159,964)</b>	<b>0</b>	<b>(24,558)</b>	<b>(184,522)</b>	<b>(175,737)</b>	<b>(8,785)</b>
<b>NET EXPENDITURE</b>	<b>(26,216)</b>	<b>0</b>	<b>(1,804)</b>	<b>(28,020)</b>	<b>(34,744)</b>	<b>6,724</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	969	
Use of Reserves adjustment	(372)	
Technical adjustments	(2,401)	
<b>TOTAL</b>	<b>(1,804)</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Other Children Schools and Families Budgets

This budget covers asylum seeker costs, past and present pension and redundancy costs, ESG income and PFI unitary charges.

## FULL TIME EQUIVALENTS

Number of Permanent Staff  
Number of DSG Staff  
Number of Fixed term contracts  
Total FTE

2017/18	2018/19
18.7	17.7
0.0	0.0
0.0	0.0
18.7	17.7

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000	2018/19 DSG Estimate £000	2018/19 LA Estimate £000
<b>Expenditure</b>						
Employees	2,986	41	19	3,046	0	3,046
Premises	5	0	638	643	0	643
Transport	5	0	(2)	3	0	3
Supplies and Services	10,238	392	(702)	9,928	0	9,928
Third Party Payments	1,084	17	(52)	1,049	0	1,049
Transfer Payments	0	0	0	0	0	0
Support Services	256	0	(41)	215	0	215
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>14,574</b>	<b>450</b>	<b>(140)</b>	<b>14,884</b>	<b>0</b>	<b>14,884</b>
<b>Income</b>						
Government Grants	(2,835)	0	2,283	(552)	0	(552)
Other Reimbursements and Contributions	(2,186)	0	(1,235)	(3,421)	0	(3,421)
Customer and Client Receipts	(61)	0	(17)	(78)	0	(78)
Interest	0	0	0	0	0	0
Recharges	(207)	0	161	(46)	0	(46)
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(5,289)</b>	<b>0</b>	<b>1,192</b>	<b>(4,097)</b>	<b>0</b>	<b>(4,097)</b>
<b>NET EXPENDITURE</b>	<b>9,285</b>	<b>450</b>	<b>1,052</b>	<b>10,787</b>	<b>0</b>	<b>10,787</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(356)	(1.0)
Transfer between departments	(27)	
Overhead adjustments	(42)	
Use of Reserves adjustment	146	
Technical adjustments	1,331	
<b>TOTAL</b>	<b>1,052</b>	<b>0.0</b>



## **2018/2019 ESTIMATES**

# **ENVIRONMENT AND REGENERATION DEPARTMENT**



## SUMMARY: ENVIRONMENT & REGENERATION

**FULL TIME EQUIVALENTS (FTE)**
**Permanent Staff**
**Fixed Term Contract**
**Total FTE**

2017/18	2018/19
308	303
5	3
313	306

**SERVICE AREA ANALYSIS**
**CHANGE BETWEEN YEARS**

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
Street Scene and Waste	17,458	322	(684)	17,096
Public Protection and Development	(8,287)	24	(395)	(8,658)
Sustainable Communities	14,013	77	(4,577)	9,513
Senior Management and Support	0	3	(3)	0
<b>TOTAL EXPENDITURE</b>	<b>23,183</b>	<b>426</b>	<b>(5,659)</b>	<b>17,950</b>

## ENVIRONMENT AND REGENERATION DEPARTMENT

### Departmental Summary

#### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2017/18	2018/19
308	303
5	3
313	306

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
<b>Expenditure</b>				
Employees	14,055	1	(282)	13,774
Premises	2,868	35	602	3,505
Transport	5,927	88	(4,225)	1,790
Supplies and Services	4,354	66	6,215	10,635
Third Party Payments	15,768	236	(5,732)	10,272
Transfer Payments	2	0	(2)	0
Support Services	8,522	0	(1,333)	7,189
Depreciation and Impairment Losses	13,876	0	(4,331)	9,545
<b>GROSS EXPENDITURE</b>	<b>65,372</b>	<b>426</b>	<b>(9,088)</b>	<b>56,710</b>
<b>Income</b>				
Government Grants	(77)	0	0	(77)
Other Reimbursements and Contributions	(3,841)	0	256	(3,585)
Customer and Client Receipts	(35,175)	0	1,914	(33,261)
Recharges	(3,094)	0	1,259	(1,835)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(42,187)</b>	<b>0</b>	<b>3,429</b>	<b>(38,758)</b>
<b>NET EXPENDITURE</b>	<b>23,183</b>	<b>426</b>	<b>(5,659)</b>	<b>17,950</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(1,358)	-3.5
Growth	222	0.0
Depreciation adjustments	(4,332)	0.0
Overheads adjustments	(74)	0.0
Transfer between departments	(257)	0.0
Technical adjustments	140	1.0
Use of Reserves adjustments	0	0.0
<b>TOTAL*</b>	<b>(5,659)</b>	<b>(2.5)</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

### Public Space, Contracting, and Commissioning\*: Greenspaces, Leisure & Culture, Transport Services, and Waste Management and Operations.

\* Previously the Street Scene and Waste division

#### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2017/18	2018/19
87	78
0	0
87	78

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
<b>Expenditure</b>				
Employees	3,659	0	(496)	3,163
Premises	1,082	14	156	1,252
Transport	5,626	84	(4,232)	1,478
Supplies and Services	966	15	5,797	6,778
Third Party Payments	13,949	209	(4,949)	9,209
Transfer Payments	2	0	(2)	0
Support Services	2,781	0	(757)	2,024
Depreciation and Impairment Losses	1,746	0	59	1,805
<b>GROSS EXPENDITURE</b>	<b>29,811</b>	<b>322</b>	<b>(4,424)</b>	<b>25,709</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(1,308)	0	357	(951)
Customer and Client Receipts	(10,314)	0	2,652	(7,662)
Recharges	(731)	0	731	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(12,353)</b>	<b>0</b>	<b>3,740</b>	<b>(8,613)</b>
<b>NET EXPENDITURE</b>	<b>17,458</b>	<b>322</b>	<b>(684)</b>	<b>17,096</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(587)	(6.5)
Growth	65	
Depreciation adjustments	58	
Overheads adjustments	(26)	
Transfer between departments	(258)	
Technical adjustments	64	
Use of reserves adjustments	0	
<b>TOTAL*</b>	<b>(684)</b>	<b>(6.5)</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

**Public Protection:** Regulatory Services Partnership, Parking Control, Safer Merton.

### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2017/18	2018/19
131	133
0	0
131	133

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
<b>Expenditure</b>				
Employees	5,450	0	102	5,552
Premises	646	6	68	720
Transport	131	2	34	167
Supplies and Services	553	8	115	676
Third Party Payments	531	8	(123)	416
Transfer Payments	0	0	0	0
Support Services	2,275	0	137	2,412
Depreciation and Impairment Losses	112	0	60	172
<b>GROSS EXPENDITURE</b>	<b>9,697</b>	<b>24</b>	<b>393</b>	<b>10,114</b>
<b>Income</b>				
Government Grants	(76)	0	0	(76)
Other Reimbursements and Contributions	(1,250)	0	(74)	(1,324)
Customer and Client Receipts	(16,658)	0	(714)	(17,372)
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(17,984)</b>	<b>0</b>	<b>(788)</b>	<b>(18,772)</b>
<b>NET EXPENDITURE</b>	<b>(8,287)</b>	<b>24</b>	<b>(395)</b>	<b>(8,658)</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(688)	2.0
Depreciation adjustments	60	
Overheads adjustments	137	
Technical adjustments	96	
Use of Reserves adjustments		
<b>TOTAL*</b>	<b>(395)</b>	<b>2</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

**Sustainable Communities\*:** Traffic and Highway Services, Development Control, Building Control, Physical Regeneration, Spatial Planning and Policy, Regeneration Partnerships, Property Management, Transport Planning & Safety Education.

\* Greenspaces and Leisure & Development transferred to Public Space, Contracting & Commissioning.

### FULL TIME EQUIVALENTS (FTE)

Permanent Staff  
Fixed Term Contract  
Total FTE

2017/18	2018/19
82	84
5	3
86	87

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
<b>Expenditure</b>				
Employees	4,184	1	141	4,326
Premises	1,139	15	378	1,532
Transport	162	2	(27)	137
Supplies and Services	2,641	40	292	2,973
Third Party Payments	1,286	19	(660)	645
Transfer Payments	0	0	0	0
Support Services	3,300	0	(680)	2,620
Depreciation and Impairment Losses	12,018	0	(4,450)	7,568
<b>GROSS EXPENDITURE</b>	<b>24,730</b>	<b>77</b>	<b>(5,006)</b>	<b>19,801</b>
<b>Income</b>				
Government Grants	(1)	0	0	(1)
Other Reimbursements and Contributions	(1,283)	0	(27)	(1,310)
Customer and Client Receipts	(8,203)	0	(24)	(8,227)
Recharges	(1,230)	0	480	(750)
Reserves	(0)	0	0	(0)
<b>GROSS INCOME</b>	<b>(10,717)</b>	<b>0</b>	<b>429</b>	<b>(10,288)</b>
<b>NET EXPENDITURE</b>	<b>14,013</b>	<b>77</b>	<b>(4,577)</b>	<b>9,513</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(93)	1.0
Growth	157	
Depreciation adjustments	(4,450)	
Overheads adjustments	(200)	
Transfer between departments	1	
Technical adjustments	8	1.0
Use of Reserves adjustments		
<b>TOTAL*</b>	<b>(4,577)</b>	<b>2.0</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

**Senior Management and Support:** The Department's senior management and secretarial support, and Business Performance.

### FULL TIME EQUIVALENTS (FTE)

**Permanent Staff**

**Fixed Term Contract**

**Total FTE**

2017/18	2018/19
8	8
0	0
8	8

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/2018 Original Estimate £000	Inflation £000	Other Variations £000	2018/2019 Estimate £000
<b>Expenditure</b>				
Employees	762	0	(29)	733
Premises	1	0	0	1
Transport	8	0	0	8
Supplies and Services	194	3	11	208
Third Party Payments	2	0	0	2
Transfer Payments	0	0	0	0
Support Services	166	0	(33)	133
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,133</b>	<b>3</b>	<b>(51)</b>	<b>1,085</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Recharges	(1,133)	0	48	(1,085)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(1,133)</b>	<b>0</b>	<b>48</b>	<b>(1,085)</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>3</b>	<b>(3)</b>	<b>0</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	10	
Overheads adjustments	15	
Technical adjustments	(25)	
Use of Reserves adjustments	0	
<b>TOTAL*</b>	<b>0</b>	<b>0.0</b>

\* Any difference due to roundings.



## **2018/2019 ESTIMATES**

# **COMMUNITY AND HOUSING DEPARTMENT**

**SUMMARY: COMMUNITY AND HOUSING**

	<b>2017/18</b>	<b>2018/19</b>
Number of FTE Staff	380.75	398.20
Number of FTE TUPE staff	13.73	14.87
Number of Fixed Term contract	6.60	8.31
<b>Total FTE</b>	<b>401.08</b>	<b>421.38</b>

**SERVICE AREA ANALYSIS**

	<b>2017/18 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2018/19 Estimate £000</b>
Adult Social Care	59,402	1,508	(2,133)	58,777
Libraries and Heritage	2,662	58	16	2,736
Merton Adult Education	29	37	(31)	35
Housing General Fund	2,224	84	(101)	2,207
Public Health	0	0	0	0
<b>NET EXPENDITURE</b>	<b>64,317</b>	<b>1,686</b>	<b>(2,249)</b>	<b>63,755</b>



## COMMUNITY AND HOUSING DEPARTMENT Total

The department includes Adult Social Care, Housing, Libraries, Public Health and Merton Adult Education.

### FULL TIME EQUIVALENTS

	2017/18	2018/19
Number of FTE Staff	380.75	398.20
Number of FTE TUPE staff	13.73	14.87
Number of Fixed Term contract	6.60	8.31
<b>Total FTE</b>	<b>401.08</b>	<b>421.38</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	17,061	218	(77)	17,202
Premises	904	27	(76)	855
Transport	1,477	44	(107)	1,414
Supplies and Services	7,859	133	(1,508)	6,484
Third Party Payments	55,702	1,263	(61)	56,904
Transfer Payments	10,085	1	342	10,428
Support Services	7,164	0	164	7,328
Depreciation and Impairment Losses	379	0	90	470
<b>GROSS EXPENDITURE</b>	<b>100,630</b>	<b>1,686</b>	<b>(1,232)</b>	<b>101,085</b>
<b>Income</b>				
Government Grants	(12,118)	0	(1,240)	(13,358)
Other Reimbursements and Contributions	(11,432)	0	(348)	(11,780)
Customer and Client Receipts	(10,057)	0	179	(9,878)
Interest	0	0	0	0
Recharges	(2,706)	0	(207)	(2,913)
Reserves	0	0	600	600
<b>GROSS INCOME</b>	<b>(36,313)</b>	<b>0</b>	<b>(1,016)</b>	<b>(37,329)</b>
<b>NET EXPENDITURE</b>	<b>64,317</b>	<b>1,686</b>	<b>(2,248)</b>	<b>63,755</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salary-Savings	(62)	1.50
Savings-Other	(1,536)	0
Growth	154	0
Overheads adjustments	(42)	0
Depreciation adjustments	92	0
Rebasing of Income	0	0
Technical adjustments	743	0
Transfers between departments	(52)	0
Grants	(1,544)	0
Other	0	0
Use of Reserves Adjustment	0	0
<b>TOTAL</b>	<b>(2,248)</b>	<b>1.50</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Merton Adult Learning**

This is a commissioned service via South Thames College and Groundwork London. The service continues to provide popular courses whilst expanding provision for families and enhancing offer in maths, english and employability courses.

**FULL TIME EQUIVALENTS**

	2017/18	2018/19
Number of FTE Staff	4.66	3.75
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term contract	0.00	0.00
<b>Total FTE</b>	<b>4.66</b>	<b>3.75</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2017/18 Original £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	306	26	(23)	308
Premises	17	3	(3)	17
Transport	0	0	(0)	0
Supplies and Services	168	8	(155)	21
Third Party Payments	891	0	147	1,038
Transfer Payments	0	0	0	0
Support Services	28	0	3	31
Depreciation and Impairment Losses	0	0	(0)	0
<b>GROSS EXPENDITURE</b>	<b>1,410</b>	<b>37</b>	<b>(31)</b>	<b>1,416</b>
<b>Income</b>				
Government Grants	(1,374)	0	28	(1,346)
Other Reimbursements and Contributions	0	0	(28)	(28)
Customer and Client Receipts	(7)	0	0	(7)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(1,381)</b>	<b>0</b>	<b>0</b>	<b>(1,380)</b>
<b>NET EXPENDITURE</b>	<b>29</b>	<b>37</b>	<b>(31)</b>	<b>35</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salaries	0	
Growth	0	
Overheads adjustments	3	
Depreciation adjustments	0	
Rebasing of Income	0	
Technical adjustments	(34)	
Transfers between departments	0	
Grants	0	
Other	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>(31)</b>	<b>0.00</b>

## COMMUNITY AND HOUSING DEPARTMENT

### Library & Heritage Services

Services are provided through three main town centre libraries, Mitcham, Morden, Wimbledon and four neighbourhood libraries, Donald Hope, Pollards Hill, Raynes Park and West Barnes. Additional services available are home visits and school services. Also available is the Heritage Service located at Morden Library. Service has also ventured into securing small grants from various organisations

**FULL TIME EQUIVALENTS**

	2017/18	2018/19
Number of FTE Staff	31.23	31.35
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contract	0.00	0.00
<b>Total FTE</b>	<b>31.23</b>	<b>31.35</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	1,076	38	(22)	1,092
Premises	485	12	(52)	445
Transport	4	0	0	4
Supplies and Services	399	8	181	587
Third Party Payments	18	1	12	31
Transfer Payments	0	0	0	0
Support Services	688	0	(11)	677
Depreciation and Impairment Losses	301	0	58	359
<b>GROSS EXPENDITURE</b>	<b>2,971</b>	<b>58</b>	<b>166</b>	<b>3,195</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	(309)	0	(150)	(459)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(309)</b>	<b>0</b>	<b>(150)</b>	<b>(459)</b>
<b>NET EXPENDITURE</b>	<b>2,662</b>	<b>58</b>	<b>16</b>	<b>2,736</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salary-Savings	0	
Savings-Income	(30)	
Growth	0	
Overheads adjustments	(11)	
Depreciation adjustments	58	
Rebasing of Income	0	
Technical adjustments	(1)	
Transfers between departments	0	
Grants	0	
Other - Other income	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>16</b>	<b>0.00</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Housing General Fund**

**Housing Needs and Enabling Service**

**FULL TIME EQUIVALENTS**

	<b>2017/18</b>	<b>2018/19</b>
Number of FTE Staff	24.53	23.03
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contract	0.00	2.00
<b>Total FTE</b>	<b>24.53</b>	<b>25.03</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	<b>2017/18 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2018/19 Estimate £000</b>
<b>Expenditure</b>				
Employees	1,014	42	(32)	1,024
Premises	39	2	(1)	40
Transport	29	1	(1)	29
Supplies and Services	186	6	(3)	189
Third Party Payments	2,296	33	146	2,475
Transfer Payments	571	0	(0)	571
Support Services	287	0	6	293
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>4,422</b>	<b>84</b>	<b>115</b>	<b>4,620</b>
<b>Income</b>				
Government Grants	0	0	(144)	(144)
Other Reimbursements and Contributions	(2,020)	0	(72)	(2,092)
Customer and Client Receipts	(178)	0	0	(178)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(2,198)</b>	<b>0</b>	<b>(216)</b>	<b>(2,414)</b>
<b>NET EXPENDITURE</b>	<b>2,224</b>	<b>84</b>	<b>(101)</b>	<b>2,207</b>

Other Variations are analysed as follows:

<b>Major Items</b>	<b>£000</b>	<b>fte</b>
Savings Staff	(62)	1.50
Savings Non-apy	0	
Growth	0	
New Homelessness Reduction Grant	0	
Depreciation adjustments	0	
Technical adjustments	105	
Grants	(144)	
Other	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>(101)</b>	<b>1.50</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Adult Social Care**

Adult Social Care is divided into three areas:- 1) Access & Assessment includes the following services:- older people, mental health, learning & physical disability, concessionary, reablement, equipment and safeguarding services. 2) Commissioning which includes:- Contracts, brokerage and voluntary organisation. 3) Direct Provision which includes all in-house provisions.

**FULL TIME EQUIVALENTS**

	2017/18	2018/19
Number of FTE Staff	308.37	324.21
Number of FTE TUPE staff	13.73	12.87
Number of Fixed Term Contract	2.00	3.51
<b>Total FTE</b>	<b>324.10</b>	<b>340.59</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	13,548	113	(63)	13,597
Premises	361	10	(20)	351
Transport	1,442	43	(106)	1,379
Supplies and Services	3,630	112	(461)	3,281
Third Party Payments	46,297	1,229	(534)	46,992
Transfer Payments	9,514	1	342	9,857
Support Services	6,010	0	173	6,183
Depreciation and Impairment Losses	78	0	33	111
<b>GROSS EXPENDITURE</b>	<b>80,879</b>	<b>1,508</b>	<b>(636)</b>	<b>81,751</b>
<b>Income</b>				
Government Grants	(17)	0	(1,400)	(1,417)
Other Reimbursements and Contributions	(9,191)	0	(219)	(9,410)
Customer and Client Receipts	(9,563)	0	329	(9,234)
Interest	0	0	0	0
Recharges	(2,706)	0	(207)	(2,913)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(21,477)</b>	<b>0</b>	<b>(1,497)</b>	<b>(22,974)</b>
<b>NET EXPENDITURE</b>	<b>59,402</b>	<b>1,508</b>	<b>(2,133)</b>	<b>58,777</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salary-Savings	0	
Savings- other	(1,506)	
Growth	154	
Overheads adjustments	(34)	
Depreciation adjustments	33	
Rebasing of Income	0	
Technical adjustments	672	
Transfers between departments-Mosaic	(52)	
Grants	(1,400)	
Other -	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>(2,133)</b>	<b>0.00</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Public Health**

Public Health services comprise • Mandatory Services : Sexual health, NHS health checks, National Child Measurement Programme, Support to Clinical Commissioning groups, and assurance of health emergency preparedness. • Universal Services : Smoking cessation, Drugs and alcohol, Obesity and Health Visiting Services.

**FULL TIME EQUIVALENTS**

	2017/18	2018/19
Number of FTE Staff	11.96	15.86
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contracts	4.60	2.80
<b>Total FTE</b>	<b>16.56</b>	<b>18.66</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2017/18 Original Estimate £000	Inflation £000	Other Variations £000	2018/19 Estimate £000
<b>Expenditure</b>				
Employees	1,117	0	64	1,181
Premises	2	0	1	3
Transport	2	0	0	2
Supplies and Services	3,476	0	(1,070)	2,406
Third Party Payments	6,200	0	168	6,368
Transfer Payments	0	0	0	0
Support Services	151	0	(8)	143
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>10,948</b>	<b>0</b>	<b>(846)</b>	<b>10,102</b>
<b>Income</b>				
Government Grants	(10,727)	0	276	(10,451)
Other Reimbursements and Contributions	(221)	0	(30)	(251)
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	600	600
<b>GROSS INCOME</b>	<b>(10,948)</b>	<b>0</b>	<b>846</b>	<b>(10,102)</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	
Growth	0	
Salaries	0	
Overheads adjustments	0	
Depreciation adjustments	0	
Rebasing of Income	0	
Technical adjustments	0	
Transfers between departments	0	
Grants	0	
Other Income	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>0</b>	<b>0.00</b>

## Standard Subjective Analysis – The Key

The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all local authority services throughout the United Kingdom from 1 April 2017 for the preparation of 2017/18 Budgets, Performance Indicators and Statements of Accounts.

The *Service Reporting Code of Practice* (SeRCOP) sets out guidelines for financial reporting, supplementing the principles and practice set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*. It establishes proper practice with regard to consistent financial reporting below the statement of accounts level. It is prepared under International Financial Reporting Standards (IFRS) in accordance with the *Code of Practice on Local Authority Accounting*.

The aim is to ensure that there is consistent reporting of service costs and income across different service areas, thus building the framework for the production of comparative performance indicators. The code is revised annually to reflect changing circumstances across local authority services and changes in accounting standards.

The SeRCOP provides guidance in following areas:

- the definition of total cost
- service expenditure analysis – this provides service classifications and defines the mandatory divisions of service to which costs must be aggregated
- the recommended standard subjective analysis.

The **Recommended Standard Subjective Analysis** provides an analysis that is consistent with the subjective analysis required by government returns such as the Whole of Government Accounts.

**Subjective Analysis 2016-17 and 2017-18 Final (Source: Cipfa SeRCOP)****Groups                      Sub-groups****Employees**

This group includes the cost of employee expenses, both direct and indirect, to the authority.

## Direct employee expenses and benefits

- Salaries
- Employer's National Insurance contributions
- Employer's retirement benefit costs:
  - current service costs
  - past service costs
  - settlements
- Agency staff
- Employee allowances (not including travel and subsistence)

## Indirect employee expenses

- Relocation
- Interview
- Training
- Advertising
- Severance payments
- Employee-related schemes (eg welfare schemes, discount schemes)

- Contributions to employee-related provisions
- Debits relating from soft loans - employees
- Employee expenses and benefits - Schools

**Premises-related expenditure**

This group includes expenses directly related to the running of premises and land.

- Repairs, alterations and maintenance of buildings
- Energy costs
- CRC allowances
- Rents
- Rates
- Water services
- Fixtures and fittings
- Apportionment of expenses of operational buildings
- Cleaning and domestic supplies
- Grounds maintenance costs
- Premises insurance
- Contributions to premises-related provisions



**Transport-related expenditure**

This group includes all costs associated with the provision, hire or use of transport, including travelling allowances and home to school transport.

## Direct transport costs

- Repairs and maintenance, running costs and contributions to provisions in respect of vehicles, for example.
- Repairs and maintenance of (for example) roads are not included in this heading, but should be included in the relevant subjective headings (such as staff costs, supplies and services, etc).
- This could include the write-off in the year of any assets not deemed material by the authority's capital accounting policies (i.e. below de minimis thresholds set).

## Recharges

Contract hire and operating leases

Public transport

Transport insurance

Car allowances

Contributions to transport-related provisions

**Supplies and services**

This group includes all direct supplies and service expenses to the authority.

## Equipment, furniture and materials

- All items used in the operation or administration of the service, unless specifically contained in another sub-group (e.g. communications and computing). This could include the write-off in the year of any assets not deemed material by the authority's capital accounting policies (i.e. below de minimis thresholds set).

Catering

Clothes, uniform and laundry

Printing, stationery and general office expenses

Services

Communications and computing

Members' allowances

Expenses

Grants and subscriptions

Private Finance Initiative and Public Private Partnership schemes

Contributions to provisions

Miscellaneous expenses

**Third party payments**

A third party payment is a payment to an external provider or an internal service delivery unit defined as a trading operation – categories (a) to (d) in paragraph 2.30 of SeRCOP – which is operating independently, in return for the provision of a service or a subdivision of service as defined by Section 3 of SeRCOP.

- Independent units within the council; include services defined as category (a) to (d) in paragraph 2.30 of SeRCOP
- Joint authorities
- Other local authorities
- Health authorities
- Government departments
- Voluntary associations
- Other establishments
- Private contractors
- Other agencies
- Transport operators (in respect of concessionary fares)
- Debits relating from soft loans - third party payments

**Transfer payments**

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority. Four sub-groups are suggested; however, this list is not exhaustive.

- Schoolchildren and students
- Adult Social Services clients
- Housing benefits
- Debits relating from soft loans - transfer payments

**Support services**

Charges for services that support the provision of services to the public. The charges should be apportioned or allocated to the service divisions which they support on the basis of the seven principles of apportionment specified in Section 2 of SeRCOP.

- Finance
- IT
- Human Resources
- Property Management/Office Accommodation
- Legal Services
- Procurement Services
- Corporate Services
- Transport Functions

**Depreciation and impairment losses**

This provides the subjective analysis that will record the revenue impact of capital items in the service revenue accounts of the authority.

- Depreciation
- Revaluation losses
- Loss on impairment of assets

Amortisation of intangible fixed assets  
 Movement in fair value of investment property

### **Income**

This group includes all income received by the service from external users or by way of charges. This group also includes recharges to internal users

Government grants

- Specific and special government grants.

Other grants reimbursements and contributions

- Revenue income received to finance a function/project jointly or severally undertaken with other bodies.
- Contributions from other local authorities.
- Value of costs recharged to outside bodies including other committees.

Customer and client receipts

- Sales of products or materials, data technology or surplus products.
- Fees and charges for services, use of facilities, admissions and lettings.
- Rents, tithes, acknowledgements, way leaves and other land and property-based charges of a non-casual user.

Interest

Recharges

- Value of costs recharged to internal users.

Credits resulting from soft loans

- All credits resulting from soft loans should be included in this subjective group (as a corporate entry).

### **Capital financing costs**

This group includes the corporate capital financing costs of the authority.

Interest payments

- Interest payments will include the interest element of payments made under on Balance Sheet PFI/PPP schemes

Debt management expenses

## Risk Analysis for General Fund

- 1 The Council's draft budget for 2018/19, has been analysed to identify key areas of risk. Costs that are regarded as fixed have been disregarded along with Schools' budgets.

	£m
<b>Expenditure</b>	
Employees	84.6
Premises Related Expenditure	8.5
Transport Related Expenditure	7.9
Supplies and Services	68.3
Third Party Payments	93.3
Transfer Payments	103.8
Support Services	27.8
Depreciation and Impairment Costs	19.0
Cost of Borrowing	8.4
Pension Fund	3.0
Contingency	1.5
Corporate Provisions	4.2
<b>Incomes</b>	
Government Grants	110.4
Other Grants, Reimbursements and Contributions	32.7
Customer and Client Receipts	59.2
Recharges	28.2
Corporate Provisions	1.2
Asset Rentals: Depreciation & Impairment	19.0
<b>Overall Total</b>	<b>677.1</b>

2. In addition the savings proposals for 2018-22 have been assessed in terms of deliverable risk. The level of deliverable risk is:

Risk Rating	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total 2018-22 £000
Low	2,349	637	191	40	3,217
Medium	1,263	1,681	675	75	3,694
High	1,849	2,146	740	0	4,735
<b>Total</b>	<b>5,461</b>	<b>4,464</b>	<b>1,606</b>	<b>115</b>	<b>11,646</b>

3. Using the data available the levels of risk for the key areas have been assessed as shown in the following table:

	£m	Min %	Mid %	Max %
<b>Expenditure</b>				
Employees	84.6	0.25	0.50	0.75
Premises Related Expenditure	8.5	1.50	2.50	3.50
Transport Related Expenditure	7.9	2.00	3.00	4.00
Supplies and Services	68.3	2.00	3.00	4.00
Third Party Payments	93.3	3.75	5.50	7.50
Transfer Payments	103.8	2.75	3.75	4.75
<b>Incomes</b>				
Government Grants	110.4	1.00	2.00	3.00
Other Grants, Reimbursements and Contributions	32.7	1.00	2.00	3.00
Customer and Client Receipts	59.2	1.75	3.00	4.00
<b>Savings</b>				
Low Deliverability Risk	3.2	1.50		
Medium Deliverability Risk	3.7		3.00	
High Deliverability Risk	4.7			7.50
Safety Net Threshold	1.3	100.00	100.00	100.00

4. Applying the risk levels in the table above produces the following level of addressed risk:

	£m	Min £m	Mid £m	Max £m
<b>Employees exc. DSG</b>	84.6	0.21	0.42	0.63
Premises Related Expenditure	8.5	0.13	0.21	0.30
Transport Related Expenditure	7.9	0.16	0.24	0.32
Supplies and Services exc. DSG	68.3	1.37	2.05	2.73
Third Party Payments	93.3	3.50	5.13	7.00
Transfer Payments	103.8	2.85	3.89	4.93
<b>Incomes</b>				
Government Grants	110.4	1.10	2.21	3.31
Other Grants, Reimbursements and Contributions	32.7	0.33	0.65	0.98
Customer and Client Receipts	59.2	1.04	1.78	2.37
<b>Savings</b>				
Low Deliverability Risk	3.2	0.05		
Medium Deliverability Risk	3.7		0.11	
High Deliverability Risk	4.7			0.35
Safety Net Threshold	1.3	1.30	1.30	1.30
<b>Total</b>		12.09	18.01	24.27

## SECTION 3: Schools Funding 2018/19

### 1. Introduction

- 1.1 The Government announced the Dedicated Schools Grant allocation on 19<sup>th</sup> December 2017. Merton's allocation split over the Four blocks is as follows:

Description	2018/19 £000	2017/18 £000
Schools Block	119,012	115,422
Central Schools Services Block	1,021	999
Early Years Block	17,088	14,428
High Needs Block	31,951	31,686
<b>Total as at Schools Forum meeting</b>	<b>169,072</b>	<b>162,535</b>
Academy recoupment	(21,615)	(19,670)
<b>Final allocation for the year</b>	<b>147,457</b>	<b>142,865</b>

- 1.2 A description of the costs included in each funding block is detailed in the sections below.

### 2. Schools Block

- 2.1 The Schools Block allocation of £119.012m is split into the following expenditure types:

Description	2018/19 £000	2017/18 £000
Growth Fund	1,160	940
Transfers to the High Needs Block	500	250
De-delegated items	1,967	1,808
Central duties to maintained schools (ESG)	636	489
Individual School Budgets	114,749	112,307
One-off funding allocated from reserves not DSG	0	(372)
<b>Total Schools Block</b>	<b>119,012</b>	<b>115,422</b>

- 2.2 The growth fund was increased to £1.16m for 2018/19. The fund is required to support new free schools as they increase in size (The Park School that opened in 2014 and Harris Academy Wimbledon that is due to open in September 2018). In the case of new institutions where numbers are increased through the schools funding formula rather than a bulge class, the additional funds also come from this pot and £580k is allowed.
- 2.3 There is budget provision for three Primary schools that are continuing to provide extra classes flowing through the school with £60k (£180k).
- 2.4 With regard to existing secondary schools including Academies, there is budget allowance for up to five classes with £80k each (£400k total). Two is set through the continuing expansion of Harris Academy Merton but the remaining three is a maximum and may not be implemented but budget provision is required in case. They will only be implemented if necessary to ensure sufficient school places are provided in the area as the first priority is to

make all schools fill first; a review will be undertaken in mid-February when the first results of the Pan-London admissions data exchange is known.

- 2.5 It is no longer necessary to make adjustments to the block transfers which were agreed for the years up to 2017/18 as these have been permanently adjusted by the ESFA as part of the DSG re-baselining exercise.
- 2.6 Following the consultation with schools, Schools Forum agreed at their meeting on the 15<sup>th</sup> November 2017 to transfer £500k as a one off to the high needs block in 2018/19 to fund the increase in numbers at special schools as well as a 2% increase in top-up (banding) fees.
- 2.7 Both Primary and Secondary schools de-delegated budgets have been set based on the decisions made by the relevant phase representatives at Schools Forum on the 15<sup>th</sup> November 2017. The total de-delegated budget for 2018/19 is £1.967m. The table below details the total allocation to de-delegated services as well as the unit cost for each of these services.

Service	Total £000	2018/19 Unit Cost	2017/18 Unit Cost	Measure
Licences and Subscriptions	114	£5.53	£5.41	NOR
School Meals Subsidy	19	£1.25	£1.21	NOR
Schools in Challenging Circumstances	391	£18.91	£13.87	NOR
Merton Education Partnership	100	£4.83	£6.14	NOR
Parenting and TU cover	862	£41.65	£35.5	NOR
Refugee Service and EMAG	207	£46.60	£43.29	EAL
Tree work	50	£2.36	£2.13	NOR
Behaviour Support	194	£33.13	£33.09	Low Att
School Improvement	30	£1.47	£1.43	NOR
<b>Total budget</b>	<b>1,967</b>			

(NOR= Number on Roll; EAL factor= English as an Additional Language; Low Att= Lower Attainment factor for low cost, high incidence SEN)

- 2.8 In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools). The cost to primary, secondary and special schools will be £30.73 per pupil on roll to provide an overall de-delegated budget of £650k (£500k in 2017/18). This is higher in 2018/19 because in 2017/18 the Council still received ESG for 5 months of the financial year.
- 2.9 For 2018/19 this means that £636k is contributed from the schools block while £14k comes from the high needs block for special schools (£489k for schools block and £11k from high needs block in 2017/18). Although the DSG contribution increases by £150k, the percentage contribution the DSG funds compared to the LA will reduce from 45% in 2017/18 to 38% in 2018/19.

- 2.10 Following the consultation with Schools Forum, it was agreed at their meeting on the 15<sup>th</sup> November 2017 to contribute £650k to maintain the statutory central duties to Merton maintained schools.
- 2.11 The total amount to be paid to schools, academies and free schools for 2018/19 as part of the Individual Schools Budget (ISB) is £114.749m (£112.307m for 2017/18). The £114.749m ISB plus £0.580m from the growth fund provides the overall £115.329m allocation.

### 3. School Funding Formula Factors

- 3.1 Following consultation with schools and the agreement of the Schools Forum at their meeting on the 15<sup>th</sup> November 2017, Merton elected to use its local funding formula to apportion funding to schools and academies in 2018/19.
- 3.2 AWPU rates for Primary and Secondary KS3 and KS4 have been kept the same as 2017/18.

Description	2018/19	2017/18
Primary	£3,305	£3,305
Secondary Key Stage 3	£4,326	£4,326
Secondary Key Stage 4	£5,229	£5,229

- 3.3 As per the consultation, the additional funding available is allocated through the Free School Meals factor for 2018/19, and the allocation of this funding between primary and secondary schools was apportioned on the primary to secondary ratio as per the national funding formula which for 2017/18 was 1:1.32.
- 3.4 As a result, the Free School Meals factor unit values were increased to £883.35 for Primary and £893.92 for Secondary schools (£683.52 and £632.69 respectively in 2017/18). Through the formula this resulted in a total budget allocation of £3.130m (£2.368m in 2017/18) and £2.094m (£1.442m in 2017/18) for Primary and Secondary schools respectively.
- 3.5 The Income Deprivation Affecting Children Index (IDACI) is a subset of the Indices of Multiple Deprivation (IMD). It is an area-based measure which is interpreted as the proportion of families with children under 16 which is income deprived.
- 3.6 We have kept the IDACI unit values the same as 2017/18. Through the formula this resulted in a total budget allocation of £450k (£452k in 2017/18) and £254k (£248k in 2017/18) for Primary and Secondary schools respectively.
- 3.7 As per the consultation, the Looked After Children (LAC) factor has ceased for 2018/19.



- 3.8 The English as an Additional Language (EAL) factor unit values were increased slightly to ensure similar total budget allocations were made for this factor as in 2017/18. Values were increased to £390.81 and £1,004.93 for Primary and Secondary schools respectively (£376.50 and £906.60 in 2017/18) in order to allocate a total budget of £1.781m (£1.774m in 2017/18) and £481k (£477k in 2017/18) for Primary and Secondary schools respectively.
- 3.9 Due to the change in the Primary school prior attainment factor, the total budget and unit cost for this factor are adjusted annually. The overall Primary school budget for this factor, which supports Low Cost, High Incidence SEN students, was increased slightly to £3.879m (£3.862m in 2017/18). The total budget for Secondary schools for 2018/19 is £2.947m (£2.927m for 2017/18). This resulted in unit values of £717.12 (£759.27 in 2017/18) and £1,651.11 (£1,627.69 in 2016/17) for Primary and Secondary schools respectively.
- 3.10 The lump sum factor was kept the same as in 2017/18 at £150k and the split site factor (which is updated annually) is £84k (£83k in 2017/18).
- 3.11 The rates factor was increased by £846k to £2.646m (£1.780m in 2017/18) reflecting the revaluation exercise carried out by the national Valuation Office.
- 3.12 The minimum funding guarantee floor was set at 0% as agreed at the Schools Forum meeting on the 15<sup>th</sup> November 2017. Due to the overall changes in factors, the requirement for MFG decreased from £269k in 2017/18 to £127k in 2018/19.
- 3.13 These figures exclude the 6<sup>th</sup> form funding which still needs to be provided by the ESFA and does not form part of the schools funding formula. It also excludes additional resource provision and individual pupil statement funding which forms part of the high needs block.

#### **4. Central Schools Services Block**

- 4.1 The central school services block (CSSB) will be introduced in 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:
- Funding for ongoing central functions, such as admissions, previously top-sliced from the schools block
  - Residual funding for historic commitments, previously top-sliced from the schools block
  - Funding previously allocated through the retained duties element of the Education Services Grant (ESG)
- 4.2 Merton's Central Schools Services Block retained items are detailed in the table below.

Description	2018/19 £000	2017/18 £000
Central licences negotiated by the Secretary of State	119	114
School admissions	271	266
Servicing of school forums	12	12
Prudential borrowing	207	207
Statutory and regulatory duties LAs hold for all schools (including academies & free schools)	412	400
<b>Total Schools Block</b>	<b>1,021</b>	<b>999</b>

- 4.3 The statutory and regulatory duties LAs hold for all schools, including academies & free schools, (as set out in Schedule 2, Parts 1 to 5 of the School and Early Years Finance Regulations 2017) does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2, Parts 6 and 7), see section 2.6 to 2.8 above.

## 5. Early Years Block

- 5.1 The Early Years Block allocation is split into the following areas:

Description	2018/19 £000	2017/18 £000
3&4 YO universal funding- maintained schools & academies (95% pass through, including SENIF)	6,708	6,624
3&4 YO universal funding – PVI (95% pass through including SENIF)	3,529	3,544
3&4 YO working parents extended funding- maintained schools, academies and PVI (95% pass through including SENIF)	1,485	1,050
2 Year Old Offer (schools, academies and PVI (includes SENIF for 2s))	1,316	1,401
Centrally Retained Items (5% retained element and 2 year old retained element))	665	894
Contingency (see table in section 5.6 for details)	3,264	789
Pupil Premium	83	83
Disability Access Fund	38	43
<b>Total Early Years Block</b>	<b>17,088</b>	<b>14,428</b>

- 5.2 Based on the 2017 calendar year pupil counts, the estimated funding relating to 3 and 4 year old children for Merton maintained schools and PVI settings is expected to be in line with indicative budgets above. However, these are estimated budgets and the figures will be updated every term following the actual pupil counts. The formula used to allocate this funding, following on from consultation, is detailed in section 6 of this report.
- 5.3 The budget for the working parents extended entitlement which came into effect from September 2017 was set using the October 2017 count. As with basic entitlements, these are estimated budgets and the figures will be updated every term following the actual pupil counts.

- 5.4 Based on the 2017 calendar year pupil counts, the estimated funding relating to 2 year old children for Merton settings is shown above. The formula used to allocate this funding is detailed in section 6 of this report.
- 5.5 The £665k allocation for centrally retained items includes funding for training, inclusion and SEN support and advisory work, market management/ sufficiency and information, and back office/administrative functions. This represents 5% of the expected 3&4 year old grant as well as £9k of 2 year old grant. LAs are capped at 5% of their 3&4 year old grant with no limit on the 2 year old grant. The amount of funding that must pass through to providers for 3 and 4 year olds is called the “High Pass Through Rate”. Schools Forum agree at their meeting on 15<sup>th</sup> November that these funds can be centrally retained for 2018/19.
- 5.6 The contingency for 2018/19 has been set at £3.264m. The majority of the contingency is to account for the difference between the initial grant allocation and Merton’s expected grant allocation which is based on anticipated take-up. The actual grant will be based on 5/12ths of the January 2017 count and 7/12ths of the January 2018 count. The table below sets out both the expected contingency available and the expected grant reduction.

Contingency	2018/19 £000	2017/18 £000
Grant reduction- 3&4 YO universal funding	592	96
Grant reduction- 3&4 YO extended funding	1,707	418
Grant reduction- 2 Year Old Offer	89	0
Grant reduction- Centrally Retained Items	121	73
Available contingency	755	202
<b>Total contingency</b>	<b>3,264</b>	<b>789</b>

- 5.7 The ESFA will continue to pay Early Years Pupil Premium as a separate funding stream. This is paid to settings and schools after each term’s headcount at 0.53 pence per hour. Any underspend on EYPP is expected to be clawed back. Total budget is £83k.
- 5.8 The ESFA will continue with the Disability Access Fund which was introduced in 2017/18 and sits outside of the formula. This is a one off lump sum payment of £615, any underspend is expected to be clawed back. The total budget is £38k.

## 6. Early Years Funding Formula

### 3 and 4 year old formula

- 6.1 In line with the statutory requirement Merton has one new **base rate** in the formula for 3 and 4 year olds (universal and extended entitlement) for all settings as per the table below.

Description	2018/19 Rate	2017/18 Rate
All settings	£4.85	£4.60

- 6.2 Criteria for EYPP will continue to be used as a measure of **deprivation** for 2018/19.

Description	2018/19 Rate	2017/18 Rate
Criteria for EYPP	70p	70p

- 6.3 The table below shows the optional supplementary supplement for “**sparsity**”

Description	2018/19 Rate	2017/18 Rate
Sparsity/small providers child-minders	60p	60p

#### **Outside of formula: SEN Inclusion Fund**

- 6.4 The table below shows the mandatory **SEN inclusion Fund** (SENIF) pupil rates (3 and 4 year olds)

Description	2018/19 Rate	2017/18 Rate
SEN Support Level 1a (local offer)	nil	nil
SEN Support Level 1b	£2.50	£2.50
SEN Support Level 1c	£5.26 + 1b (£7.76)	£5.26 + 1b (£7.76)

- 6.5 SEN support funding is allocated in accordance with the published criteria and associated processes. The SENIF, whilst not an allowable supplement within the formula, is included within the 95% high pass through rate. There is a requirement to publish the value of the fund each year.
- 6.6 The indicative SENIF for 2018/19 is £241,275. £186k of this is formula based, whilst £56k relates to lump sum “notional” SEN funding for EHCPs.
- 6.7 The funding element for each SEN support level of the SENIF is through this inclusion fund, and SEN support funding remains at the same level once the EHCP is in place. This means that early years SEN and HNB EHCP funding is now more closely aligned to the schools methodology and maximises EY funding to support children with EHCPs.

#### **Outside of formula: Contingency**

- 6.8 There are several components to the contingency for 3 and 4 year olds:
- A contingency to support any in-year growth for children with SEN and or deprivation supplements and includes an element for late starters (not in provision during the published headcount/claims dates)).
  - The budget has an indicative allocation for the Extended Entitlement (EE) for the Summer, autumn and spring funding periods. Our anticipated take-up is predicted to be less than the government allocation and as this budget has not been “allocated” to the sector this will be held within contingency.
  - The ESFA have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the Universal

Entitlement (UE) as well as the EE. Local estimates indicate that not all places will be taken up as specified and the estimated grant that will be paid back to the ESFA is also held in contingency.

- 6.9 The remainder of the contingency (outside of the contingency being held back due to overpayment) is included as part of the high pass through rate and as such will be allocated across the sector in accordance with agreed methodology. See table in paragraph 5.6 for each part of the contingency budget.

**Outside of formula: Retained Items**

- 6.10 Within the grant allocation LAs can retain up to 5% of the total 3 and 4 year old allocation for 2018/19.
- 6.11 Retained items can only be used to support the delivery of early years provision in accordance with the statutory duties including advice, training, information and securing sufficiency and market management. These duties are embedded within the Childcare Act 2006 and are underpinned by Statutory Guidance.
- 6.12 This year, £656k has been allocated for retained items for 3 and 4 year olds which is included in the overall £665k in the table at paragraph 5.1. There is also £121k in contingency for centrally retained items due to the expected reduction in grant as per the table in paragraph 5.6.

**2 year old formula**

- 6.13 The ESFA has allocated a separate pot of funding for 2 year olds, which is underpinned by a separate set of requirements. LAs have local discretion, as long as the specific grant requirements for each block are not compromised, to move the allocations between each other. This includes local discretion for support for children with SEN and retaining an element from the 2 year allocation.
- 6.14 The table below shows the **base rate** for 2 year olds

Description	2018/19 Rate	2017/18 Rate
	£5.65	£5.60

**Outside of formula: SEN Inclusion Fund**

- 6.15 The table below shows the **discretionary SEN Inclusion Fund** for 2 year Olds

Description	2018/19 Rate	2017/18 Rate
SEN Support Level 1a (local offer)	nil	nil
SEN Support Level 1b	£2.50	£2.50
SEN Support Level 1c	£5.26 + 1b (£7.76)	£5.26 + 1b (£7.76)

- 6.16 The funding element for each level of the SENIF is through the inclusion fund, and SEN support funding remains at the same level once the EHCP is in place. This means that early years SEN and HNB EHCP funding is now more closely aligned to the schools methodology and maximises EY funding to support children with EHCPs.
- 6.17 There is no requirement to have a SENIF for 2 year funding, and therefore there is not a requirement to publish this. However, the total indicative fund for 2 year olds is £49k. £44k of this is formula based, whilst £5k relates to lump sum “notional” SEN funding for EHCPs.

#### **Outside of formula: Contingency**

- 6.18 There are two components to the contingency for 2 year olds in 2018/19.
- A small contingency to support any in year growth for SEN support and late starters (not on headcount)
  - The ESFA have allocated indicative budgets based on a specific point in time and based on an estimated number of taking up the 2 year old places. Local estimates indicate that not all places will be taken up as specified and the estimated grant that will be paid back to the ESFA is also held in contingency.
- 6.19 The contingency will be allocated across the sector in accordance with agreed methodology. See table in paragraph 5.6 for each part of the contingency budget.

#### **Outside of formula: Retained Items**

- 6.20 There are no specific parameters for retained elements within the 2 year old formula and historically the retained element has been funded from reserves. This year £9k has been allocated for retained items which are included in the overall £665k in the table at paragraph 5.1. An additional £193k is earmarked from reserves to provide an overall 2 year old retained budget of £202k. This will be partly utilised to mitigate the impact of the grant reduction of £121,000 estimated for 2018/19.

### **7 High Needs Block**

#### **High Needs Block funding**

- 7.1 The high needs funding system is designed to support a continuum of provision for pupils and students with Special Educational Needs (SEN), learning difficulties and disabilities, from their early years to age 25.
- 7.2 Base funding (“place funding”) is given to local authorities to distribute to institutions for them to provide places on an on-going basis. This is supplemented with “top-up funding” which follows individual pupils and students. The top-up funding provided to local authorities includes funding for central services to support these high cost places.

7.3 The table below shows how Merton's High Needs Block funding is allocated.

Description	2018/19 £000	2017/18 £000
Mainstream settings (Individual SEN statements)	3,960	3,735
Special Schools	8,360	8,097
Additional Resource Provision bases	2,217	2,566
Pupil Referral Unit (PRU)	1,800	1,787
Centrally retained High Needs funding for commissioned services	13,997	13,643
Post 16 FE and ISP funding	2,060	2,060
Centrally retained High Needs funding for special schools	43	37
Central duties to maintained schools (ESG)	14	11
Transfers from other blocks	(500)	(250)
<b>Total Funding</b>	<b>31,951</b>	<b>31,686</b>

### Mainstream settings

7.4 Early Years settings with SEN children are funded differently from mainstream schools at SEN support, as all funding is child led. All children whose places are funded through the EY DSG (school nursery classes and PVI) receive their SEN funding as described in section 6 of this report.

7.5 Schools are expected to contribute the first £6,000 of additional educational support for High Needs pupils and students. This additional support is for a provision over and above the standard offer of teaching and learning for all pupils or students in a setting. Pre-16, schools and Academies will continue to receive a clearly identified notional SEN budget from which to make this contribution. Merton will provide this budget for maintained schools while the EFA will provide it for Academies. The notional SEN will comprise three elements as detailed below.

Formula factor	2018/19
Age Weighted Pupil Allowance (AWPU)	2.5%
Deprivation (Free School Meals & IDACI)	10%
Low cost, high incidence SEN (Low Attainment)	100%

7.6 The notional SEN budget should be used to support pupils with low cost, high incidence SEN as well as the first £6,000 support for pupils with statements.

7.7 The notional allocation is only a guide and schools are expected to set their budgets in such a way to meet the needs of all their pupils, including those with additional needs, within the resources they receive.

7.8 Where schools have a high number of SEN students, the allocation to support these pupils through the schools formula might not be sufficient. Funding will be set aside in the High Needs Block to support such schools. If more than 2.5% of a school's NOR are pupils with statements, the excess percentage will be multiplied by the school's NOR and multiplied by £6,000 to calculate additional support for the school.

Example:

9 pupils as a percentage of 186	4.84%
Less 2.5% threshold	2.34%
186 x 2.34%	4.35 pupils
4.35 pupils x £6,000	£26,100

In 2018/19 £250k is budgeted to be allocated to schools through this mechanism.

- 7.9 The NOR will be based on the October count and the numbers of SEN statements will be based on the numbers as per the October SEN statement payment to schools. The number of statements used will exclude pupils funded in special units.
- 7.10 Merton's basic statement funding will be increased by 2% for 2018/19 and is detailed in the table below.

Band	Reception onwards		Universal Entitlement 2, 3 and 4 year olds		Extended Entitlement 2, 3 and 4 year olds	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Band 1	Part of £6,000 notional SEN funding	Part of £6,000 notional SEN funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding
Band 2	£5,805	£5,691	£5,903	£5,846	£9,739	£9,645
Band 3	£7,983	£7,826	£6,992	£6,913	£11,536	£11,406
Band 4	£10,160	£9,961	£8,080	£7,981	£13,332	£13,168
Band 5	£12,338	£12,096	£9,169	£9,048	£15,129	£14,929

- 7.11 The 2% is applied to places in reception onwards. As universal and extended entitlements are formulas based on the reception onwards allocations, these increases are apportioned accordingly.
- 7.12 The band amounts shown for 2, 3 and 4 year olds are inclusive, and represent the total funds that a setting will receive. This amount is made up from the EYDSG as explained in section 6 above and the "top up" is from the HNB. For children taking up the extended entitlement the EHCP is not transferable and therefore a child can only access one provision. On this basis, the extended hours EHCP is funded at 60%.

### Special Schools

- 7.13 Specialist SEN and LDD schools will continue to receive a base level of funding on the basis of an agreed number of planned places at £10,000 per place. Top-up funding above this level will be increased by 2% for 2018/19.



- 7.14 Due to the budgeted increase in pupil numbers at special schools by 4 to 371, the special school budget will be increased to cover the cost pressure of supporting these additional children.
- 7.15 The total for specialist SEN and LDD settings includes the school budgets for Cricket Green, Perseid, and Melrose special schools.

#### **Additional Resource Provision bases**

- 7.16 Due to the national change in funding arrangements, places in special units and resourced provision will attract a base level of funding of either £6,000 or £10,000 per place, depending on whether a place was occupied or empty at the time of the October census. Each child will also receive a top-up element of funding which will be recalculated to ensure that the funding change does not impact on the total base funding settings received in the previous financial year.
- 7.17 From 2018/19 ARPs will be funded from both the schools and the high needs block rather than only the high needs block like in the past.
- 7.18 Where numbers have increased/decreased, top-up funding has been adjusted to reflect these adjustments. Any additional funding to the base totals will be equal to band 5 (£12,338) of statement funding as agreed by the SEN manager.
- 7.19 As with special schools and EHCP banding funding, ARP allocations will be increased by 2% for 2018/19.
- 7.20 Due to the transfer of funding from the high needs block to the schools block to reflect the national change in funding arrangements, the overall ARP budget will decrease by £349k to £2.217m in 2018/19.

#### **Pupil Referral Unit (SMART Centre)**

- 7.21 The PRU will receive a base level of funding of £10,000 per place. Top-up funding above this level is set at £6,633 which has been uplifted by 2% this year as with special schools, ARPs and EHCP bandings.
- 7.22 Mainstream schools and Academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in Alternative Provision for the purpose of early intervention or as a result of fixed-term exclusion. In such instances, under the new funding arrangements, mainstream schools and Academies will be responsible for paying top-up funding to the AP settings in which they place pupils.
- 7.23 Alternative education and medical service provision are also delivered through the SMART Centre.

- 7.24 The exclusion process currently involves a deduction of AWPU against a national criteria and a local agreement to pay £3,000 per excluded pupil and receive £3,000 for a re-integrated pupil. This agreement is between all secondary maintained schools and academies and will continue in 2018/19.

### **Centrally retained funding for commissioned services**

- 7.25 These services are retained centrally by the Local Authority to deliver direct services or procure services from external providers to ensure the most economic use of resources. The table on the next page details these services.

<b>Description</b>	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Non-Delegated Statements	9,901	9,539
Cost of Merton pupils in other LA maintained schools	2,313	2,313
Cost to other LAs for their children in Merton maintained schools	(1,159)	(1,159)
Virtual School	396	373
Sensory Team	391	392
SSQ Core Offer	359	359
Language and Learning therapy	354	354
Education psychology	266	266
Behaviour Support	235	235
Education welfare	168	168
SEN referral & early help 0-25 team	165	164
Vulnerable Children's Education	123	123
Therapy in Special schools	112	112
Social Inclusion	105	136
Merton Autism Outreach Service (MAOS)	100	100
SEN support	81	81
Independent hospital provision	50	50
Portage	37	37
<b>Total Cost</b>	<b>13,997</b>	<b>13,643</b>

- 7.26 The growth received on the HNB is not sufficient to cover the cost pressures. For 2018/19 most of the increase will be allocated to the non-delegated statement budgets to address the expected overspend on Independent Day school provision.

### **Post 16 Further Education (FE) College and Independent Specialist Provider (ISP) funding**

- 7.27 The funding in this area relates to high level SEN or LDD cost for young people aged over 16 in FE colleges and ISPs. The responsibility for these payments transferred to Local Authorities in September 2013.

## Centrally retained funding for special schools

- 7.28 This includes the funding for centrally provided services for the special schools, similar to de-delegated budgets held for the maintained primary and secondary schools. The services available are detailed in the table below.

Service	Total £000	2018/19 Unit Cost	2017/18 Unit Cost	Measure
Licences and Subscriptions	2	£5.53	£5.41	NOR
School Meals Subsidy	1	£1.25	£1.21	NOR
Schools in Challenging Circumstances	9	£18.91	£13.87	NOR
Parenting and TU cover	20	£41.65	£35.5	NOR
Refugee Service and EMAG	5	£46.60	£43.29	EAL
Tree work	1	£2.36	£2.13	NOR
Behaviour Support	4	£33.13	£33.09	Low Att
School Improvement	1	£1.47	£1.43	NOR
<b>Total budget</b>	<b>43</b>			

## Central duties to maintained schools (ESG)

- 7.29 In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools). The cost to primary, secondary and special schools will be £30.73 per pupil on roll to provide an overall de-delegated budget of £650k (£500k in 2017/18). This is higher in 2018/19 because in 2017/18 the Council still received ESG for 5 months of the financial year.
- 7.30 For 2018/19 this means that £636k is contributed from the schools block while £14k comes from the high needs block for special schools (£489k for schools block and £11k from high needs block in 2017/18). Although the DSG contribution increases by £150k, the percentage contribution the DSG funds compared to the LA will reduce from 45% in 2017/18 to 38% in 2018/19.
- 7.31 Following the consultation with Schools Forum, it was agreed at their meeting on the 15<sup>th</sup> November 2017 to contribute £650k to maintain the statutory central duties to Merton maintained schools.

## Transfers from other blocks

- 7.32 It is no longer necessary to make adjustments to the block transfers which were agreed for the years up to 2017/18 as these have been permanently adjusted by the ESFA as part of the DSG re-baselining exercise.
- 7.33 Following the consultation with schools, Schools Forum agreed at their meeting on the 15<sup>th</sup> November 2017 to transfer £500k as a one off to the high needs block in 2018/19 to fund the increase in numbers at special schools as well as a 2% increase in top-up (banding) fees.

## **8 Schools general**

- 8.1 On 31 March 2017 Merton held balances for 49 (50 in 2016) schools to the value of £6.795m (£9.009m in 2016). Of these schools, 4 (2 in 2016) had deficit balances with a total value of £408k (£37k in 2016). The other 45 schools had balances ranging from £0k to £798k.
- 8.2 For 2017/18, 5 schools submitted deficit balances (5 in 2016/17) and the Local Authority is working closely with these schools to review their progress. We are anticipating that 6 to 7 schools will again request deficit budgets for 2018/19, and we will require deficit recovery plans to accompany these requests.