Merton Council

Children and Young People Overview and Scrutiny Panel

10 February 2021

Supplementary agenda

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Committee: Children and Young People Overview and Scrutiny Panel

Date: 10 February 2021

Subject: Business Plan 2021-2025

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Recommendations:

A. That the Panel comment on the attached Business Plan Report which was considered by Cabinet on 18th January 2021.

B.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The Panel are asked to consider further budget proposals which were presented at Cabinet on the 18th January. Comments from this Panel will be considered by the Overview and Scrutiny Commission on the 17th February.

2 DETAILS

2.1. The Director of Corporate Services will attend the meeting to give Panel Members the opportunity to comment on further budget proposals in the attached report.

2.2.

3 ALTERNATIVE OPTIONS

None in relation to this covering

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None in relation to this covering report

5 TIMETABLE

5.1. None in relation to this covering report

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. None in relation to this covering report

6.2.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. None in relation to this covering report

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None in relation to this covering report

9 CRIME AND DISORDER IMPLICATIONS

9.1. None in relation to this covering report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None in relation to this covering report

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

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12 BACKGROUND PAPERS

12.1.

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Merton Council

Cabinet

18 January 2021

Supplementary agenda 2

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CABINET

18 January 2021

Agenda item:

Business Plan Update 2021-2025

Lead officer: Caroline Holland

Lead member: Councillor Tobin Byers

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.

Contact officer: Roger Kershaw

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 2021/22 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2021-2025. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 3 March 2021 and set a Council Tax as appropriate for 2021/22.

Recommendations:

1. That Cabinet considers and agrees the new draft savings/income proposals (Appendix 3a) and associated draft equalities impact assessments (Appendix 4) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in February 2021 for consideration and comment as part of the Savings Information Pack.
2. That Cabinet agrees the latest amendments to the draft Capital Programme 2021-2025 and refers them to the Overview and Scrutiny panels and Commission in February 2021 for consideration and comment as part of the Savings Information Pack.
3. That Cabinet considers and agrees the proposed amendment to saving proposal ENV2021-04 and refers it to the Overview and Scrutiny panels and Commission in February 2021 for consideration and comment as part of the Savings Information Pack.

1. **PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 This report provides an update to Cabinet on the Business Planning process for 2021-25 and in particular on the progress made so far towards setting a balanced revenue budget for 2021/22 and over the Medium Term Financial Strategy 2021-25 period as a whole.

1.2 The report provides a summary of the key deadlines which need to be met following the delays in the Business Planning process necessitated as a result of Covid-19 and delays in the flow of financial information.

1.3 An update on the latest information with respect to the Local Government Finance Settlement is also provided. This is a major element in identifying the key constraints (e.g. level of funding and Council Tax referendum principles) within which the Council will have to operate, in order to be able to set a balanced budget.

1.4 Specifically, the report provides details of additional revenue savings and income proposals with associated draft equalities assessments where applicable, put forward by officers towards the savings/income targets agreed by Cabinet in September 2020.

1.5 The report also provides an update on the capital programme for 2021-25 and the financial implications for the MTFS.

1.6 This report is one of the budget updates through the financial year and will be referred to the Overview and Scrutiny Panels and Commission in February 2021 to be considered alongside the Savings information pack.

2. DETAILS

Brief recap

2.1 Given the delays in the Business Planning process as a result of the impact of Covid-19 which is ongoing, it is worth briefly summarising the progress that has been made so far towards setting a balanced budget and council tax for 2021/22.

2.2 A review of assumptions in the MTFS was undertaken and reported to Cabinet on 7 September 2020. Savings targets were set and Cabinet on 9 November 2020 considered and noted some savings proposals which were considered and referred to the Overview and Scrutiny Commission on 11 November 2020 for ratification at a future Cabinet meeting, subject to scrutiny comments.

2.3 The last report on the Business Plan to Cabinet on 7 December 2020 updated the MTFS further, agreeing the Council Taxbase for 2021/22 and agreed to defer some savings proposals. The draft Capital Programme was agreed and the revised capital financing costs incorporated into the MTFS. Taking into account the information contained in the Business Plan reports to Cabinet in September 2020, November 2020 and December 2020, the overall position of the MTFS reported to Cabinet on 7 December 2020 was as follows:-

(Cumulative Budget Gap)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS Gap (Cabinet December 2020)	11,739	12,766	13,860	12,777

2.4 Feedback from the Overview and Scrutiny Commission on 11 November 2020 was reported to Cabinet on 7 December 2020.

The Commission welcomed the opportunity to scrutinise the draft budget, and appreciated the difficulties officers have faced in compiling it under the exceptional stress of the pandemic. It endorsed the split between Covid and non-Covid elements of the budget deficit, with savings limited to the non-Covid elements and because of the delay to the Spending Review asked Cabinet to defer decisions on the non-Covid savings until the funding position is clearer. In the absence of equalities impact assessments, the Commission asked Cabinet to defer decisions on the following savings: • CYP Rationalisation of children's centres • CH100 Review of in-house day-care provision • CH101 Review of in-house LD residential provision • CH102 Dementia Hub re-commissioning. The Commission noted that the size of the Covid gap potentially overwhelms the council's General Fund, and endorsed the LGA's position that "It is vital that the government addresses in full the financial challenges facing councils as a result of Covid-19, including all lost income and local tax losses".

At its meeting on 7 December 2020 Cabinet resolved that the reference of the Overview and Scrutiny Commission be taken into account when making decisions on the Business Plan 2021-25.

2.5 At it's meeting on 7 December 2020, Cabinet resolved:-

1. That the draft deferred savings/income proposals put forward by officers be agreed and referred to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
2. That the savings and the associated draft equalities analyses for the savings noted in November be agreed.
3. That the draft Capital Programme 2021-2025 be agreed and referred to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
4. That the proposed Council Tax Base for 2021/22 set out in paragraph 2.6 and Appendix 1 be agreed.

2.6 Due to Covid-19 the Government announced that the Spending Review 2020 would be delayed and cover one year only rather than the expected multi-year allocations. On 25 November the Spending Review 2020 was published.

2.7 The delay in the timing and breadth of the Spending Review inevitably impacted on the Provisional Local Government Finance Settlement 2021/22 and in response there have been some amendments to the Business Planning timetable to enable Members as much opportunity as possible to receive the best information available on which to make their decisions.

2.8 Review of Assumptions

Since Cabinet in December, work has been continuing to review assumptions, identify new savings/income proposals, consider unavoidable growth proposals, and analyse information which has been received since then.

2.8.1 Pay

When the Government published Spending Review 2020 on 25 November 2020, the Chancellor of the Exchequer announced that, as part of the response to the economic impacts of the COVID-19 pandemic, public sector pay will be “paused” for 2021/22. There will be an exemption for NHS staff. In addition, workers earning below £24,000 will receive a pay rise of at least £250 (although for some this could still represent a pay cut in real terms).

This policy is only directly binding on the Civil Service and parts of the public sector that are covered by the Pay Review Bodies. Public sector pay policy is reflected in the remits that are issued to the Pay Review Bodies and Government departments.

Pay awards for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services. The Local Government Association, which represents the employer side in the National Joint Council, has said that it is not bound by this pay policy but that pay awards will depend on the funding that local government receives through the financial settlement.

The latest estimates for pay inflation included in the MTFS are included in the table below:-

(Cumulative)	2021/22	2022/23	2023/24	2024/25
Pay inflation (%)	1.5%	1.5%	1.5%	1.5%

Further details on the pay negotiations for 2021/22 and beyond, and the impact on the MTFS will be reported when they are known.

2.8.2 Prices

The latest estimates for price inflation included in the MTFS are included in the table below and no changes are proposed at the current time:-

(Cumulative)	2021/22	2022/23	2023/24	2024/25
Price inflation (%)	1.5%	1.5%	1.5%	1.5%

The Consumer Prices Index (CPI) 12-month rate was 0.3% in November 2020, down from 0.7% in October.

The largest contribution to the 12-month inflation rate in November 2020 came from recreation and culture (0.24 percentage points). Falling prices for clothing, and food and non-alcoholic beverages resulted in the largest downward contributions (of 0.17 and 0.09 percentage points respectively) to the change in the 12-month inflation rate between October and November 2020. These were partially offset by upward contributions from games, toys and hobbies, and accommodation services.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.6% in November 2020, down from 0.9% in October 2020.

The RPI rate for November 2020 was 0.9%, which is down from 1.3% in October 2020.

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

Source: HM Treasury - Forecasts for the UK Economy (November2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.1	1.2	0.6
RPI	0.7	1,7	1.2
LFS Unemployment Rate	4.5	9.1	6.4
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.4	3.9	1.9
RPI	0.9	5.2	2.6
LFS Unemployment Rate	5.0	9.6	7.2

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from COVID19 and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

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

Source: HM Treasury - Forecasts for the UK Economy (November 2020)					
	2020	2021	2022	2023	2024
	%	%	%	%	%
CPI	0.9	1.7	2.2	2.1	2.1
RPI	1.5	2.3	3.1	3.3	3.2
LFS Unemployment Rate	4.8	7.2	6.1	5.1	4.7

2.8.3 Inflation > 1.5%:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Inflation exceeding 1.5%	250	250	250	250

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.8m by 2024/25.

2.8.4 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.

2.8.5 Taxicards and Freedom Passes

Concessionary Fares – Freedom Passes

Each year, negotiations take place between London Councils Transport and Environment Committee (on behalf of boroughs) and TfL for buses, tubes, DLR, Tram, London Overground and TfL Rail to determine the cost of the scheme on the basis that both parties are neither better nor worse off.

This is based on:

- The revenue foregone by the operators i.e. the revenue which if the concessionary fares scheme did not exist would be collected from Freedom Pass holders. This excludes fares income from generated travel; and

- The additional costs to the operator i.e. generated travel by permit holders for which operators receive no fares revenue but do receive the cost of increasing the service to allow for the extra trips made.

The resulting settlement is based on:

a) The estimated average number of journeys made by Freedom Pass holders over the previous two years (where two years' worth of data is available). In estimating these journey volumes; Oyster data, passenger surveys and automated passenger count information are used.

b) Previous work to calculate expected average fares per trip, which are the actual adult fares paid in the absence of the scheme taking into account fares increases and decreases within a ‘basket of fares’ . This basket of fares is modelled to be an accurate reflection of typical fares paid across TfL ticket types.

London Councils have advised the outcome of negotiations with transport operators (Transport for London (TfL), the Rail Delivery Group (RDG) and independent bus operators) regarding compensation for carrying concessionary passengers in 2021/22.

For Merton the charge will be £7.768m in 2021/22.

Taxicards
The Taxicard scheme provides subsidised taxi and private hire vehicle (PHV) journeys to approximately 60,000 London residents with serious mobility impairments, or who are severely sight impaired. Since the social distancing measures were put in place by HM government to contain the spread of COVID-19, temporary changes have been made to the scheme

The TfL budget currently covers the entire cost of the scheme subsidy for Taxicard members plus London Councils’ and supplier overheads. Boroughs only “top up” where their TfL allocation is exceeded, and this is not forecast to happen this year (2020/21). The current COVID-19 situation means far fewer journeys are being made and this will equate to significant savings, which will be refunded to TfL.

Given the details above it is expected that there will be a saving in 2020/21 against Merton’s Taxicard budget. It is assumed at this stage that there will be a need for budget provision from 2021/22 but it may be at a reduced level but prudently a full budget is currently assumed.

Summary
The change to the forecast included in the MTFS since the previous update to Cabinet in December 2020 is summarised in the following table:-

(cumulative)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS (Cabinet December 2020)	8,045	7,567	8,749	9,752
Concessionary Fares	7,768	7,449	8,629	9,629
Taxicards	115	118	120	123
Latest Forecast	7,883	7,567	8,749	9,752
Change in MTFS Gap	(162)	0	0	0

Future year’s projections are likely to change as the longer term implications of Covid-19 on transport usage become known.

2.8.6 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 have been included in the latest MTFS for 2021-25:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Revenuisation	143	213	213	213

The expenditure charged to capital during the current year is being closely monitored and is being reported through the monitoring report.

2.8.7 **Budgetary Control 2020/21**

The revenue budgetary control information below summarises the corporate position using the latest available information as at 30 November 2020 as shown in a separate report on the agenda for this meeting. At period 8 to 30th November 2020, the year-end forecast is a net adverse variance of £2.8m when all incremental Covid costs are included, after applying the government emergency Covid-19 grant and the funding confirmed from the income compensation scheme. If the Covid pressures hadn't arisen, the numbers suggest that a favourable variance of over £4m would be reported, however, there may be other impacts on services arising from Covid that are not apparent at this stage. This will be kept under review.

This consists of a net favourable variance of £4.695m excluding COVID19 and unfavourable variance of £7.489m from COVID19:-

	Non COVID19 £000	COVID19 £000	Total £000
CS	937	3,337	4,274
CSF	(2,294)	923	(1,371)
E&R	(222)	9,597	9,375
C&H	(2,697)	2,766	69
Sub-total	**(4,276)**	**16,623**	**12,347**
Corporate	(419)	(9,134)	(9,553)
Total	**(4,695)**	**7,489**	**2,794**

For the purposes of this report this has been separated into NON-COVID19 and COVID19 variances.

Adjustment for funding Collection Fund (Business Rates and Council Tax) Deficits
On 2 July 2020, the Secretary of State for Local Government announced a funding package for councils to help address the range of COVID-19 pressures they face. This package included changes so that local authorities can spread their tax deficits over three years rather than the usual one.

Adjusting the net forecast overspend of £2.794m (based on November 2020) for funding Business Rates and Council Tax deficits over 2021/22 to 2023/24 indicates that there will be a net underspend of c. £1.1m at year end.

Non-COVID19
Based on November 2020 monitoring, although an overall favourable variance is forecast, the following pressures have been flagged:-

a) Corporate Services: Customers, Policy and Improvement (£533k), Human Resources (£153k), Resources (£109k), Infrastructure and Technology (£9k), Other Corporate budgets (£266k)

b) Children's Schools and Families: As advised in the monitoring report elsewhere on the agenda, DSG funded services are forecasting an adverse £15.417m variance. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The overspend in the current financial year will be adding to this balance, currently estimated at £28.167m.

c) Environment and Regeneration: Public Space (£291k), mainly Household, Reuse, Recycling Centre, waste collection and disposal, street cleansing

d) Community and Housing: Libraries and heritage (£51K), Housing General Fund (£629k)

COVID19
It is clear now that the pandemic will not be overcome before impacting on 2021/22 and the costs and impact on society in general and council services in particular will not be confined to 2020/21. It is now clear that there will be some impact carried over to the MTFS 2021-25 period. At the same time there will inevitably need to be some changes to how the Council delivers some services and some of the most affected services, particularly those to vulnerable groups will need to be reviewed. Some additional government support has been identified for 2021/22 and its sufficiency will be kept under review.

2.8.8 Collection Fund Deficits 2020/21 – Business Rates and Council Tax
The assumptions included in the December Cabinet report in respect of forecast Collection Fund Deficits for Council Tax and Business Rates were based on the forecasts first produced for the MHCLG return in June. These have now been updated for the

MHCLG return made in November and indicate much reduced forecast deficits. The MTFS will be updated for the November forecasts but will be further revised once the NNDR1 return has been completed for the end of January.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
NNDR Deficit (MHCLG – June)				
Council Tax	2,566	2,566	2,566	0
Business Rates	1,330	1,330	1,330	0
Forecast Deficit - December Cabinet	3,896	3,896	3,896	0
NNDR Deficit (MHCLG – November)				
Council Tax	761	761	761	0
Business Rates	562	562	562	0
Forecast Deficit – Latest (November)	1,323	1,323	1,323	0
Change	(2,573)	(2,573)	(2,573)	(2,573)

2.8.9 <u>Growth</u>

The MTFS reported to Cabinet in September 2020 included new provision for growth from 2021/22 to 2024/25 as follows:-

Cumulative	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Growth (Cabinet September)	3,768	3,768	3,768	3,768

This has been reviewed and amended as follows:-

Cumulative	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Replenish Reserves	1,478			
System Support Costs	900			
Internal Review	1,100			
Total	**3,478**	**0**	**0**	**0**
Cumulative Total	**3,478**	**3,478**	**3,478**	**3,478**
Change (£000)	**(290)**	**(290)**	**(290)**	**(290)**

2.9 **Forecast of Resources and Provisional Local Government Finance Settlement**

2.9.1 As previously mentioned, due to COVID-19 the Government delayed the Spending Review 2020 and the scope was curtailed with funding allocations for just one year. The Provisional Settlement was eventually announced on 17 December 2020. Details on the Provisional Local Government Finance Settlement 2021/22 are provided in Appendix 1 with the key details relating to Merton's resources summarised in this Section of the report.

2.9.2 The Provisional Settlement broadly reflects the details set out in the Spending Round 2020. The main details are:-

a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 0.08% nationally and by 0.11% in London. The details for Merton are:-

MERTON	2020-2021 £m	2021-2022 £m	Change £m	Change %
Settlement Funding Assessment	41.120	41.148	0.028	0.07
of which:				
Revenue Support Grant (RSG)	5.159	5.187		
Baseline Funding Level (BFL)	35.961	35.961		
	41.120	41.148		
(Tariff)/Top-Up (Included in BFL)	9.534	9.534		

b) Core Spending Power will increase by 4.5% nationally and 4.3% in London.

Merton's Core Spending Power is as follows:-

	2020-2021 £m	2021-2022 £m	Change £m	Change %
Settlement Funding Assessment	41.120	41.148	0.028	0.1
Section 31 Grant	1.441	1.874	0.433	30.0
Council Tax Requirement	97.386	103.886	6.500	6.7
Improved Better Care Fund	4.862	4.862	0.000	0.0
Social Care Grant	4.058	4.466	0.408	10.1
New Homes Bonus	1.438	0.612	(0.826)	(57.4)
Lower tier Services Grant	0.000	0.399	0.399	-
Total Core Spending Power	150.305	157.247	6.942	4.6

The provisional Settlement outlined provisional core funding allocations based on Government assumptions. Therefore the figures included above for the Settlement Funding Assessment (Business Rates element) and Council Tax Requirement may differ from the actual amounts eventually calculated on Merton's more up to date information.

Further details on the grants and New Homes Bonus are included in Appendix 1.

c) Adult Social Care

As indicated in the Core Spending Power Summary, the Improved Better Care Fund (IBCF) has been extended to 2021/22. The MTFS assumes that this level of funding continues over the four year period.

This is summarised in the following table:-

Adult Social Care (IBCF)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Improved Better Care Fund	**(4,862)**	**(4,862)**	**(4,862)**	**(4,862)**

d) Social Care Grant

As indicated in the Core Spending Power Summary, Social Care Grant of £4.446m will be received in 2021/22. It will be for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care.

The MTFS currently assumes that in the first instance this grant will be applied to fund previously approved growth in Children, Schools and Families

Social Care Grant	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
CSF Growth 2020/21 (cumulative)	**2,776**	**3,160**	**3,550**	**3,550**
Social Care Grant	**(4,446)**	***(3,160)**	***(3,550)**	***(3,550)**
Balance	**(1,670)**	**-**	**-**	**-**

* Although funding beyond 2021/22 is not assured it has been assumed that grant at least equivalent to the growth currently provided in the MTFS will be received going forward.

2.9.3 Council Tax Referendum Principles

The Government proposes the following package of referendum principles for 2021- 22:

- a core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the GLA general precept, and fire authorities
- an Adult Social Care (ASC) precept of 3% on top of the core principle for local authorities with responsibility for adult social care.
- shire district councils in two-tier areas will be allowed increases of up to 2% or £5, whichever is higher
- Police and Crime Commissioners (PCCs) (including the GLA charge for the Metropolitan Police and the PCC component of the Greater Manchester Combined Authority precept) will be allowed increases of £15.

In recognition that local authorities might not want to take up the ASC precept flexibility in full next year, some or all of this can be deferred for use in 2022-23. This means that an ASC authority could, for example, set a 2% increase for ASC in 2021-22 and a 1% increase for ASC in 2022-23, irrespective of other referendum principles that may apply in 2022-23. 3.2.3

In 2022-23, the Government intends to legislate through the Referendums Relating to Council Tax Increases (Principles) (England) Report for authorities who do defer. The mechanism will be similar to that used in 2019-20, where authorities had been able to use a 6% ASC precept over the three years from 2017-18 to 2019-20. Decisions on whether to defer or not are for councils, consistent with their responsibility for council tax levels.

2.9.4 Covid-19 Funding for 2021-22

On 18 December 2020, the government published additional details of the Local Government COVID Support Package for 2021-22, following up on the commitments made at Spending Review 2020 on 25 November 2020. These proposals complement the provisional Local Government Finance Settlement to support councils as they continue to work with the government to overcome the challenges faced by communities in fighting the pandemic.

The new package comprises £1.55 billion of unringfenced grant to manage the immediate and long-term impacts of the pandemic; £670 million to enable councils to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic; and an extension of the Sales, Fees and Charges income support scheme (SFC Scheme) to June 2021.

The Covid-19 grant for 2021/22 allocated to Merton so far is as follows:-

	£000
Share of £1.55bn Covid grant	4,989
Share of £670m local Council Tax Support	1,822

Given the introduction of a Tier 5 lockdown measures and how long they will last, work is ongoing to assess the potential Sales, Fees and Charges support that the council will receive and an update will be included within the February Cabinet report..

The MTFS currently assumes that there will be the following reductions in service income until the final effects of Covid-19 are over:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Service income reduction	2,376	1,188	594	-

2.10 London Business Rates Pool 2021-22

2.10.1 As advised in the report to Cabinet in November, all London boroughs had provisionally agreed to continue pooling in 2021/22. However, due to the impact of Covid-19 on London borough's Business Rate income projections as reflected in the NNDR2 returns that boroughs make to the administering authority, this raised some doubt as to whether the pool will proceed in 2021/22 due to the increased risk of losses.

2.10.2 London Councils wrote to the Secretary of State for Housing Communities and Local Government on 23 December 2020 on behalf of London boroughs setting out the concerns of London boroughs that the potential financial benefits of pooling across London are greatly outweighed by the risks due to Covid-19. The Government has been unable to respond with a proposal that would make the operation of the pool in 2021/22 financially viable and therefore London Council wrote to the Secretary of State for Housing Communities and Local Government on 12 January 2021 and formally requested that the government revoke the pan-London Business Rates pool. See Appendix 7.

2.10.3 Final projections for Business Rates retention in 2021/22 will be based on NNDR1 returns for 2021/22 which are due to be returned to Central government by 31 January 2021.

2.10.3 A further update on the financial implications for Merton will be provided in the report to Cabinet in February

2.11 Council Tax Base

2.11.1 Cabinet on 7 December 2020 agreed the Council Tax Base 2021/22 for Merton and for the Wimbledon and Putney Common Conservators.

2.11.2 A summary of the Council Tax Bases for the Merton general area and the addition for properties within the Wimbledon and Putney Commons Conservators area for 2021/22 compared to 2020/21 is set out in the following table:-

Council Tax Base	2020/21	2021/22	Change
			%
Whole Area	75,989.9	74,220.0	(2.3)%
Wimbledon & Putney Common Conservators	11,604.6	11,381.8	(1.9)%

2.11.3 These figures will be used to calculate the council tax bills for 2021/22.

3. SAVINGS PROPOSALS 2021-25

Controllable budgets and Savings Targets for 2021-25

3.1 Cabinet on 9 November 2020 agreed an initial tranche of savings proposals identified by service departments over the period 2021-25 as follows:-

"Non-Covid" Savings Proposals	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	374	0	0	0	374
Children, Schools and Families	450	200	0	0	650
Environment and Regeneration	930	750	(50)	(85)	1,545
Community and Housing	55	1,299	0	0	1,354
Total	1,809	2,249	(50)	(85)	4,493
Total (cumulative)	**1,809**	**4,058**	**4,008**	**3,923**	

3.2 These were referred to the Overview and Scrutiny Commission on 11 November 2020 and feedback was reported to Cabinet on 7 December 2020.

3.3 Since these savings proposals were agreed by Cabinet, there has been a change in the assumptions relating to E&R saving proposal ENV2021-04 relating to Parking: Emissions Based Charging. The financial impact of the changes are set out in the table below (See Appendix 3(b):-

Change to Savings Proposal ENV2021-04	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Estimate to Cabinet 9 November 2020	750-1,000	750-1,000	(150)-(200)	(135)-(180)
Revised Estimated costs	750-1,000	750-1,000	(600)-(650)	(575)-(600)
Impact on MTFS	**0**	**0**	**(450)**	**(440)**

3.4 Further work has been carried out to identify additional savings and details of these proposals are provided in Appendix 3(a) and summarised in the following table:-

SAVINGS PROPOSALS	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total £000**
Corporate Services	633	(34)	0	0	599
Children, Schools and Families	200	0	0	0	200
Environment and Regeneration	214	215	0	0	429
Community and Housing	176	0	0	0	176
Total	1,223	181	0	0	1,404
Total (cumulative)	1,223	1,404	1,404	1,404	

3.5 These savings will be scrutinised by Overview and Scrutiny Panels and the Commission during January and February 2021

3.6 If all of these are approved, and the amendment to saving ENV2021-4 the total new savings, including those agreed in November 2020, is:-

SUMMARY (cumulative)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total £000**
Corporate Services	1,007	(34)	0	0	973
Children, Schools & Families	650	200	0	0	850
Environment & Regeneration	1,144	965	(500)	(525)	1,084
Community & Housing	231	1,299	0	0	1,530
Total	3,032	2,430	(500)	(525)	4,437
Net Cumulative total	3,032	5,462	4,962	4,437	

3.7 Assuming that all of the savings proposed so far are accepted the progress by each service department against the targets agreed by Cabinet in September 2020 is as follows:-

	Targets £'000	Proposals £'000	Balance £'000	Balance %
Corporate Services	3,558	973	2,585	72.7
Children, Schools & Families	2,518	850	1,668	66.2
Environment & Regeneration	5,885	1,084	4,801	81.6
Community & Housing	7,707	1,530	6,177	80.1
Total	19,668	4,437	15,231	77.4

3.8 Draft Equalities Assessments where applicable are included in Appendix 4.

3.9 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.

4. SERVICE PLANNING 2021-25

4.1 Final Draft Service Plans will be included in the report to Cabinet in February 2021.

5. DSG DEFICIT

5.1 The treatment of the forecast Dedicated Schools Grant deficit will be an important factor in setting a balanced budget in 2021/22 and in the MTFS 2021-25 in general. As reported elsewhere on the January 2021 Cabinet agenda as part of the monthly monitoring report, based on November 2020, DSG funded services are forecast to overspend by £15.417m in 2020/21 bringing the cumulated deficit at year end to £28.167m, although this is expected to increase by year end, and to continue to increase in future years.

5.2 The level of estimated deficit has also been reviewed and updated to the following:-

	2021-22 £000	**2022-23 £000**	**2023-24 £000**	**2024-25 £000**	**2025-26 £000**
DSG deficit b/f	28,168	47,477	68,563	91,819	117,246
Net in year Forecast Outturn Variance	19,309	21,086	23,257	25,427	27,598
DSG deficit c/f	**47,477**	**68,563**	**91,819**	**117,246**	**144,844**

5.3 The MTFS agreed by Council in March and updated in subsequent Cabinet reports on the Business Plan has approached the forecast DSG deficit in the following way:-

- To fund 100% of the deficit up to 2020/21 and 50% thereafter

5.4 As reported to Cabinet in December 2020, the Government has issued a statutory instrument to implement an adjustment account for DSG deficits. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the 2003 Regulations") make provision about the accounting practices to be followed by local authorities, including (in particular) with respect to the charging of expenditure to revenue accounts. These Regulations insert a new regulation into the 2003 Regulations that provides that where a local authority has a deficit on its school budget, the authority must not charge any such deficit to its revenue account. Instead, the new regulation provides that local authorities must charge any such deficit to a separate account, established and usable solely for that purpose. The new regulation will apply to accounts prepared for the financial years beginning in 2020, 2021 and 2022, and provides formulas for calculating whether a local authority has a schools budget deficit in relation to each such financial year.

Whilst the Government has moved to address the DSG issue it still leaves two vital questions unresolved:-

- How will the DSG deficit be funded?
- Why does the Regulation only apply for 2020, 2021, 2022?

The new Regulation allows for Merton to release the future amounts currently set aside in the MTFS and apply them to other service demands. The DSG deficit will be moved to a newly created separate account.

5.5 However, it must be emphasised that this action would be taken at some risk as there is no indication at the current time that the Government is willing to provide any additional resources to fund the deficit balance on the separate account, which will continue to increase and at the end of the three years is currently estimated to be £68.6m and is likely to be larger than our GF and earmarked balances combined and come back to the General Fund to be funded.

5.6 Based on the latest DSG deficit projections in paragraph 5.2 above, if the Council decides to set aside funding on the same basis as previously (100% up to 2020/21 and 50% thereafter, the following adjustment will be required to the MTFS:-

	2021-22 £000	**2022-23 £000**	**2023-24 £000**	**2024-25 £000**
Provision required on same basis	14,078	10,543	11,628	12,714
Current Provision in the MTFS	9,156	8,750	9,650	10,550
Change	**4,922**	**1,793**	**1,978**	**2,164**

6. USE OF RESERVES IN 2021-25

6.1 Given the current level of pressure and uncertainty on surrounding future expenditure and funding due to Covid-19 and the DSG deficit, reserves have been reviewed to identify those that could be used to provide short term relief and enable longer term solutions to be identified.

6.2 It must be recognised that use of reserves are a one-off measure and ultimately ongoing measures will be required.

6.3 Nevertheless, some reserves have been identified that can be utilised in 2020/21, 2021/22 and 2022/23 to balance the budget in 2021/22 and reduce the gap in 2022/23. This will give more time to produce future savings which make the best use of council resources over the longer term and are ongoing.

Reserve	Current balance £000	Proposed use £000
Underspend 2020/21	-	1,100
Land Charges Reserve	2,385	2,000
Covid Reserve	10,759	7,864
Pensions Reserve	453	453
OCPB Reserve	4,944	250
Apprenticeship Reserve	975	250
Total	**19,516**	**11,917**

6.4 At the same time, the MTFS to Cabinet in December 2020, included an assumption that reserves would need to be run down in 2020/21 to fund Covid-19 expenditure and an adjustment of £1.768m was included to replenish reserves. This adjustment has now been reduced to £1.478m.

7. UPDATE TO MTFS 2021-25

7.1 The change in the MTFS gap from that reported in December 2020 arising from the latest information discussed in this report is summarised in the following table:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS Gap (Cabinet 7 December 2020)	11,739	12,766	13,860	12,777
Capital Financing costs	372	(366)	(819)	223
DSG deficit update	4,922	1,793	1,979	2,163
New Homes Bonus	396	300	300	300
Contract costs/London Living Wage	(266)	0	0	0
Covid RNF and LCTS grant	(6,811)	0	0	0
Social Care Grant	(1,670)	0	0	0
Collection Fund – deficit funding	(2,573)	(2,573)	(2,573)	0
Additional Savings proposals	(1,223)	(1,404)	(1,404)	(1,404)
Amendment to Saving ENV2021-04	0	0	450	890
Council Tax adjustment (2% to 1.99%)	8	9	9	9
Other Corporate items inc.Reserves replenishment	1,710	710	(290)	(290)
Use of Reserves and 2020/21 underspend	(6,604)	(5,312)	0	0
Revised MTFS Gap	**0**	**5,922**	**11,511**	**14,668**

A more detailed MTFS is included as Appendix 2.

8. CAPITAL PROGRAMME 2021-25: UPDATE

8.1 A proposed draft Capital Programme 2021-25 was presented to Cabinet on 7 December 2020.

8.2 Monthly monitoring of the approved programme for 2020/21 has been ongoing and there will inevitably be further changes arising from slippage, reprofiling and the announcement of capital grants as part of the local government finance settlement.

8.3 Further changes that have been made to the proposed capital programme since it was presented to Cabinet in December 2020 are set out in Appendix 5. These figures are based on November 2020 Monitoring (applies all unspent School Condition Grant along with re-profiled Corporate Budgets and assumes £1.3m TfL in 2024-25) and assume that there are no in programme bids. The costs of the Housing Company have been removed.

8.4 **Capital Financing Costs**

<u>Revenue Implications of Current Capital Programme</u>
It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term. For example, assuming external borrowing, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2021/22) for the next four years of the MTFS would be approximately:-.

Capital financing costs of £1m over the MTFS period	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Longer life Assets	10	60	60	60
Short-life assets	10	220	220	220

As previously reported, in light of the current financial situation, there is currently no capital bidding process other than those schemes that can be funded by CIL. Budget Managers have been asked to further review current schemes in the programme to either reduce, defer or delete them. Any resulting revisions to the programme will be reported to Cabinet on an ongoing basis. The current capital provision and associated revenue implications approved capital programme, based on October 2020 monitoring information and maximum use of capital receipts were reported to Cabinet in December 2020.

Since December 2020, the capital programme has continued to be reviewed and based on the latest information the current position is:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme	35,266	19,553	14,325	21,744
Revenue Implications	10,771	11,650	12,203	13,140

The potential change in the capital programme since Council in March 2020 is summarised in the following table:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme: - Cabinet 7 December 2020 - Revised Position with Slippage revisions	 46,056 35,266	 23,433 19,553	 14,842 14,325	 21,821 21,744
Change	(10,790)	(3,880)	(517)	(77)
Revenue impact - Cabinet 7 December 2020 Revised	 10,399 10,771	 12,016 11,650	 13,022 12,203	 12,917 13,140
Change	372	(366)	(819)	223

Further work is currently ongoing to review and challenge the assumptions these figures are based on.

9. BUDGET STRATEGY

9.1 The council has a statutory duty to set a balanced budget.

9.2 The MTFS reported to Cabinet in December 2020 assumed a 2% general Council Tax increase in 2021/22. The MTFS in this update assumes a 1.99% general Council Tax increase and a 3% increase for Adult Social Care Precept, as assumed in the Core Spending Power. This keeps the proposed Council Tax increase for 2021/22 within the 5% referendum threshold.

10. GLA BUDGET AND PRECEPT SETTING 2021-22

10.1 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.

10.2 The Mayor published his draft consolidated budget and provisional council tax precept for 2021-22 on 16 December 2020 for consultation. The consultation on the budget proposals will end on 15 January 2021.

10.3 Under these budget arrangements, the GLA's provisional precept on council taxpayers in the 32 London boroughs is £338.71 – a £6.64 or 1.99% increase compared to 2020/21. The proposed precept for council taxpayers in the City of London – City of London – excluding the police element – is £81.53 (also 1.99%).

10.4 Subsequently, on 8 January 2021, the Mayor of London announced revised proposals which increase the GLA's proposed precept. The revised proposed Band D precept on council taxpayers in the 32 London boroughs is £363.66 – a £31.59 or 9.5% increase compared to 2020-21. This reflects an increase in the policing element compared to the consultation budget published last month of £9.95 to £15 (in line with the national police referendum limits) and an extra £15 for Transport for London to maintain free bus and tram travel for under 18s and the over 60s oystercard (i.e. for those Londoners aged from 60 to statutory state pension age).

The proposed precept for council taxpayers in the City of London – excluding the police ` element – is £96.53. This represents an increase of £16.59.

It should be noted that this revised proposal is subject to MHCLG formally amending the council tax referendum limits for the GLA in the final local government finance settlement to reflect the £15 TfL increase required to maintain the concessions. The final precept will not be approved formally, however, until the London Assembly's final draft budget meeting scheduled for Thursday 25 February.

The statutory deadline for the GLA to agree the final GLA council tax precept and the Capital Spending Plan is 28 February 2021.

10.5 NNDR1 returns will be required to be submitted to the MHCLG by 31 January 2020. It is anticipated that the percentage shares for 2021-22 used for the returns for London authorities will be 37% GLA, 33% central government and 30% London boroughs. This has been confirmed in the provisional local government finance settlement.

10.6 Council Tax – Implied increase

10.6.1 If Merton has a 4.99% Council Tax increase (1.99% general, 3% Adult Social Care) and the London Assembly confirm the GLA's proposed increase, the implications for the level of Council Tax on a Band D property, including the GLA precept are set out as follows:-

Band D Council Tax

Council Tax at Band D	2020/21 £	2021/22 £	% change from 2020/21
Merton (exc. WPCC)	1,276.92	1,340.63	4.99%
GLA Precept (Provisional)	332.07	363.66	9.51%
Implied Council Tax at Band D	1,608.99	1,704.29	5.92%

11. CONSULTATION UNDERTAKEN OR PROPOSED

11.1 There will be consultation as the business plan process develops. This will include the Overview and Scrutiny panels and Commission, business ratepayers and all other relevant parties.

11.2 In accordance with statute, consultation will take place with business ratepayers and a meeting has been arranged for 17 February 2020.

11.3 As previously indicated, a Savings information pack has been prepared and distributed to all councillors. This should be brought to all Scrutiny and Cabinet meetings up to Budget Council. This should make the process more manageable for councillors and it will ensure that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also keep printing costs down and reduce the amount of printing that needs to take place immediately prior to Budget Council.

11.4 The pack includes:

- Savings proposals
- A draft Equality impact assessment for each saving proposal.
- Service plans

12. TIMETABLE

12.1 In accordance with revised financial reporting timetables.

13. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

13.1 All relevant implications have been addressed in the report.

14. LEGAL AND STATUTORY IMPLICATIONS

14.1 All relevant implications have been addressed in the report.

15. **HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

15.1 Draft Equalities assessments of the savings proposals are included in Appendix 4.

16. **CRIME AND DISORDER IMPLICATIONS**

16.1 Not applicable.

17. **RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

17.1 Not applicable.

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

Appendix 1: Provisional Local government Finance Settlement 2021-22: Summary
Appendix 2: MTFS Update
Appendix 3: Savings Proposals – January 2021 Cabinet
(a) New proposals
(b) Amendment to saving ENV2021-04
Appendix 4: Equalities Assessments - January 2021 Cabinet Savings Proposals
(a) Savings
Appendix 5: Draft Capital Programme 2021-25 and Capital Strategy 2021/22
Appendix 6: Draft Treasury Management Strategy
Appendix 7: London Business Rates Pool – Letter revoking the pool for 2021-22

BACKGROUND PAPERS

Budget files held in the Corporate Services department.

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PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22

Background

On 25 November 2020, the Government announced the outcome of Spending Review 2020. When publishing the Provisional Local Government Finance Settlement on 17 December 2020, the Government stated that "the Spending Review and settlement have been drawn up in unique circumstances. The Government's primary aim, in this challenging period, has been to continue to support councils in dealing with the immediate impacts of the pandemic, to promote recovery and renewal at local level, and support and maintain critical mainstream services…. Once the pandemic is over, we will continue to work with local government to understand the lasting impact it has had on both service demands and revenue raising. We will then revisit the priorities for reform of the local government finance system, taking account of wider work on the future of the business rates tax and on the Adult Social Care system. Final decisions will be taken in the context of next year's Spending Review. In the meantime, there will be no reset of accumulated business rates growth in 2021-22."

Overview of the Provisional Local Government Settlement 2020-21

Details of the provisional Local Government Settlement were published on 17 December 2020.

This is a summary of the main details included in the Provisional Settlement, with particular emphasis on the implications for Merton.

1. Provisional Local Government Settlement

1.1 Settlement Funding Assessment (SFA)

This section sets out the main details included in the Provisional Settlement and assesses the implications for Merton's finances as set out in the Medium Term Financial Strategy (MTFS).

The Settlement outlined core funding allocations (Settlement Funding Assessment (SFA) for local authorities for 2021/22.

The Settlement Funding Assessment is the total of Revenue Support Grant (RSG) and Baseline Funding (BF) from Business Rates. There has been an increase of 0.08% in SFA nationally in 2021/22. Details of changes in SFA for England, London boroughs and in Merton are summarised in the following table:-

	2017/18 Final	2018/19 Final	2019/20 Final	2020/21 Final	2021/22 Provisional
Merton (£m)	48.545	44.662	40.460	41.120	41.148
Annual % Change	-12.53%	-8.00%	-9.41%	1.63%	0.07%
Cumulative % change	-12.53%	-19.53%	-27.10%	-25.91%	-25.86%
England (£m)	17,905.175	16,943.064	15,958.163	16,208.506	16,221.537
Annual % Change	-3.74%	-5.37%	-5.81%	1.57%	0.08%
Cumulative % change	-3.74%	-8.92%	-14.21%	-12.86%	-12.79%
London Boroughs (£m)	3,078.326	2,901.229	2,713.504	2,757.716	2,760.740
Annual % Change	-9.42%	-5.75%	-6.47%	1.63%	0.11%
Cumulative % change	-9.42%	-14.63%	-20.16%	-18.86%	-18.77%

The Provisional Settlement broadly reflects the details set out in the Spending Round 2020. The main details are:-

a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 0.08% nationally and by 0.11% in London. The details for Merton are:-

MERTON	2020-2021 £m	2021-2022 £m	Change £m	Change %
Settlement Funding Assessment	41.120	41.148	0.028	0.07
of which:				
Revenue Support Grant (RSG)	5.159	5.187		
Baseline Funding Level (BFL)	35.961	35.961		
	41.120	41.148		
(Tariff)/Top-Up (Included in BFL)	9.534	9.534		

1.2 Core Spending Power

Core Spending Power is the Government's measure of the resources available to local authorities to fund service delivery. In 2021-22 it includes "roll forward" of core components from 2019-20 and also injects significant new funding into social care

Core Spending Power in 2021-22 is therefore made up of:

- Settlement Funding Assessment
- Estimated Council Tax Requirement excluding Parish Precepts
- Compensation via Section 31 grant for under-indexing the business rates multiplier
- Additional Council Tax revenue from referendum principle for social care
- Potential additional Council Tax revenue from referendum principle for all districts.
- Improved Better Care Fund inc. Winter Pressures Grant

- New Homes Bonus and New Homes Bonus Returned Funding;
- Rural Services Delivery Grant
- Adult Social Care Support grant
- Social Care Grant
- Lower Tier Services Grant

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 of 3% in 2021-22
- All authorities increase overall council tax by the maximum amount (2% in 2021-22)
- Tax base increases at the same average rate for each authority as between 2016-17 to 2021-22
- New Homes Bonus allocations are based on the share of NHB to date

In England the level of assumed spending power will increase by £2.2 bn (4.5%) in 2021-22 . In London boroughs the assumed increase is £310.8m (4.3%) in 2021/22

Core Spending Power	2017/18 Final	2018/19 Final	2019/20 Final	2020/21 Final	2021/22 Provisional	2021/22 Change
	£m	£m	£m	£m	£m	%
England	44,296.5	45,098.3	46,213.3	48,999.1	51,210.2	4.5%
London Boroughs	6,688.9	6,731.4	6,848.2	7,257.8	7,568.6	4.3%
Merton	139.8	139.6	142.2	150.3	157.2	4.6%

A summary of Merton's assumed Core Spending Power from 2017/18 to 2021/22 is included in the following table:-

Detailed Breakdown of Core Spending Power – Merton

	Final 2017-18	Final 2018/19	Final 2019/20	Final 2020/21	Provisional 2021/22	Annual Change (20-21 to 21-22)	Cumulative Change (17-18 to 21-22)
	£m	£m	£m	£m	£m	%	%
Council Tax	82.563	87.009	92.370	97.386	103.886	6.7%	25.8%
Settlement Funding Assessment*	48.545	44.662	40.460	41.120	41.148	0.1%	(15.2)%
Compensation for under-indexing the business rates multiplier	0.504	0.793	1.153	1.441	1.874	30.0%	271.8%
Improved Better Care Fund	2.746	3.523	4.114	4.862	4.862	0%	77.1%
New Homes Bonus	4.068	2.371	2.108	1.438	0.612	(57.4)%	(85.0)%
New Homes Bonus – returned funding	0.080	0.000	0.000	0.000	0.000	0.0	(100)%
Transition Grant	0.557	0.000	0.000	0.000	0.000	0.0	(100)%
Adult Social Care Support Grant	0.751	0.467	0.000	0.000	0.000	0.0	(100)%
Winter Pressures Grant	0.000	0.748	0.748	0.000	0.000	0.0	0.0
Social Care Support Grant	0.000	0.000	1.278	0.000	0.000	0.0	0.0
Social Care Grant	0.000	0.000	0.000	4.058	4.466	10.1%	-
Lower Tier Services Grant	0.000	0.000	0.000	0.000	0.399	-	-
Core Spending Power	**139.815**	**139.574**	**143.231**	**150.305**	**157.247**	**4.6%**	**12.5%**

* SFA figures do not reflect the London Business Rates Pool

1.3 Council tax referendum principles for principal local authorities

In terms of controlling the level of council tax increases that local authorities can set in 2021-22, without the need for a local referendum, the Government has decided that the core principles to be applied to authorities with social care responsibilities including London boroughs such as Merton are:-

- For 2021-22, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2021-22 is 5% comprising 3% for expenditure on adult social care and 2% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2020-21.

Local authorities not wanting to take up the ASC precept flexibility in full next year, will be allowed to defer some or all of this for use in 2022-23. This means that London boroughs could, for example, set a 2% increase for ASC in 2021-22 and a 1% increase for ASC in 2022-23, irrespective of other referendum principles that may apply in 2022-23.

Police and Crime Commissioners (PCCs) including the GLA charge for the Metropolitan Police will be allowed increases of £15. The Mayor of London has already indicated that in order to fund Londoners' free travel concessions more generously than the England level and may seek to raise the general element of the GLA's council tax precept.

The financial projections in this report are based on the following levels of council tax increase:-

	2020/21 %	2021/22 %	2022/23 %	2023/24 %
Council Tax increase - General	1.99	2.00	2.00	2.00
Council Tax increase - ASC	3.00	0	0	0
Total	4.99	2.00	2.00	2.00

1.4 Special and specific grants

The distribution of a number of grants was published alongside the Provisional 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
- Social Care Grant

1.4.1 New Homes Bonus

The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas by rewarding local authorities for net additional homes added to the council tax base. It is paid annually from a top-slice of RSG. The Government has committed to reforming the NHB, and this year will be the final year under the current approach. The Government intends to publish shortly a consultation document on the future of the New Homes Bonus, including options for reform.

The Government is proposing a new round of NHB payments (year 11 payments) in 2021-22. This will be the final set of allocations under the current approach, and the Government's proposal is that year 11 payments will not attract new legacy commitments in future years.

The allocations for 2021-22 will be funded through a £622 million top slice of RSG.

The Government has not changed the calculation process for year 11 payments, and the methodology is the same as in 2020-21. Year 11 payments will be calculated as units for reward above a payments baseline of 0.4%, multiplied by the average band D council tax payment, with an additional payment made for affordable homes. The Government intends to honour previously announced legacy payments in the 2021-22 allocations.

This means paying legacy payments associated with year 8 (2018- 19) and year 9 (2019-20).

Unfortunately, Merton's increase in units in 2020/21 is 0.29% and less than the 0.4% baseline and therefore Merton only receives additional NHB of £23,800 in 2021/22 plus the NHB relating to year 8 (£258,357) and year 9 (£329,759), totalling £611,916.

1.4.2 Compensation for under-indexing the business rates multiplier: The level of compensation for under-indexing of the business rates multiplier as a result of previous decisions to cap business rates increases by past governments.

1.4.3 Improved Better Care Fund
In the interests of stability, the Government has decided to continue existing iBCF funding at 2020-21 levels (£2.1 billion), with the distribution unchanged.

Merton's allocation is:-

Improved Better Care Fund	**2022-22 £m**
Merton	4.862

1.4.4 Social Care Grant

In the interests of stability, the Government has rolled-forward allocations of the £1.41 billion Social Care Grant from 2020-21, leaving these unchanged.

The Government will distribute the £300 million of additional grant in two ways. The £240 million will be used as an equalisation component, holding the level of equalisation at the same level as in 2020-21, together with £60 million allocated directly through the existing ASC RNF. The Government's view is that the equalisation methodology is a balanced approach which recognises that the distribution of resources generated through the ASC precept does not match the pattern of assessed need. The proposed methodology, which is the same as that used for this grant in 2020-21, means that all authorities will receive over 94% of the total RNF-based share of the resources which are available through the additional grant and the new ASC precept. The Government has decided that this grant will not be ringfenced, and conditions on reporting requirements will not be attached. In particular, it will be for local authorities to determine how much of it should be spent on adult social care and how much should be spent on children's social care.

Merton's allocation is:-

Social Care Grant	2020-21 £m
Merton	4.446

Outside of the Provisional Settlement, more information on a number of other grants has been advised as follows:-

1.4.5 Homelessness Prevention Grant
A national total of £310m Homelessness Prevention Grant combines and uplifts what was previously the Flexible Homelessness Support Grant and Homelessness Reduction Grant.

In 2020-21 the government provided local authorities with £200m through the Flexible Homelessness Support Grant and £63m through the Homelessness Reduction Grant. In 2021-22 the government have combined these two funding streams and uplifted them by £47m.

The purpose of the Homelessness Prevention Grant fund is to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. Local authorities are expected to use it to deliver the following priorities

- To fully enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness
- Reduce family temporary accommodation numbers through maximising family homelessness prevention
- Eliminate the use of unsuitable bed and breakfast accommodation for families for longer than the statutory six week limit.

MERTON'S ALLOCATION	2020/21	2021/22
	£000	£000
Flexible Homelessness Support Grant	716	
Homelessness Reduction Grant	416	
Homelessness Prevention Grant		1,360
TOTAL	1,132	1,360

1.4.6 Public Health Grant
To be advised.
Although Public Health Grant allocations have not been published alongside the settlement as expected, Spending Round 2020 did announce that Public Health Grant will "be maintained" for 2021-22. A flat cash roll forward is expected to be confirmed shortly. If correct, this will confirm £657m for London from the near £3.3bn available for England.

Merton's allocation for 2020 was £10.546m.

1.4.7 Other grants

i) Lead Local Authorities Grant – the MHCLG have confirmed that it has been discontinued.

ii) Former Independent Living Fund Recipient Grant – no decision has been made yet on continuation. Merton received £0.3m in 2020/21.

iii) Domestic Abuse Bill Funding – A national allocation of £125m has been announced but there is no information about allocations as yet.

1.5 Provisional Settlement Consultation Response

The Government's consultation period on the provisional settlement figures has a deadline of 16 January 2021.

2. School Funding Announcement

2.1 The School Revenue Funding Settlement 2021 to 2022 was published on 17 December 2020. The distribution of the DSG to local authorities is set out in four blocks for each authority: a schools block, a high needs block, an early years block, and the new central school services block. The main allocations for Merton are:-

Dedicated Schools Grant (DSG): 2021 to 2022 allocations local authority summary	2021 to 2022 DSG allocations, before recoupment and deductions for direct funding of high needs places by Education and Skills Funding Agency (ESFA)				
	Schools Block (£m)	Central School Services Block	High Needs Block (£m)	Early Years Block (£m)	Total DSG allocation (£m)
	[A]	[B]	[C]	[D]	[E]
					= [A] + [B] + [C] + [D]
Merton 2021/22	137.499	1.094	39.961	16.518	195.072
Merton 2020/21	129.966	1.016	36.429	16.375	183.786
Change %	5.8%	7.7%	9.7%	0.9%	6.1%

2021 to 2022 DSG allocations, after recoupment and deductions for direct funding of high needs places by Education and Skills Funding Agency (ESFA)					
	Schools Block (£m)	Central School Services Block	High Needs Block (£m)	Early Years Block (£m)	Total DSG allocation (£m)
[F]		[G]	[H]	[H]	[I]
Merton 2021/22	137.499	1.094	39.961	16.518	195.072
Merton 2020/21	129.966	1.016	36.299	16.375	183.656
Change %	5.8%	7.7%	10.1%	0.9%	6.2%

Summary of proposals included in the 2021-22 provisional settlement

The Government's proposals for distributing core settlement resources in 2021-22:

- a uniform percentage increase in 2020-21 Revenue Support Grant (RSG) allocations, based on the change in the Consumer Price Index (CPI)
- a freeze in Baseline Funding Levels (BFLs) at 2020-21 levels, to match the freeze in the business rates multiplier
- an increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier
- eliminating so-called 'negative RSG', through the use of forgone business rates receipts.

The Government's intentions for council tax referendum principles in 2021-22:

- a core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) and fire authorities
- an Adult Social Care (ASC) precept of 3% for authorities responsible for ASC, with the option to defer some or all of its use into 2022-23
- a referendum principle of £15 for police and crime commissioners

The Government's proposals for making funding available for social care services:

- increasing the Social Care Grant for 2021-22 by £300 million, on top of last year's total of £1.41 billion
- distributing the new Social Care Grant resources using the ASC Relative Needs Formula (RNF), with £240 million used to equalise the variation in yield from the ASC council tax precept, at the same level of equalisation as last year
- maintaining the improved Better Care Fund (iBCF) funding at 2020-21 cash terms levels (£2.1 billion) with the distribution unchanged.

The Government's proposals for the New Homes Bonus (NHB):

- a new round of NHB payments in 2021-22, which will not attract new legacy payments
- 2021-22 allocations will be paid for by a £622 million top-slice of RSG
- no changes to the calculation process from 2020-21

- all previously announced legacy payments will be honoured in 2021-22 allocations.

The Government's proposals for a new Lower Tier Services Grant:

- the grant will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services)..

- The distribution will be based on assessed relative needs alongside this, there will be a one-off minimum funding floor to ensure that no authority sees an annual reduction in Core Spending Power (CSP).

Covid – 19 Funding: Consultation Paper

Following the announcements at Spending Review 2020, the Government has published a "consultative policy paper" intended to provide further details on COVID-19 funding for local authorities in 2021-22, and the approach to continuing to monitor the impact of the pandemic on the sector. It asks questions to seek views from the sector to inform certain policy positions.

It covers:

The £1.55bn COVID-19 Expenditure Pressures Grant

The Government has published the final allocations for the £1.55bn of additional unringfenced funding announced at SR20 for 2021-22. This is being distributed using the COVID-19 Relative Needs Formula and Government is aiming to make payments as soon as reasonably practicable in the next financial year (the aim being to provide payments in April 2021).

London boroughs will receive £274m of the £1.55bn (17.7%). This is the same share as with the third tranche of emergency funding in 2020-21 (which uses the COVID-19 RNF with no floors – unlike tranche 4). This brings the total general emergency funding provided to £6.2bn nationally, with London boroughs receiving £1.1bn (17.5%).

Local council tax support grant

Views are being sought on the Government's proposal for distributing the £670m of new funding in recognition of the increased costs of providing local council tax support following the pandemic. The funding is unringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes.

The Government is proposing to distribute funding on the basis of each billing authority’s share of the England level working-age local council tax support caseload, adjusted to reflect the average bill per dwelling in the area. Indicative allocations and a detailed methodology note will be published shortly. Government will aim to make up-front lump sum section 31 payments directly to billing and major precepting authorities in April, assuming its proposed methodology is used.

<u>Local tax income guarantee for 2020-21</u>

The Spending Review set out plans to compensate councils for 75% of irrecoverable council tax and business rates losses, estimating this to cost around £762m. The consultative policy paper sets out how council tax and business rates losses in scope of the guarantee will be measured. For council tax, this is broadly a comparison of each authority’s council tax requirement and an adjusted Net Collectable Debit. For business rates, this is broadly a comparison of Non-Domestic Rating Income as calculated in the NNDR1 and NNDR3 forms. The executive summary suggests this will cost an” estimated £800m”.

London Councils will undertake further analysis on behalf of London boroughs to understand the full methodology and estimate the levels of losses for London boroughs in due course.

<u>Sales, Fees, and Charges (SFC) scheme extension</u>

The Government is proposing to continue the current SFC scheme for the first 3 months of the 2021-22 financial year using each council’s 2020-21 budgeted income as the baseline from which to assess losses.

DRAFT MTFS 2021-25:				
	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Departmental Base Budget 2020/21	**159,038**	**159,038**	**159,038**	**159,038**
Inflation (Pay, Prices)	3,468	7,458	11,116	16,256
Salary oncost increase (15.2% to 17.06%)	23	47	71	95
FYE – Previous Years Savings	(3,887)	(4,252)	(4,448)	(4,448)
FYE – Previous Years Growth	404	788	1,178	1,178
Amendments to previously agreed savings/growth	685	175	0	0
Change in Net Appropriations to/(from) Reserves	208	(482)	(1,063)	(1,062)
Taxi card/Concessionary Fares	(1,128)	(1,606)	(424)	579
Change in depreciation/Impairment (Contra Other Corporate items)	2,242	2,242	2,242	2,242
Social Care - Additional Spend offset by grant and precept	2,997	3,037	3,073	3,088
Growth	3,478	3,478	3,478	3,478
Provision - DSG Deficit	14,078	10,543	11,628	12,714
Other	733	813	893	973
Re-Priced Departmental Budget	**182,341**	**181,278**	**186,783**	**194,130**
Treasury/Capital financing	10,781	11,669	12,231	13,168
Other Corporate items	(21,391)	(21,969)	(23,320)	(23,324)
Levies	609	609	609	609
Sub-total: Corporate provisions	**(10,001)**	**(9,691)**	**(10,480)**	**(9,547)**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**172,340**	**171,588**	**176,303**	**184,584**
Savings/Income Proposals 2021/22	(2,899)	(5,595)	(4,962)	(4,437)
Sub-total	**169,441**	**165,993**	**171,341**	**180,147**
Appropriation to/from departmental reserves	(3,097)	(2,407)	(1,826)	(1,827)
Appropriation to/from Balancing the Budget Reserve	(9,201)	(5,312)	0	0
ONGOING IMPACT OF COVID-19 (NET)	4,276	2,138	974	0
BUDGET REQUIREMENT	**161,419**	**160,411**	**170,489**	**178,320**
Funded by:				
Revenue Support Grant/Covid RNF & LCTS grant	(6,811)	0	0	0
Business Rates (inc. Section 31 grant)	(41,358)	(39,185)	(40,029)	(40,890)
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant	(4,446)	(3,160)	(3,550)	(3,550)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(612)	(500)	(500)	(500)
Council Tax inc. WPCC	(99,855)	(103,308)	(106,563)	(109,053)
Collection Fund – (Surplus)/Deficit	1,323	1,323	1,323	0
TOTAL FUNDING	**(161,419)**	**(154,489)**	**(158,979)**	**(163,652)**
GAP including Use of Reserves (Cumulative)	**0**	**5,922**	**11,511**	**14,668**

Savings Proposals - Cabinet 18 January 2021

Savings Proposals - Cabinet 18 January 2021	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total £000**
Corporate Services	633	(34)	0	0	599
Children, Schools and Families	200	0	0	0	200
Environment and Regeneration	214	215	0	0	429
Community and Housing	176	0	0	0	176
Total	1,223	181	0	0	1,404
Total (cumulative)	**1,223**	**1,404**	**1,404**	**1,404**	

DEPARTMENT: CORPORATE SERVICES SAVINGS - BUDGET PROCESS 2021/2022 CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
O&SC	2021-22 CS06	**Service/Section**	**Infrastructure & Technology**								
		Description	**Facilities Management - Reduction in various running costs. *Increased by £20k***	199	75				L	L	SNS1
		Service Implication	None as these are as a result of improvements in efficiency								
		Staffing Implications	None								
		Business Plan implications	None								
		Impact on other departments	None								
		Equalities Implications	None								
O&SC	2021-22 CS07	**Service/Section**	**Corporate Governance -Democracy Services**								
		Description	**Reduced running costs within Democracy Services**	740	11				L	L	SNS1
		Service Implication	None								
		Staffing Implications	none								
		Business Plan implications	none								
		Impact on other departments	none								
		Equalities Implications	none								
O&SC	2021-22 CS08	**Service/Section**	**Corporate Governance - Electoral Services**								
		Description	**Reduced runnng costs due to canvass reform**	159	10				L	M	SNS1
		Service Implication	none								
		Staffing Implications	none								
		Business Plan implications	none								
		Impact on other departments	none								
		Equalities Implications	none								

DEPARTMENT: CORPORATE SERVICES SAVINGS - BUDGET PROCESS 2021/2022 CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
O&SC	**2021-22 CS09**	**Service/Section**	**Corporate Governance - legal Services**								
		Description	**reduce affiliation, counsel and land registry fees**	**46**	**40**				**L**	**L**	**SNS1**
		Service Implication	none								
		Staffing Implications	none								
		Business Plan implications	none								
		Impact on other departments	none								
		Equalities Implications	none								
O&SC	**2021-22 CS10**	**Service/Section**	**Corporate Governance**								
		Description	**reduce AD budget running costs**	**15**	**6**				**M**	**L**	**SNS1**
		Service Implication	none								
		Staffing Implications	none								
		Business Plan implications	none								
		Impact on other departments	none								
		Equalities Implications	none								
O&SC	**2021-22 CS11**	**Service/Section**	Resources								
		Description	Review of shared Bailiff service with Sutton	(441)	40				M	**M**	SNS1
		Service Implication	Reduced activity in debt recovery								
		Staffing Implications	Potential reduction in posts.								
		Business Plan implications	TBC								
		Impact on other departments	TBC								
		Equalities Implications	TBC								

DEPARTMENT: CORPORATE SERVICES SAVINGS - BUDGET PROCESS 2021/2022 CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
O&SC	**2021-22 CS12**	**Service/Section**	Resources								
		Description	Miscellaneous savings within Resources (eg. Consultancy)	**83**	69	(34)			L	**M**	SNS1
		Service Implication	None								
		Staffing Implications	None								
		Business Plan implications	None								
		Impact on other departments	None								
		Equalities Implications	none								
O&SC	**2021-22 CS13**	**Service/Section**	Corporate								
		Description	CHAS Dividend	**1,723**	260				L	**M**	SI1
		Service Implication	None								
		Staffing Implications	None								
		Business Plan implications	none								
		Impact on other departments	None								
		Equalities Implications	none								

APPENDIX 3

DEPARTMENT: CORPORATE SERVICES SAVINGS - BUDGET PROCESS 2021/2022 CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
O&SC	**2021-22 CS14**	**Service/Section**	Corporate Governance								
		Description	Local Land Charges - amend income budget for service to reflect net cost recovery	**110**	90				L	**L**	SI1
		Service Implication	None								
		Staffing Implications	none								
		Business Plan implications	none								
		Impact on other departments	none								
		Equalities Implications	none								
O&SC	**2021-22 CS15**	**Service/Section**	CPI - Customer Contact								
		Description	Delete a post from Customer Contact	**631**	32				M	**L**	SS1
		Service Implication	None due to the reduction of f2f and telephone services.								
		Staffing Implications	It is hoped to be achieved through natural wastage. If not a potential redundancy situation will arise.								
		Business Plan implications	None as services will be realigned within the Customer Service and Digital Strategy								
		Impact on other departments	None								
		Equalities Implications	Could affects 1 FTE but HR advice will be followed.								
Total Corporate Services Savings to Cabinet 18 January 2021					**633**	(34)	**0**	**0**			

DEPARTMENT: CHILDREN, SCHOOLS & FAMILIES SAVINGS - BUDGET PROCESS 2021/22 TO CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
C&YP	2021-22 CSF03	**Service/Section**	**CSF**								
		Description	**Ongoing underspend**		200	0	0	0	High	Low	SI1
		Service Implication	The proposal is to offer up part of the current ongoign underspend in the service. The impact will be spread amongst underspending budget lines based on period 10 budget monitoring.								
		Staffing Implications	None								
		Business Plan implications	Reduces future flexiblity								
		Impact on other departments	None								
		Equalities Implications	Mininal as it will not affect current savings.								
Total Children Schools and Families Savings to Cabinet 18 January 2021					**200**	**0**	**0**	**0**			

DEPARTMENT: ENVIRONMENT AND REGENERATION SAVINGS - BUDGET PROCESS 2020/21

Panel	REF	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
SC	ENV2021-05	**Service/Section** **Description** **Service Implication** **Staffing Implications** **Business Plan implications** **Impact on other departments** **Equalities Implications**	**Development Control/Building Control** Reduction is various minor budget spends None None None None None	var.	12				Low	Low	SNS1
OS	ENV2021-06	**Service/Section** **Description** **Service Implication** **Staffing Implications** **Business Plan implications** **Impact on other departments** **Equalities Implications**	**Safer Merton & CCTV** Service restructure across Safer Merton and CCTV No significant service implications Restructure of the service to create further efficiencies of £35k None None None	779	35				Low	Low	SS2
SC	ENV2021-07	**Service/Section** **Description** **Service Implication** **Staffing Implications** **Business Plan implications** **Impact on other departments** **Equalities Implications**	**Property Management** Increase residential (former Service tenancies) rent (increased income) Would require the council to 'deregister' as a housing provider Within exiting staff resource In line with business plan Increased workload in SLLP team TBC	4,893		100			High	Med	SI1
SC	ENV2021-08	**Service/Section** **Description** **Service Implication** **Staffing Implications** **Business Plan implications** **Impact on other departments** **Equalities Implications**	**Parking** Activity to improve On Street parking compliance. Operational changes and equipment, transport, and infrastructure requirements. Resources required to facilitate. In line with existing objectives None None	-9,091	100	100			Low	Med	S12

APPENDIX 3

DEPARTMENT: ENVIRONMENT AND REGENERATION SAVINGS - BUDGET PROCESS 2020/21

Panel	REF	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
SC	**ENV2021-09**	**Service/Section**	**Waste Services - Environmental Enforcement**								
		Description	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	**-517**	**52**				**Med**	**Med**	**SI2**
		Service Implication	Increased deployment of Environmental Enforcement Officers - NOTE: sustained delivery of target has the potential to decrease over time as compliance improves								
		Staffing Implications	Increase in FTE managed by external service provider								
		Business Plan implications	None								
		Impact on other departments	SLLP - increase in number of cases escalated for prosecution due to non-payment of FPN.								
		Equalities Implications	None - all residents and visitors treated equally								
SC	**ENV2021-10**	**Service/Section**	**Development Control/Building Control**								
		Description	Savings as a result of the 'Assure' M3 upgrade . Reduce BC/DC admin by 1 FTE	**283**	**15**	**15**			**Low**	**Low**	**SNS1**
		Service Implication	Assumes increased efficiency and maintenance of the system will be done within the team and not by M3 consultant								
		Staffing Implications	Loss of 1FTE								
		Business Plan implications	In line with business plan								
		Impact on other departments	None								
		Equalities Implications	None								
Total Environment and Regeneration Savings					**214**	**215**	**0**	**0**			

<u>**Savings Type**</u>

SI1	Income - increase in current level of charges
SI2	Income - increase arising from expansion of existing service/new service
SS1	Staffing: reduction in costs due to efficiency
SS2	Staffing: reduction in costs due to deletion/reduction in service
SNS1	Non - Staffing: reduction in costs due to efficiency
SNS2	Non - Staffing: reduction in costs due to deletion/reduction in service
SP1	Procurement / Third Party arrangements - efficiency
SP2	Procurement / Third Party arrangements - deletion/reduction in service
SG1	Grants: Existing service funded by new grant
SG2	Grants: Improved Efficiency of existing service currently funded by unringfenced grant
SPROP	Reduction in Property related costs

<u>**Panel**</u>

C&YP	**Children Children Children & Young People**
OS	**Overview Overview Overview & Scrutiny**
HC&OP	**Healthier Healthier Healthier Communities & Older People**
SC	**Sustainal Sustainal Sustainable Communities**

DEPARTMENT: COMMUNITY & HOUSING SAVINGS - BUDGET PROCESS 2021/22 CABINET 18 January 2021

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
	CH103	**Service/Section**	**Housing Needs**								
		Description	Housing Related Support - floating support	**1,213**	**176**	**0**	**0**	**0**	**M**	**M**	**SP2**
		Service Implication	To terminate the floating support contract that is part of the housing related support offer. The majority of HRS contracts are tenancy related and support the tenancies. In some cases, the tenancies are conditional on the support being in place. The floating support service is not related to specific tenancies. Support for those not in the designated supported tenancies will in future come from the homelessness reduction response and the voluntary sector.								
		Staffing Implications	Nil								
		Business Plan implications	Nil								
		Impact on other departments	Nil								
		Equalities Implications	Service users are predominantly single adults. Users would be directed to alternative support								
		Total Community and Housing to Cabinet 18 January 2021		**1,213**	**176**	**0**	**0**	**0**			

APPENDIX 3b

CURRENT VERSION

DEPARTMENT: ENVIRONMENT AND REGENERATION SAVINGS - BUDGET PROCESS 2020/21

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
SC	ENV2021-04	**Service/Section Description**	**Parking** EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	(11,996)	750 - 1,000	750 - 1,000	(150) - (200)	(135) - (180)	Low	Low	SI2
		Service Implication	To be reviewed								
		Staffing Implications	To be reviewed								
		Business Plan implications	In line with existing objectives.								
		Impact on other departments	None								
		Equalities Implications	To be reviewed as part of democratic processes relating to emissions based charging.								

REVISED VERSION

DEPARTMENT: ENVIRONMENT AND REGENERATION SAVINGS - BUDGET PROCESS 2020/21

Panel	Ref	Description of Saving		Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)
SC	ENV2021-04	**Service/Section Description**	**Parking** EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	(11,996)	750 - 1,000	750 - 1,000	(600) - (650)	(575) - (600)	Low	Low	SI2
		Service Implication	To be reviewed								
		Staffing Implications	To be reviewed								
		Business Plan implications	In line with existing objectives.								
		Impact on other departments	None								
		Equalities Implications	To be reviewed as part of democratic processes relating to emissions based charging.								
			CHANGE TO ENV2021-04		0	0	(450)	(440)			

APPENDIX 3b

CURRENT VERSION

DEPARTMENT: ENVIRONMENT AND REGENERATION SAVINGS - BUDGET PROCESS 2020/21

Panel	Ref	Description of Saving	Baseline Budget 20/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Risk Analysis Deliverability	Risk Analysis Reputational Impact	Type of Saving (see key)

Savings Type

SI1	Income - increase in current level of charges
SI2	Income - increase arising from expansion of existing service/new service
SS1	Staffing: reduction in costs due to efficiency
SS2	Staffing: reduction in costs due to deletion/reduction in service
SNS1	Non - Staffing: reduction in costs due to efficiency
SNS2	Non - Staffing: reduction in costs due to deletion/reduction in service
SP1	Procurement / Third Party arrangements - efficiency
SP2	Procurement / Third Party arrangements - deletion/reduction in service
SG1	Grants: Existing service funded by new grant
SG2	Grants: Improved Efficiency of existing service currently funded by unringfenced grant
SPROP	Reduction in Property related costs

Panel

C&YP	**Children & Young People**
OS	**Overview & Scrutiny**
HC&OP	**Healthier Communities & Older People**
SC	**Sustainable Communities**

APPENDIX 4

SUMMARY OF EQUALITIES ASSESSMENTS - SAVINGS TO CABINET 18 January 2021

SAVINGS REFERENCE	CABINET	DEPARTMENT	SAVING	OUTCOME
2021-22 CS06	18 January 2021	Corporate Services	Facilities Management - Reduction in various running costs.	1
2021-22 CS07	18 January 2021	Corporate Services	Corporate Governance - Reduce running costs within Democracy Services	1
2021-22 CS08	18 January 2021	Corporate Services	Corporate Governance - Electoral Services: reduced runnng costs due to canvass reform	1
2021-22 CS09	18 January 2021	Corporate Services	Corporate Governance - legal Services: reduce affiliation, counsel and land registry fees	1
2021-22 CS10	18 January 2021	Corporate Services	Corporate Governance - reduce AD budget running costs	1
2021-22 CS11	18 January 2021	Corporate Services	Resources - Review of shared Bailiff service with Sutton	3
2021-22 CS12	18 January 2021	Corporate Services	Resources - Miscellaneous savings within Resources (eg. Consultancy)	1
2021-22 CS13	18 January 2021	Corporate Services	Corporate - CHAS Dividend	1
2021-22 CS14	18 January 2021	Corporate Services	Corporate Governance - Local Land Charges - amend income budget for service to reflect net cost recovery	1
2021-22 CS15	18 January 2021	Corporate Services	CPI - Customer Contact - Delete a post from Customer Contact	1
2021-22 CSF03	18 January 2021	Children, Schools and Families	Children, Schools and Families - Ongoing underspend	1
ENV2021-05	18 January 2021	Environment and Regeneration	Development Control/Building Control - Reduction is various minor budget spends	1
ENV2021-06	18 January 2021	Environment and Regeneration	Safer Merton & CCTV - Service restructure	3
ENV2021-07	18 January 2021	Environment and Regeneration	Property Management - Increase residential (former Service tenancies) rent (increased income)	3
ENV2021-08	18 January 2021	Environment and Regeneration	Parking - Activity to improve On Street parking compliance.	1
ENV2021-09	18 January 2021	Environment and Regeneration	Waste Services - Environmental Enforcement: Zero tolerance approach to littering and environmental offences	2
ENV2021-10	18 January 2021	Environment and Regeneration	Development Control/Building Control - Savings as a result of the ‘Assure’ M3 upgrade	1
CH103	07 December 2020	Community and Housing	Housing Needs - Housing Related Support - floating support	2

Equality Analysis

APPENDIX 4

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	A series of Resources Division corporate savings (2021-22 CS 6,7,8,9,10,12,13 &14)
Which Department/ Division has the responsibility for this?	Corporate Services/Resources

Stage 1: Overview	
Name and job title of lead officer	Roger Kershaw. AD Resources
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Various savings in back office costs:- FM. Savings in running costs £75,000 Members allowances – Running costs £11,000 Electoral Services running costs £10,000 Land registry fees £40,000 Corporate Governance running costs £6,000 Misc savings in Resources £69,000 CHAS Dividend £260,000 Local Land Charges £90,000
2. How does this contribute to the council's corporate priorities?	Assists with balancing the budget.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	None
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	None

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The proposals represent back office savings and there will be no impact on the protected characteristics.

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		X		X	. No impact
Disability		X		X	. No impact
Gender Reassignment		X		X	. No impact
Marriage and Civil Partnership		X		X	. No impact
Pregnancy and Maternity		X		X	. No impact
Race		X		X	. No impact
Religion/ belief		X		X	. No impact
Sex (Gender)		X		X	. No impact
Sexual orientation		X		X	. No impact
Socio-economic status		x		X	. No impact

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
No impact						

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
X			

Stage 5: Sign off by Director/ Head of Service

Assessment completed by	Roger Kershaw, AD Resources	**Signature: Roger Kershaw**	**Date: 12.1.21**
Improvement action plan signed off by Director/ Head of Service		**Signature:**	**Date:**

APPENDIX 4

Equality Impact Analysis

Please refer to the guidance for carrying out an Equality Analysis. Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Review of shared bailiff service with London borough of Sutton (2021-22 CS11)
Which Department/ Division has the responsibility for this?	Corporate Services/Resources

Stage 1: Overview	
Name and job title of lead officer	David Keppler, Head of Revenues and Benefits
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc.)	Review of shared bailiff service with London borough of Sutton. This is required to align the staffing numbers to the current and expected reduced workload The proposal will reduce the number of enforcement agents from 12 to 8 and admin staff from 5 to 3. This reduction is required due to reduced workload. If the proposal is not implemented enforcement agents would not have enough work to achieve performance targets and service costs would be unnecessarily high/not be feasible.
2. How does this contribute to the council's corporate priorities?	The service contributes to the collection of council tax, business rates and parking PCN's for both Merton and Sutton councils.
3. Who will be affected by this proposal? For example, who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	All employees in the Enforcement Team will be affected by the proposal. The proposal will reduce service costs for both Merton and Sutton.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	A shared service is delivered by Merton Council to Sutton. Merton have responsibility for day to day service delivery. The service impacts performance and collection for Revenues and Benefits and Parking Services for both Merton and Sutton Councils.

Stage 2: Collecting evidence/ data

5. **What evidence have you considered as part of this assessment?**
   Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The impact of the proposal is on existing staff only. Residents, businesses will not be affected by the proposal
The make-up of enforcement agents

Stage 3: Assessing impact and analysis

6. **From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?**

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age					
Disability					
Gender Reassignment					
Marriage and Civil Partnership					
Pregnancy and Maternity					
Race					
Religion/ belief					
Sex (Gender)					
Sexual orientation					
Socio-economic status					

7. If you have identified a negative impact, how do you plan to mitigate it?

Summarise actions you plan to mitigate the negative impact(s) identified above. Detail for these actions should be included in the Improvement Action Plan (Section 9 below).

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

☐ **Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. No changes are required.

☐ **Outcome 2** – The EA has identified adjustments to remove negative impact or to better promote equality. Actions you propose to take to do this should be included in the Action Plan.

X **Outcome 3** – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully. If you propose to continue with proposals you must include the justification for this in Section 10 below, and include actions you propose to take to remove negative impact or to better promote equality in the Action Plan. You must ensure that your proposed action is in line with the PSED to have 'due regard' and you are advised to seek Legal Advice.

☐ **Outcome 4** – The EA shows actual or potential unlawful discrimination. Stop and rethink your proposals.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
	Follow the council's Managing Organisational Change policy/process			**Existing**	**D Keppler**	

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore, it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision-making reports (CMT/Cabinet/etc..) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an outcome	Assessment
Please include here a summary of the key findings of your assessment. • What are the key impacts – both negative and positive – you have identified? • Are there any groups affected more than others? • What course of action are you advising as a result of this assessment? • If your EA is assessed as Outcome 3 and you suggest to proceeding with your proposals although a negative impact has been identified that may not be possible to fully mitigate, explain your justification with full reasoning.	

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	David Keppler / Head of Revenues and Beneits	**Signature:**	**Date: 29 December 20**
Improvement action plan signed off by Director/ Head of Service	Roger Kershaw / Assistant Director Resources	**Signature:**	**Date: 11 January 21**

Equality Analysis

APPENDIX 4

Please refer to the guidance for carrying out Equality Analysis (available on the intranet). Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Corporate Service Saving 2021 – 22 CS15
Which Department/ Division has the responsibility for this?	Corporate Services / Customers, Policy & Improvement

Stage 1: Overview	
Name and job title of lead officer	Sean Cunniffe, Head of Customer Contact
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Delete a post from Customer Contact team Services will remain available for the customer on a channel of choice so there will be no change in the level of service available to them.
2. How does this contribute to the council's corporate priorities?	Assists with balanced budget and embeds our digital strategy to channel shift transactions.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	No customers should be adversely affected as there has been a significant shift already away from face-to-face services. A deletion of 1 FTE may result in a redundancy within the workforce but it is anticipated that it will achieved through natural wastage.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	No, although we undertake the first point of contact for all services across the Council.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Analysis has been undertaken as part of the key performance indicators analysing the take-up of online services as opposed to the telephone and face-to-face. No impact on service delivery.

Aligns with Customer and Digital Strategy

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies **Positive impact**		Tick which applies **Potential negative impact**		**Reason** Briefly explain what positive or negative impact has been identified
	Yes	**No**	**Yes**	**No**	
Age		N	Y		Existing policies and procedures will be applied to ensure fairness.
Disability		N	Y		Following selection process a disabled member of staff may be vulnerable to redundancy. Existing policies and procedures will be applied to ensure fairness.
Gender Reassignment		N		N	
Marriage and Civil Partnership		N		N	
Pregnancy and Maternity		N		N	
Race		N	Y		Following selection process a member of staff from BAME may be vulnerable to redundancy. Existing policies and procedures will be applied to ensure fairness.
Religion/ belief		N	Y		Following selection process a member of staff from a particular religious background may be vulnerable to redundancy. Existing policies and procedures will be applied to ensure fairness.

Sex (Gender)		N			Higher number of females employed within the Division. Following selection process a member of staff from a particular gender may be vulnerable to redundancy. Existing policies and procedures will be applied to ensure fairness.
Sexual orientation		N	Y		Existing policies and procedures will be applied to ensure fairness.
Socio-economic status		N		N	

7. If you have identified a negative impact, how do you plan to mitigate it?

Any deletion of posts, where not achieved through existing vacancies or natural wastage, will be achieved through the use of the managing change process and in full consultation with Human Resources and StaffSide.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

1	**Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. No changes are required.
	Outcome 2 – The EA has identified adjustments to remove negative impact or to better promote equality. Actions you propose to take to do this should be included in the Action Plan.
	Outcome 3 – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully. If you propose to continue with proposals you must include the justification for this in Section 10 below, and include actions you propose to take to remove negative impact or to better promote equality in the Action Plan. You must ensure that your proposed action is in line with the PSED to have 'due regard' and you are advised to seek Legal Advice.
	Outcome 4 – The EA shows actual or potential unlawful discrimination. Stop and rethink your proposals.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome add Assessment
Please include here a summary of the key findings of your assessment. • What are the key impacts – both negative and positive – you have identified? • Are there any particular groups affected more than others? • What course of action are you advising as a result of this assessment? • If your EA is assessed as Outcome 3 and you suggest to proceeding with your proposals although a negative impact has been identified that may not be possible to fully mitigate, explain your justification with full reasoning.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	Sean Cunniffe, Head of Customer Contact	**Signature:** S P Cunniffe	**Date: 13.01.2021**
Improvement action plan signed off by Director/ Head of Service	Add name/ job title	**Signature:**	**Date:**

Equality Analysis

APPENDIX 4

What are the proposals being assessed?	CSF 03 – CSF underspend
Which Department/ Division has the responsibility for this?	Children Schools & Families.

Stage 1: Overview	
Name and job title of lead officer	Hannah Doody, Acting Director of CSF
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	The CSF general fund budget has been underspent consistently throughout 2020/21. Allowing for one off impacts, it is assessed that there is scope spread across a number of budget headings to offer up part of this as a saving.
2. How does this contribute to the council's corporate priorities?	
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	The saving will be achieved by removing budget from across a number of headings at the start of 2021/22 in line with the yearend positon. The savings will therefore not impact on any current service provision. However, there are pressures across the services and news demands emerging. The saving will therefore reduce the service's ability to meet these pressures and demands.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	No

Stage 2: Collecting evidence/ data

5. **What evidence have you considered as part of this assessment?**
   Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The saving is based on monitoring of budgets across the year and a detailed review of the likely year-end positon

Stage 3: Assessing impact and analysis

6. **From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?**

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		**Reason** Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		X		X	
Disability		X		X	
Gender Reassignment		X		X	
Marriage and Civil Partnership		X		X	
Pregnancy and Maternity		X		X	
Race		X		X	
Religion/ belief		X		X	
Sex (Gender)		X		X	
Sexual orientation		X		X	
Socio-economic status		x		X	

7. If you have identified a negative impact, how do you plan to mitigate it?

n/a

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

x	**Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed.
	Outcome 2 – The EA has identified adjustments to remove negative impact or to better promote equality.
	Outcome 3 – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully.
	Outcome 4 – The EA shows actual or potential unlawful discrimination.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome 1 Assessment
The saving is based on budget unused in 2020/21 and will not change any current service provision. It may reduce flexibility to respond to demands in the future.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	Richard Ellis, Head of Strategy & Partnerships	**Signature: RE**	**Date: 13/1/21**
Improvement action plan signed off by Director/ Head of Service	Hannah Doody, acting Director of CSF	**Signature: HD**	**Date: 13/1/21**

Equality Analysis

APPENDIX 4

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Minor Budget spends
Which Department/ Division has the responsibility for this?	E&R , Sustainable Communities (ENV2021-05)

Stage 1: Overview	
Name and job title of lead officer	Neil Milligan , Building and Development Control Manager
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Reduction is various minor budget spends
2. How does this contribute to the council's corporate priorities?	Financial savings imperative
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	N/A
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	N/A.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Budget code entries

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		x		x	
Disability		x		x	
Gender Reassignment		x		x	
Marriage and Civil Partnership		x		x	
Pregnancy and Maternity		x		x	
Race		x		x	
Religion/ belief		x		x	
Sex (Gender)		x		x	
Sexual orientation		x		x	
Socio-economic status		x		x	

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
N/A						

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
X			

Stage 5: Sign off by Director/ Head of Service			
Assessment completed by	Neil Milligan	**Signature:**	**Date:29-10-20**
Improvement action plan signed off by Director/ Head of Service	James McGinley	**Signature:**	**Date:29-10-20**

Equality Analysis

APPENDIX 4

Please refer to the guidance for carrying out Equality Analysis (available on the intranet). Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Restructure of the Safer Merton Team to meet the proposed Savings proposal for 2021/2022 (ENV2021-06)
Which Department/ Division has the responsibility for this?	Directorate : Environment and Regeneration Section: Public Protection Service: Safer Merton

Stage 1: Overview	
Name and job title of lead officer	Kiran Vagarwal
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	The aim of the restructure is to achieve the proposed saving by reducing the number of posts within the Safer Merton Team.
2. How does this contribute to the council's corporate priorities?	Achieving the MTFS savings and considering efficiencies within the service
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	Work force
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	No

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Safer Merton and the CCTV Service have a total of 15 staff including the Head of Community Safety. This will be reduced to 13 staff, a reduction of one post in the CCTV service (from 8 posts to 7 posts) and one post in the Safer Merton Team (from 7 posts to 6 posts).

The protected characteristics that maybe affected are age, disability, sex (Gender). The council's restructure process will be followed which includes a process of consultation with the workforce.

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age			x		Staff affected maybe of an older age group.
Disability			x		Staff affected may have a registered disability.
Gender Reassignment				x	
Marriage and Civil Partnership				x	
Pregnancy and Maternity				x	
Race				x	
Religion/ belief				x	
Sex (Gender)			x		Staff affected maybe either female or male.
Sexual orientation				x	
Socio-economic status					

7. If you have identified a negative impact, how do you plan to mitigate it?

The negative impact will be that 2 members of staff will be subject to redundancy where individual are presenting as having the protected characteristics of either age, sex (gender) or disability. The managing workforce change procedure and policy will be used to mitigate any negative equalities impact that arises.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

☐ **Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. No changes are required.

☐ **Outcome 2** – The EA has identified adjustments to remove negative impact or to better promote equality. Actions you propose to take to do this should be included in the Action Plan.

x **Outcome 3** – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully. If you propose to continue with proposals you must include the justification for this in Section 10 below, and include actions you propose to take to remove negative impact or to better promote equality in the Action Plan. You must ensure that your proposed action is in line with the PSED to have 'due regard' and you are advised to seek Legal Advice.

☐ **Outcome 4** – The EA shows actual or potential unlawful discrimination. Stop and rethink your proposals.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
Staff affected by the restructure can present with the following protected characteristics: age, sex (gender) and/or a disability	We will use the managing workforce change policy to mitigate the negative impact.	Through following the workforce change policy and addressing any negative impact on age, sex or disability.	Within the timescales set for the restructure.	Existing resources	Kiran Vagarwal	Not yet as this has not been agreed.

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome 3 Assessment
The restructure of the Safer Merton Service will impact on the workforce as there will potentially be a reduction on one post. The council's restructure process will be followed, this includes the consultation with the staff. Should anything be raised during the consultation stage in relation to equalities, reasonable adjustments will be made to address the issues raised.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	**Kiran Vagarwal**	**Signature:** Kiran	**Date: 19.10.2020**
Improvement action plan signed off by Director/ Head of Service	Add name/ job title	**Signature:**	**Date:**

APPENDIX 4

Equality Analysis

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Increasing rent of those residential properties that are let under secure tenancies.(ENV2021-07)
Which Department/ Division has the responsibility for this?	Environment and Regeneration/Sustainable Communities

Stage 1: Overview	
Name and job title of lead officer	Howard Joy, Property Management and Review Manager
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	The council owns the freehold of a number of residential properties within the control of Environment and Regeneration Department that are let at very historic and low rents. This proposal suggests increasing these rents to the level the law allows.
2. How does this contribute to the council's corporate priorities?	By increasing supply of revenue income.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	The proposal benefits the council by the provision of income but increases the costs to the tenants most of whom are former employees of the council.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	Finance department will be responsible for collecting the new rent. SLLP will be responsible for completing documentation. The overall responsibility lies with the Property Management and Review Team.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

We are only aware that most of the tenants affected are of or beyond retirement age. It is therefore expected that to increase the rent, even if implemented gradually, will cause a deterioration in their financial position.

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age			X		Most of the tenants are elderly and to increase the rent will reduce their available income
Disability					None identified
Gender Reassignment					None identified
Marriage and Civil Partnership					None identified
Pregnancy and Maternity					None identified
Race					None identified
Religion/ belief					None identified
Sex (Gender)					None identified
Sexual orientation					None identified
Socio-economic status			X		Most of the tenants retired and the increase rent levels may be difficult to fund, due to some older people being on low incomes.

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
Age	**Consider increasing rent gradually**	**Agreed rent increases**	**As required by saving target**	**Existing**	**Property Management and Review Manager**	**Not until saving agreed**

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
		X	

Stage 5: Sign off by Director/ Head of Service			
Assessment completed by	Add name/ job title	**Signature:**	**Date:**

Stage 5: Sign off by Director/ Head of Service			
Improvement action plan signed off by Director/ Head of Service	Add name/ job title	**Signature:**	**Date:**

Equality Analysis CEO Enforcement

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	An increase on Civil Enforcement Officer (CEO) activity on street to achieve greater compliance of parking regulations. (ENV2021-08) The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives. CEOs are used to patrol all on street parking restrictions in the borough, and given the number of restrictions and times of many restrictions, increased capacity will allow for improved enforcement coverage. In addition and application to change Merton's PCN charge band from band B to band A has been made and awaiting decision, which is another tool to help change driver behavior and prevent inconsiderate. Application to London Councils Transport, and Environment Committee has been approved and awaiting Mayoral approval before the application is ratified by the Secretary of State has final sign off. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces.
Which Department/ Division has the responsibility for this?	Parking Services, Environment and Regeneration

Stage 1: Overview

Name and job title of lead officer	Ben Stephens, Head of Parking
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	In setting out its measures of success, the proposed increase in activity aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. Local authorities are not permitted to use PCN parking charges solely to raise income. When setting charges, we must instead focus on how the charges will contribute to delivering the Council's traffic management and other policy objectives. This proposal supports the rationale of seeking to adjust driver behaviour and to ensure that we can provide a modern, efficient and environmentally sustainable transport policy for residents, visitors and businesses, now and in the future.
2. How does this contribute to the council's corporate priorities?	Parking and Traffic Management This proposal is part of the important role Parking and transport policy has in managing the roads and wider travel needs of the public. Merton's policy links closely with the local Implementation Plan and the Mayors Transport Strategy, which sets out objectives in detail. It contributes in the following ways: 1. Reduce congestion 2. Improve road safety 3. Improve air quality and meet EU quality standards 4. To meet the actions set out in the Merton Health and Wellbeing Strategy 2019 5. Adopt a healthy street approach 6. Promote healthier life styles and encourage more active travel 7. To ensure good parking management 8. To support the local economy 9. Providing funding for parking and wider transport scheme improvements
3. Who will be affected by this proposal? For example who are the external/internal	The proposal will affect all residents, businesses, workers and visitors to the borough, across all socio-economic groups.

customers, communities, partners, stakeholders, the workforce etc.	
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	Yes. Responsibility is shared with the following departments, organisations and partners. Future Merton, Highways and Transportation, Planning, Mayor of London, TfL, transport operators, Parking Services.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Over a number of years the number of Parking contraventions has remained high. We are keen to have a greater presence on street to deter motorist from taking chances and parking illegally.

The following themes are considered in relation to certain equality groups;

i. Disability – through increased enforcement - access to and enforcement of Blue Badge bays will be improved
ii. Pregnancy and Materinty – through increased enforcement - access to parking close to final destination will be improved
iii. Socio-economic – increased PCN costs and lack of payment instalment options will impact most on those in this equality group

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. **Potential Negative Impact** None identified

Disability	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. The increased charges will act as a deterrant to those parking illegally in Blue Badge bays, and other locations, increasing the amount of available parking spaces for disabled motorists. **Potential Negative Impact** None identified
Gender Reassignment	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. **Potential Negative Impact** None identified
Marriage and Civil Partnership	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces.

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					Potential Negative Impact None identified
Pregnancy and Maternity	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. Comments were made relating to pregnant mothers, and mothers of young children being unfairly issued with PCNs when they are required to park illegally to access their house, however as stated above, an increase in PCN charges aims to deliver better compliance and driver behaviours and lead to improved availability of spaces. **Potential Negative Impact** None identified
Race	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. **Potential Negative Impact** None identified
Religion/ belief	X			X	**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton.

					In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. Concerns were raised about a perceived lack of enforcement in the areas around religious centres on worship days, as above, the proposed increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will lead to improved availability of spaces. **<u>Potential Negative Impact</u>** None identified
Sex (Gender)	X			X	**<u>Positive Impact</u>** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. **<u>Potential Negative Impact</u>** None identified
Sexual orientation	X			X	**<u>Positive Impact</u>** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. .

					Potential Negative Impact None identified
Socio-economic status	X		X		**Positive Impact** The proposals support the principle of effective traffic management for the whole population of and visitors to Merton. In setting out its measures of success, the proposed bandings and increase in PCN charges aims to deliver better compliance and driver behaviours in respect of parking regulations, which will reduce congestion, and lead to improved traffic flows and availability of spaces. **Potential Negative Impact** None identified, however a consequence of existing enforcement is the possible issuing of a Penalty Charge notice, which individuals on a lower income may have more difficulty in making payment

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** E.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**

Socio-economic status	Existing regulations and guidance	It should be noted that it is only the minority of motorists that receive PCNs for illegal parking, and it should further be noted that the majority of PCNs issued are ‘avoidable’ PCNs. All motorists driving on the roads in England, Scotland and Wales are required to read the Highway Code, which is a set of driving and parking rules for motorists to follow. Many of these rules are legal requirements, and the Highway Code warns aspiring motorists that a failure to follow these rules can result in penalties, fines, endorsements on their licence, and in the most severe cases, criminal prosecution and imprisonment. All UK licence holders are legally required to study the Highway Code as part of their driver training, and they are also required to take and pass a theory exam on the Highway Code, before they are allowed to take their practical driving tests. PCNs are only issued where a motorist has parked illegally. If all motorists were to follow the drivng and parking rules contained within the Highway Code, there would be no need for enforcement. All representations are considered on their own merit and mitigation may be taken into account in some circumstances. The enforcement of PCNs is a statutory process, and there is no provision within the legislation for a PCN to be paid in any time frame other than the legal time frames set out in the appropriate legislation. The policy of not allowing payments by instalments was last reviewed in 2013 and full details can be found on the councils website; https://www.merton.gov.uk/streets-parking-transport/parking/pcn/instalments				

		However the council does have within is authority to gift to allow for some discretion to be used during the appeal and debt collection proves for those who find it difficult to pay. It is considered that the effects of the increase in PCN Banding charges would be of benefit to all equality groups as it will mean greater availability and turn over of parking spaces, and any negative impact on socio-economic equality groups can be justified on the basis that PCNs are only issued for illegal parking, and the motorist has a statutory right to appeal should they believe the PCN was issued incorrectly.				

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore, it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
X			

Stage 5: Sign off by Director/ Head of Service			
Assessment completed by	Ben Stephens – Head of Parking Services	**Signature:** Ben Stephens	**Date: 5th November 2020**

Stage 5: Sign off by Director/ Head of Service			
Improvement action plan signed off by Director/ Head of Service	Chris Lee – Director of Environment and Regeneration	**Signature:**	**Date: 28th January 2020**

APPENDIX 4

Equality Analysis

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Increased deployment of Environmental Enforcement officers (ENV2021-09)
Which Department/ Division has the responsibility for this?	Public Space – waste Services

Stage 1: Overview	
Name and job title of lead officer	Charles Baker Commissioning Manager Public Space
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	To reinforce our zero tolerance to environmental crime
2. How does this contribute to the council's corporate priorities?	Increasing revenue, reducing the level of street litter, improving the image of the public realm
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	Internal – Legal services will continue to support the service and escalate cases on non payment through our Single justice system. External – those who commit environmental crimes
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	None - The service will continue to be managed as part of the current Public Space division. The monitoring of the Environmental enforcement service provider will be undertaken by the Client function within Waste Services

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Litter continues to be one of the key areas of concern for our residents

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		x		x	
Disability		x		x	
Gender Reassignment		x		x	
Marriage and Civil Partnership		x		x	
Pregnancy and Maternity		x		x	
Race		x		x	
Religion/ belief		x		x	
Sex (Gender)		x		x	
Sexual orientation		x		x	
Socio-economic status		x	x		Dependent on the individual financial ability and economic status they may find it difficult to pay

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
Social Economic Status	All cases of non-payment will be assed on an individual bases and escalated through the single justice system for processing. For transparency the court has the ability to amend the level of the fine due to the alleged offenders' personal circumstances.	Payment rate continues to be achieved and in line with the service performance indicators.		None	C Baker	This work stream will form part of a revised specification for the new Environmental Enforcement contract and included as part of the key work schedule for the departments service plan

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
	X		

Stage 5: Sign off by Director/ Head of Service			
Assessment completed by	Charles Baker	**Signature:**	**Date:2020 10 21**
Improvement action plan signed off by Director/ Head of Service	Add name/ job title	**Signature:**	**Date:**

APPENDIX 4

Equality Analysis

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet Text in blue is intended to provide guidance – you can delete this from your final version.

What are the proposals being assessed?	Assure M3 upgrade ENV2021-10
Which Department/ Division has the responsibility for this?	E&R , SC

Stage 1: Overview	
Name and job title of lead officer	Neil Milligan
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Savings as a result of the 'Assure' M3 upgrade. Reduce BC/DC admin by 1 FTE
2. How does this contribute to the council's corporate priorities?	Contributes to the financial savings imperative.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	Residents, businesses, Councillors and MP's. It is envisaged that the new system will provide more efficient working practices so any impact will be minimal once installed.
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	The M3 system is based in B@DC and the information is shared with Future Merton and Land Charges and details are uploaded onto the Councils' website. It is envisaged the information on the system will be more easily accessible following the upgrade.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

There have been a number of presentations by the system provider explaining how the efficiency of the system will be improved, including examples from other authorities.

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		x		x	No impacts identified.
Disability		x		x	As above
Gender Reassignment		x		x	As above
Marriage and Civil Partnership		x		x	As above
Pregnancy and Maternity		x		x	As above
Race		x		x	As above
Religion/ belief		x		x	As above
Sex (Gender)		x		x	As above
Sexual orientation		x		x	As above
Socio-economic status		x		x	As above

7. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
None					Neil Milligan	no

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

OUTCOME 1	OUTCOME 2	OUTCOME 3	OUTCOME 4
X			

Stage 5: Sign off by Director/ Head of Service			
Assessment completed by	Neil Milligan	**Signature:**	**Date:13-1-20**
Improvement action plan signed off by Director/ Head of Service	James McGinlay	**Signature:**	**Date: 13-1-20**

Equality Analysis

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APPENDIX 4

What are the proposals being assessed?	CH103 Housing Related Support – Decommissioning Floating Support Services
Which Department/ Division has the responsibility for this?	Community and Housing

Stage 1: Overview	
Name and job title of lead officer	Steve Langley – Head of Service, Housing
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Housing Related Support (HRS) is a non-statutory support service for vulnerable Adults and young people. HRS superseded the previous Supporting People (SP) funding regime, introduced in 2003. There are 16 HRS funded organisations schemes operating within Merton, providing services through around 32 contracts. These services are a range of accommodation based and floating support type services. The 2018/19 HRS budget is £1.86m. The HRS programme funds support services for vulnerable adults and young people to enable them to sustain their accommodation and maximise independence. Services also include assistance in finding and settling into a new home following a crisis such as homelessness or a period in hospital or residential care. The bulk of the contracts support people who are in accommodation linked to the provision of housing support. There is one contract that provides support not linked to particular properties, the floating support contract. To avoid putting accommodation at risk, the proposal is to give notice on the floating support contract and focus on the accommodation related contracts. **NB this is a draft EIA and will be updated as the proposal moves forward**
2. How does this contribute to the council's corporate priorities?	The HRS project proposals will support the Councils' performance of its statutory duties under the Homelessness Reduction Act 2017 (HRA 2017) and Care Act 2014 by maximising the resources to prevent homelessness and demand on statutory services, by enabling vulnerable people to sustain their accommodation. The proposals also contribute to the corporate priority of reviewing its processes to improve them and provide value for money.
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	The Housing Related Support (HRS) programme funds support services for vulnerable adults and young people to enable them to remain living independently in their own homes. Services also include assistance in finding and settling into a new home following a crisis such as homelessness or a period in hospital or residential care. Stakeholders in include current and potential future service providers.

	All users of the floating support service users are 20yo or over, and 16% are over 60. 20% have been in the service for over ten years.
4. Is the responsibility shared with another department, authority or organisation?	Stakeholders may include other services including Adult Social Care, Children Schools and Families Directorate, Care Looked After Team and external voluntary organisations who may refer potential service users to the service.

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The review of the HRS contract conducted in 2018.The experience of operating in and the changed priorities arising from the COVID 19 pandemic

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age		X		X	The contracts mostly support working aged single homeless people although 16% are over 60. Further work is underway to ascertain more information on other protected characteristics. People from a BAME communities and with a disability tend to be over represented in these types of service and the status of this particular service is being verified.
Disability		X	x		
Gender Reassignment		X		X	
Marriage and Civil Partnership		X	X		
Pregnancy and Maternity		X		X	
Race		X	x		
Religion/ belief		X		X	
Sex (Gender)		X		X	
Sexual orientation		X		X	
Socio-economic status		X	x		

APPENDIX 4

If you have identified a negative impact, how do you plan to mitigate it?

The proposed termination of the floating support contract may reduce the flexibility of the service. Tenancy based support would still be available and makes up the majority of the support offered. Alternative support would be available from other services such as rough sleeper and homelessness reduction services and the voluntary sector. Those service users with social landlords would continue to be supported by them as part of their housing management function.

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)
Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

	Outcome 1 – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed.
x	**Outcome 2** – The EA has identified adjustments to remove negative impact or to better promote equality.
	Outcome 3 – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully.
	Outcome 4 – The EA shows actual or potential unlawful discrimination.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**
Service users can be upset and anxious when changes to their daily arrangements are suggested.	Consultation to be carried out on specific proposals in plenty of time and by staff or agencies who are familiar to the people concerned.	By implementing any changes successfully with no changes to the individual's activities.	By 31 March 2021	External consultant/ group	Steve Langley	Yes
There would be fewer options for those not in supported tenancies.	Alternative support would be made available for example from rough sleeper projects and the voluntary sector.	Individual casework	Ongoing	internal	Steve Langley	yes

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome 2 Assessment

The service is not a statutory service. The proposal is to terminate the contract for floating support which is support not linked to people's tenancies. This will reduce the options for support for those not in supported tenancies. However, there are alternative sources of support such as rough sleeper and homelessness reduction services and the voluntary sector.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	Phil Howell, AD Strategy & Improvement	**Signature: PH**	**Date: 10/01/2021**
Improvement action plan signed off by Director/ Head of Service	Steve Langley, Head of Housing Need	**Signature: SL**	**Date:10/01/2021**

CAPITAL STRATEGY 2021-25

1 Introduction

1.1 As part of the Prudential Code for Capital Finance in Local Authorities 2017 local authorities are required to produce a capital strategy.

1.2 Merton's Capital Strategy for 2021-25 has been aligned and integrated with the Business Plan for the period 2021-25. The Business Plan sets out how the Authority's corporate ambitions have been shaped by Merton Partnership in the Merton Community Plan. The Community Plan 2020-26 "Lets Get Together" endorsed by the council on 18 November 2020 sets out the long term community ambition for the borough to increase social capital and improve resilience and wellbeing, particularly for those parts of Merton with the lowest socio-economic outcomes (this has in the past previously been referred to as 'bridging the gap' between the eastern and western wards in the borough).

1.3 The Community Plan has eight thematic priorities which were agreed by the relevant Thematic Networks of the Merton Partnership (Safer Merton, Health and Wellbeing, Children's Trust and Sustainable Communities and Transport). These priorities are based on strong evidence and engagement. The development of the Plan was also supported by a bespoke piece of social research conducted by M.E.L Research to ensure the voice of 'seldom listened to' groups were incorporated:

Thematic Network	**Thematic Priorities**
Children's Trusts	Getting involved and having a say – promoting the voice of children and young people
	Making Merton a place where children and young people feel they belong and thrive
Safer and Stronger Communities	Reducing serious violence
	Enforcing action against anti-social behaviour
Health and Wellbeing Board	Tackling diabetes and creating a healthy place
	Creating healthy workplaces across Merton
Sustainable Communities and Transport Partnership	Reducing carbon emissions to tackle climate change
	Protecting and enhancing the local environment

1.4 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 2021-25 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.

1.5 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 corporate ambitions are to:
- Support our most vulnerable residents of all ages;
- Bridge the gap and reduce inequalities;
- Create a great place to grow up and live in;
- Maintain a clean and safe environment;
- Build resilient communities;
- Continuously improve.

2 Planning Infrastructure

2.1 Business Plan 2021-2025

2.1.1 The Business Plan is specific to Merton Council and 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.

2.1.2 The Medium Term Financial Strategy (MTFS) is a 4 year plan which sets out our commitment to provide services that meet the needs of people locally, and represents good value for money. It links our council vision and priorities with forecasted resources and budgets. This shows how our finances will be structured and managed to ensure they support our priorities, and those of our partners. It incorporates the medium term impact on rate payers of activity within both the Capital Strategy and the Treasury Management Strategy.

2.1.3 The capital strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability.

2.1.4 Treasury Management Strategy summarises the management of the council’s cash flows, its banking, money market and capital market transactions and the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2.1.5 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.

2.2 Service Plans

2.2.1 In developing the Capital Strategy, clear linkages have also been identified with not only the Business Plan but 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 Capacity, Skills and Culture

2.4.1 Team planning and staff appraisals highlight staff developmental requirements and monitor their progression. Qualified financial staff meet the continual professional development requirements of their relevant CCAB organisation.

2.4.2 Member induction and development is led corporately by the Authority's Human Resources division, this is supplemented, where appropriate, with additional financial briefings.

2.5 Capital Strategy

2.5.1 This Capital Strategy is a fundamental component of our approach since it reflects our strategic priorities across the council and endeavors 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.

2.5.2 Attached as Annex 6 is the Capital Investment Strategy for the investments/loans the Authority will hold/holds to generate financial returns and aid delivery of strategic objectives.

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.

3.5 IFRS 9 requires that investment in risk capital will need to be valued annually at fair value with any loss or gain being written through the profit and loss account in the year it occurs.

3.6 IFRS 16 will require all but short-term de-minimis leasing rental/leasing arrangements appear on the Authority's balance sheet from the financial year 2022/23.

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 Board comprises the Directors of Corporate and Environment and Regeneration Services with selected key 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/Strategy (AMP/S) 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 within 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 for approval

- 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 kept under review.

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. November monitoring provides the final opportunity for budget managers to re-profile budgets into future financial years and January monitoring provides the final opportunity for budget managers to vire their budgets within 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 and onto Cabinet and Standards and General Purposes Committee anually. 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. Since 2015/16 it has been 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 2024/25, from 2023/24 onwards (£27.8 million in 23/4, £45.7 million 24/25 and £12.7 million 25/26) borrowing will be required. Over the period 2020-25 the Authority is scheduled to repay £30.5 million (27%) of long term debt. 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:

MTFS March 2020	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
MRP	4,875	5,635	6,950	7,704	9,255
Interest on Borrowing	6,315	6,315	6,110	6,082	6,767
Total Borrowing Costs	**11,190**	**11,950**	**13,060**	**13,786**	**16,022**
Interest on Investments	(285)	(137)	(6)	0	0
Interest on HC Loan	0	0	0	0	(983)
CCLA Investment Two Loans @ £10m	(322)	(322)	(322)	(322)	(322)
Total Borrowing Costs Net of Investment interest	**10,583**	**11,491**	**12,733**	**13,464**	**14,718**

Proposed Programme Business Plan 2021-25	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
MRP	4,855	4,841	5,884	6,547	7,252
Interest on Borrowing	6,316	6,316	6,111	5,981	6,211
Total Borrowing Costs	**11,171**	**11,157**	**11,995**	**12,528**	**13,463**
Interest on Investments	(430)	(63)	(22)	(3)	0
Interest on HC Loan	0	0	0	0	0
CCLA Investment Two Loans @ £10m	(323)	(323)	(323)	(323)	(323)
Total Borrowing Costs Net of Investment interest	**10,418**	**10,771**	**11,650**	**12,203**	**13,140**

Movement in Projected Costs	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
MRP	(19)	(794)	(1,067)	(1,156)	(2,003)
Interest on Borrowing	1	1	1	(101)	(556)
Total Borrowing Costs	**(18)**	**(793)**	**(1,066)**	**(1,257)**	**(2,559)**
Interest on Investments	(145)	74	(16)	(3)	0
Interest on HC Loan	0	0	0	0	983
CCLA Investment Two Loans @ £10m	(1)	(1)	(1)	(1)	(1)
Total Borrowing Costs Net of Investment interest	**(165)**	**(720)**	**(1,083)**	**(1,261)**	**(1,577)**

6 Capital resources 2021-25

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 and repayment of principal
- 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.

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 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.

7.1.2 In December 2017, the Secretary of State announced the continuation of the capital receipts flexibility programme for a further three years, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. By virtue of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that the local authorities listed in Annex A (“the Authorities”) treat as capital expenditure, expenditure which:

i. is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners; and
ii. is properly incurred by the Authorities for the financial years that begin on 1 April 2016 up to and including 1 April 2021.

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 is used at the design stage for significant projects where appropriate, incorporating future periodic capital replacement costs, projected maintenance and decommissioning costs.

7.2.4 The Asset Management Plan/Strategy 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.

7.2.5 The Authority is currently tendering for an IT system for asset accounting and the possibility of this system being used for more widespread asset management has been incorporated into the process.

8 Summary of estimated disposals 2021-2025

8.1 Projected Capital Receipts

8.1.1 Due to the impact of Covid 19 and Brexit 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 (ends in the financial year 2024/25), 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 have been utilised to fund the capital programme:-

Anticipated Capital Receipts	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£000s	**£000s**	**£000s**	**£000s**
Sale of Assets	0	0	0	0
Right to buy/VAT Shelter	900	900	900	900
Total	**900**	**900**	**900**	**900**

8.1.2 As there is currently not a need to enter into external borrowing until 2023/24, investment balances will rise with the addition of capital receipts until utilised to fund the capital programme. Average expected interest rates on investments across the years of the capital programme are approximately 1.1%, as such an increase in receipts of £1m would be expected to generate a £11,000 increase in interest in a full year.

8.1.3 The table below shows the funding of the capital programme utilising capital receipts, capital grants and contributions, capital reserves and revenue provisions. Balances held by the authority will generate interest until utilized to fund the capital programme.

Capital Expenditure	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000's**	**2024/25 Estimate £000's**
Capital Expenditure	**23,019**	**38,785**	**18,419**	**14,638**	**21,238**
Slippage and Underspends	(4,670)	(3,520)	1,134	(313)	506
Total Capital Expenditure *	18,349	35,266	19,553	14,325	21,744
Financed by:					
Capital Receipts *	2,959	900	900	900	900
Capital Grants & Contributions	13,715	20,400	10,235	4,405	3,612
Revenue Provisions	1,675	3,057	29	57	55
Net financing need for the year	**0**	**10,909**	**8,389**	**8,962**	**17,176**

* Includes finance leases will be amended to include them

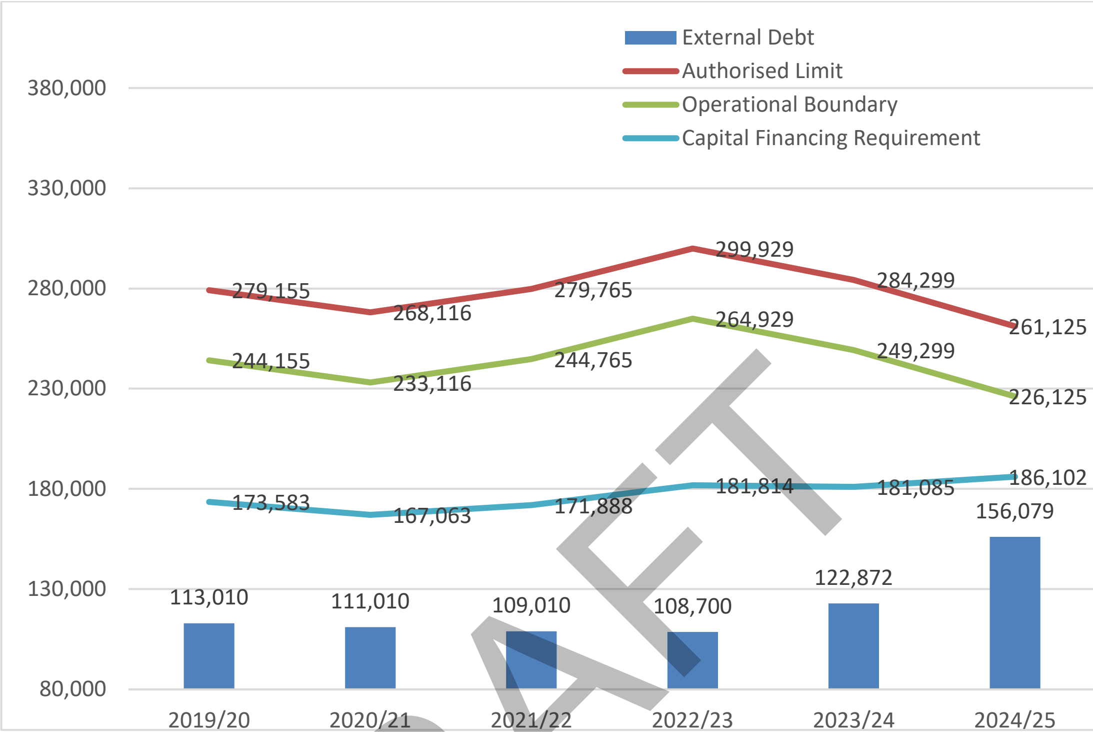
8.1.4 Under the requirements of the Localism Act 2011 parish councils and local voluntary and community organisations have the right to nominate local land or buildings they would like to see included in a list of assets of community value which is maintained by the Local Authority. Once listed the owner 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 *5.58%*. For the period 2021-25, 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.

8.2.2 The chart below shows the debt related treasury activity limits discussed in detail in 4.4 of the Treasury Management Strategy and incorporates the proposed capital programme and funding strategy contained in this document.

Treasury Management Limits on Activity



8.2.3 The Table below shows the maturity structure of current external debt

	Actual November 2020	Value £'000
less than 1 year	3.54%	4,000
1 to 2 years	0%	-
2 years to 5 years	23.45%	26,510
5 years to 10 years	3.98%	4,500
10 years to 20 years	11.06%	12,500
20 years to 30 years	11.95%	13,500
30 years to 40 years	28.32%	32,000
40 years to 50 years	17.70%	20,000
Total	**100.00%**	**113,010**

8.2.4 Section 3 of the Treasury Management Strategy details the Authority’s minimum revenue provision policy statement setting out how it intends to fund unsupported capital expenditure over the expected life of assets

8.2.5 Internal borrowing to fund unsupported capital expenditure will reduce the balances available to invest under the treasury management strategy. In contrast, external borrowing will provide additional balance to invest under the Treasury Management Strategy until utilised.

9 Grant and Contributions Funding Capital Resources

9.1 Grant Funding

The Table below summarises the allocated grants being utilised to fund the budgeted proposed capital programme over the planning period:

Grants	**2020/21 £000s**	**2021/22 £000s**	**2022/23 £000s**	**2023/24 £000s**	***2024/25* £000s**
Heritage Lottery Fund	3,739	0	0	0	0
Transport for London LIP (**earmarked) Capital ***	960	1,300	1,300	1,300	1,300
Total: E&R	**4,699**	**4,463**	**1,300**	**1,300**	**1,300**
School Condition (non-ringfenced)*	2,805	1,900	1,900	1,900	1,900
Special Provision Grant	491	0	0	0	0
Total CSF	**3,297**	**1,900**	**1,900**	**1,900**	**1,900**
Devolved Formula Capital (Earmarked)	350	TBA	TBA	TBA	TBA
TOTAL: CSF*	**3,646**	**1,900**	**1,900**	**1,900**	**1,900**
Disabled Facilities Grant Allocation	1,452	TBA	TBA	TBA	TBA
Total Grant Funding *	**9,798**	**6,363**	**3,200**	**3,200**	**3,200**

* School Condition and TfL Estimated from 2021-22

9.2 Summary of Contributions

9.2.1 The Table below summarises the budgeted contributions being utilised to fund the proposed capital programme over the planning period:

Budgeted Capital Contributions	**2020/21 £000s**	**2021/22 £000s**	**2022/23 £000s**	**2023/24 £000s**	**2024/25 £000s**
Strategic Community Infrastructure Levy	5,746	12,049	940	100	0
Neighbourhood Community Infrastructure Levy	698	782	0	0	0
Section 106 Agreements	520	18	1,483	145	0
Total Used to Fund the Programme	**6,964**	**12,848**	**2,423**	**245**	**0**

9.2.2 In accordance with the Community Infrastructure Levy (CIL) Regulations the Authority is required to provide an Annual Infrastructure Funding Statement which provides analysis of income and expenditure in relation to CIL and Section 106

10 Summary of Total Resources 2021-25:

10.1 Summary

10.1.1 The total anticipated resourcing of the capital programme after allowing for slippage is summarised in the following table:-

	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Grant & Contributions *	20,401	10,235	4,404	3,612
Council Funding	14,865	9,317	9,921	18,132
Total	**35,266**	**19,553**	**14,325**	**21,744**

* This table shows the grants and contributions applied to fund the programme after 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.

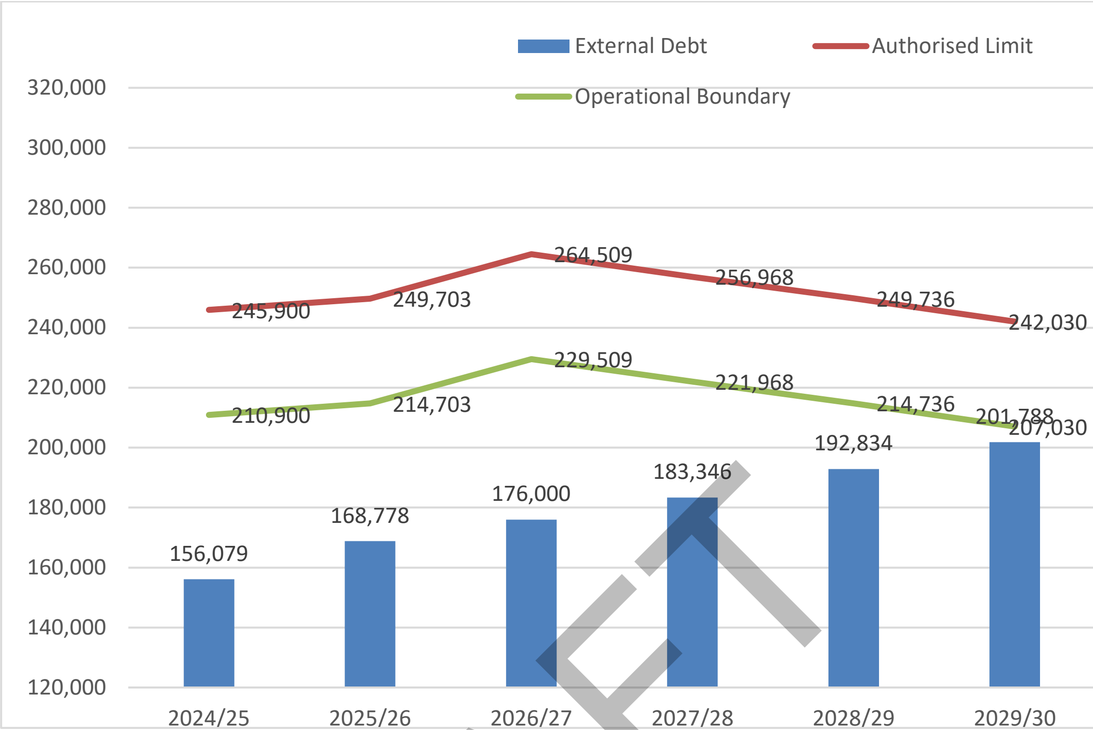
10.1.3 The Table below summarises the Indicative Capital Programme for 2025 to 2030. Additional detail is provided as Annex 5:

Department	Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29
Corporate Services	4,186	9,089	3,280	8,580
Community and Housing*	630	280	420	280
Children, Schools and Families	1,900	1,900	1,900	1,900
Environment and Regeneration*	7,962	3,999	3,964	3,964
Total	**14,678**	**15,268**	**9,564**	**14,724**

* Please note these figures do not include any allowance of grant funding or expenditure 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 £219k for assets with a life of 5 years to £39k for an asset life of 50 years.

10.1.5 The Table below shows the impact of the indicative programme 2025-30 on the Authority's debt:



11 Capital Bids and Prioritisation Criteria

11.1 Prioritisation of schemes 2023/24

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, there were no revisions put forward over the period 2021-25, other than those funded by CIC with only re-profiling and £1.3m indicative TfL funded budget was added.

Department	**Proposed Budget 2021-22**	**Proposed Budget 2022-23**	**Proposed Budget 2023-24**	**Proposed Budget 2024-25**
Corporate Services*	0	0	(10,129)	10,129
Community and Housing	0	0	0	0
Children, Schools and Families	0	0	0	0
Environment and Regeneration	0	0	0	1,300
Total	**0**	**0**	**(10,129)**	**11,429**

* Assumes Housing Company has been removed from approved budget – to be actioned as part of December 2020 Monitoring

12 Detailed Capital Programme 2021-25

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. The programme is detailed in Annex 3. Its main capital expenditure is on IT software and hardware, and on improvements to buildings (including invest to save schemes). Annual capital allocations are available to meet ongoing capital commitments within property, IT and invest to save. In addition, provision is made for one off projects, business systems and corporate level schemes and contingencies.

12.1.2 The Authority is currently progressing ways to optimise the move towards remote working and the benefits this can bring in terms of property holding and information technology. These plans need to dovetail with the need to maintain staff wellbeing and their training and development.

12.2 Children, Schools and Families

12.2.1 CSF Capital Programme 2021-25

The requirement to provide sufficient school places is a key statutory requirement and the Authority must also maintain existing school buildings for non-PFI community primary and special schools. The government provides capital grant to meet some of this need. The individual projects for this department are all listed in Annex 3.

From 2019/20 £1.9 million per annum is provided for community and voluntary controlled schools (subject to grant funding) this will be limited to urgent health and safety related needs, with the council expecting schools to fund all works below £20,000. Work for the next few years will be prioritised using a conditions survey undertaken in late 2017.

12.2.2 Primary schools

The borough has a total of 44 state funded primary schools. Between 2008 and 2015, there was an exceptional increase in demand for primary school places and in 2017/18 there were more pupils in Merton primary schools for more than a generation. For the following years there was a continued drop in demand for reception year places and the current forecast shows a continuing trend of moderate falls. In 2018/19, 6 primary schools had more than 25% surplus against their physical capacity. No further primary school expansion is planned.

12.2.3 Secondary school places

The substantial increase in primary school places between 2008 and 2015 is now flowing into the secondary schools, with the most substantial rise in demand for year 7 places coinciding with the opening of Harris Academy Wimbledon in September 2018. At the same time, between 2010 and 2015 a number of popular schools close to Merton's borders increased their capacity, which led to the Merton year 6 to Merton year 7 transfer rate falling by some 15%. The demand for secondary places is monitored regularly and trends in demand are analysed. Following the delivery of the new Harris Wimbledon Academy through the government's Free School programme, no further secondary school expansion is now planned.

12.2.4 Special school places

The council caters for pupils with Special Educational Needs (SEN) through mainstream schools, specialist provision within mainstream schools (referred to as additional resourced provision), special schools, and the use of independent provision. Currently, there are 10 schools in the borough which are either special schools or offer specialist provision for SEN.

The growth in demand for SEN placements has received national attention, and the issue is significant in Merton. There has been a 64% increase in the demand for SEN places between 2015 - 2019 and the Table below shows this growth is forecast to continue to 2024.

Tier	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Pre-school	50	55	60	65	70
Primary (% of population)	840	940	980	1,010	1,040
Secondary (7-11) (% of population)	665	710	770	815	860
Secondary 12+	296	316	336	346	356
Total post 19	166	196	221	231	241
Total All	2,017	2,217	2,367	2,467	2,567
Year on Year Increase		200	150	100	100

Source: Merton Children, Schools and Families

Although the Authority has been expanding school places, SEN places are currently full. The council is therefore reliant on independent schools, which is continuing to increase the overall SEN costs. To respond to this forecast continued growth, the council has planned to provide the following additional SEN school places:

Cricket Green (completing January 2020 and currently filling)	64
Perseid extra places (completed and filling)	19
Melrose Primary SEMH & Melrose Secondary SEMH	38
Total	**121**

Source: Merton Children, Schools and Families

12.2.5 Early Years/Childcare

Children under the age of 5 may require early years childcare. The council has a statutory duty under Section 6 of the Childcare Act 2006 to work in partnership with childcare providers to influence childcare provision, as far as is practicable, to ensure that there is sufficient childcare.

In total there are 14,630 children under the age of five living in Merton. This total is projected to decline slightly over the next 5 years, before then increasing again over the 5-15 year period (Merton BPO, 2020). While the total number of children under the age of 5 will have grown in total by approximately 1,311 by 2036, they will represent 6.6% of the total Merton population, compared with 6.9% today.

12.2.6 Tertiary and Adult Sector

The council has no statutory obligation to provide tertiary education, however there are a small number of tertiary education facilities in the borough, providing higher level learning through adult education courses, apprenticeships and workforce training. These facilities are South Thames College (Merton Campus) and Wimbledon College of Arts; and Merton Adult Education. The council is supportive of apprenticeships for local people in Merton, collaborating with other neighbouring boroughs through the South London Partnership to support local employment.

12.3 Environment and Regeneration

12.3.1 This department provides a co-ordinated approach to:

a) managing the public realm (all borough areas to which the public has access),

b) regeneration of our town centres and neighbourhoods,

c) transport and healthy streets (Local Improvement Plan),

d) Parks, sport, leisure and recreation,

e) utilities and digital infrastructure, and

f) community safety

12.3.2 The individual projects for this department are all listed in Annex 3. Annual capital allocations are available to meet ongoing capital commitments within fleet vehicles, ally gating, street trees, highways and footways, sports facilities and parks. In addition, provision is made for one off projects and regeneration activities including Transport for London schemes.

12.3.3 The Authority sets out its 15 year plan for the future development of the local area in the Local Plan. It guides decisions on whether or not planning applications can be granted. The plan itself is informed by key studies commissioned into the local area and various activity strategies/plans which prioritise areas for development. These priorities are reflected appropriately in the capital programme.

12.3.4 Merton is an outer London borough with a current population of 209,471, projected to increase to 221,981 in 2030 and 228,590 in 2035 (BPO projections dated Nov 2020). Over the next 15 years it is projected that the number of residents aged over 65 across Merton is projected to increase by a minimum of 46%. The population aged 85 and over is projected to increase by an even greater proportion, 52%. Emerging local research supports the increasing need identified in the new London Plan (Intend to Publish 2019) for housing designed for older people, including sheltered and extra-care. Merton's current new homes target (December 20) is 918 homes annually.

12.3.5 The council declared a Climate Emergency on 10 July 2019 and adopted the 2020 Climate Change Strategy and Action Plan on 18 November 2020. The Action Plan sets a vision for Merton to be a low carbon borough and identifies a number of actions for how the vision can be achieved. The plan identifies that 81% of the boroughs emissions currently comes from buildings and energy and that low carbon alternatives will need to be adopted going forward in order to meet the council's targets. While these are long term plans overall, changes will need to start being made over the Local Plan period.

12.3.6 Economic and social recovery from the effects of Covid19 will be a priority for the UK, for London and for Merton for the short to medium term. There are already a variety of predictions as to how Covid19 will change the supply and demand for businesses and jobs. It is not yet known which of these will become a longer term reality and which might fall away as we start to recover from the impacts of the pandemic. This Local Plan continues to plan for space for businesses, jobs, apprenticeships and training in order to boost wages and local employment opportunities within the borough.

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 2021-25 is detailed in Annex 3. Annual capital allocations are available to meet disabled facility grants and provision is made for one off projects.

12.4.2 The Merton Story (2019) is Merton's Joint Strategic Needs Assessment (JSNA), which sets out the population health and wellbeing needs for the Health and Wellbeing Board. It identifies the following key themes and challenges, which have been derived from the aim of having an overall healthy and safe borough, rich in assets:

a) Inequalities and the health divide;
b) Healthy lifestyles and emotional wellbeing;
c) Child and family, resilience and vulnerability;
d) Increasing complex needs and multi-morbidity; and
e) Hidden harms and emerging issues.

12.4.3 Health in Merton is, in general, better than in London and in England as a whole. Life expectancy is better than in 75% of other local authorities. Overall deprivation is lower than average. The borough is fortunate to have a good range of public and community assets which support good health such as green spaces, schools, libraries and voluntary sector activity. Merton is also well served by public transport, more so in the west of the borough than the east, and has a road and path infrastructure to support cycling and walking. However cycling rates are lower than some neighbouring boroughs. The voluntary and community sector in Merton is very active, with approximately 917 voluntary, community, faith and social enterprise organisations providing a wide range of services and activities for residents across the borough. However, there are significant social inequalities between the eastern and western parts of the borough, related to a range of factors including life expectancy, income and areas of deprivation.

12.5 Overall Programme

12.5.1 The approved Capital Programme for 2021/25 follows at Annex 1, Annex 3 provides an additional breakdown detail of the approved schemes. The summary is as follows:

Department	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Corporate Services	11,145	5,642	4,545	13,734
Community and Housing	1,057	2,450	677	280
Children, Schools and Families	9,035	1,900	1,900	1,900
Environment and Regeneration	17,151	8,382	7,516	5,324
Total	**38,389**	**18,374**	**14,638**	**21,238**

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 2020/21 is approved, the 2021/22 Capital Programme will be adjusted accordingly.

12.5.4 Annex 1 Capital Investment Programme - Schemes for Approval

Annex 2 Funding the Capital Programme 2021-25

Annex 3 Detailed Capital Programme 2021-25

Annex 4 Analysis of Growth/(Reduction) from current approved programme

Annex 5 Indicative Capital Programme 2025-30

Annex 6 Capital Investment Strategy

Capital Investment Programme - Schemes for Approval — Annex 1

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services	11,145	5,642	4,545	13,734
Community and Housing	1,057	2,450	677	280
Children, Schools and Families	9,035	1,900	1,900	1,900
Environment and Regeneration	17,151	8,382	7,516	5,324
Total	**38,389**	**18,374**	**14,638**	**21,238**

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services				
Customer Policy and Improvement	2,376	0	0	0
Facilities	1,672	1,250	1,675	950
Information Technology	1,836	1,270	2,870	2,055
Resources	0	700	0	0
Corporate	5,261	2,422	0	10,729
Total Corporate Services	**11,145**	**5,642**	**4,545**	**13,734**
Community and Housing				
Adult Social Care	30	0	0	0
Housing	827	2,310	677	280
Libraries	200	140	0	0
Total Community and Housing	**1,057**	**2,450**	**677**	**280**
Children, Schools and Families				
Primary	3,123	1,900	1,900	1,900
Secondary	181	0	0	0
Special	5,511	0	0	0
Other	220	0	0	0
Total Children, Schools and Families	**9,035**	**1,900**	**1,900**	**1,900**
Environmental and Regeneration				
Public Protection and Development	2,043	480	0	60
Street Scene and Waste	629	664	324	324
Sustainable Communities	14,479	7,238	7,192	4,940
Total Environmental and Regeneration	**17,151**	**8,382**	**7,516**	**5,324**
Total Capital	**38,389**	**18,374**	**14,638**	**21,238**

Please Note

1. Excludes budgets relating to future year announcements of Better Care Fund

2. Includes indicative budgets relating to future year announcements of Transport for London Grant

OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Heathier Communities and Older People and SC = Sustainable Communities

FUNDING THE CAPITAL PROGRAMME 2020-25 **Annex2**

Merton	Capital Programme £000s	Funded by Merton £000s	Funded by grant and capital contributions £000s
2020/21 Current Budget	**23,140**	**6,778**	**16,363**
Potential Slippage b/f	0	0	0
2020/21 Revised Budget	**23,140**	**6,778**	**16,363**
Potential Slippage c/f	(3,402)	(1,029)	(2,373)
Potential Underspend not slipped into next year	(1,390)	(1,116)	(275)
Total Spend 2020/21	**18,349**	**4,634**	**13,715**
2021/22 Current Budget	**38,785**	**17,072**	**21,714**
Potential Slippage b/f	3,402	1,029	2,373
2021/22 Revised Budget	**42,188**	**18,101**	**24,087**
Potential Slippage c/f	(5,248)	(1,917)	(3,331)
Potential Underspend not slipped into next year	(1,673)	(1,318)	(355)
Total Spend 2021/22	**35,266**	**14,864**	**20,400**
2022/23 Current Budget	**18,419**	**9,548**	**8,872**
Potential Slippage b/f	5,248	1,917	3,331
2022/23 Revised Budget	**23,667**	**11,465**	**12,203**
Potential Slippage c/f	(2,688)	(1,076)	(1,612)
Potential Underspend not slipped into next year	(1,426)	(1,071)	(355)
Total Spend 2022/23	**19,553**	**9,317**	**10,235**
2023/24 Current Budget	**14,638**	**11,053**	**3,585**
Potential Slippage b/f	2,688	1,076	1,612
2023/24 Revised Budget	**17,326**	**12,130**	**5,197**
Potential Slippage c/f	(1,654)	(1,052)	(602)
Potential Underspend not slipped into next year	(1,347)	(1,157)	(190)
Total Spend 2023/24	**14,325**	**9,921**	**4,405**
2024/25 Current Budget	**21,238**	**18,038**	**3,200**
Potential Slippage b/f	1,654	1,052	602
2024/25 Revised Budget	**22,892**	**19,090**	**3,802**
Potential Slippage c/f	(720)	(624)	(95)
Potential Underspend not slipped into next year	(429)	(334)	(95)
Total Spend 2024/25	**21,744**	**18,132**	**3,612**

Detailed Capital Programme 2010-25 Annex 3

Corporate Services	**Scrutiny**	**Revised Budget 2021-22**	**Revised Budget 2022-23**	**Revised Budget 2023-24**	**Indicative Budget 2024-25**
Customer, Policy and Improvement					
Customer Contact Programme	*OSC*	2,376	0	0	0
Facilities Management					
Other Buildings - Capital Building Works	*OSC*	650	650	650	650
Replacement Boilers	*OSC*	469	0	0	0
Civic Centre Lightning Upgrade	*OSC*	0	300	0	0
Combined Heat and Power (CHP) System Replacement	*OSC*	0	0	450	0
Absorption Chiller Replacement	*OSC*	0	0	275	0
Invest to Save schemes	*OSC*	498	300	300	300
Photovoltanics & Energy Conserv	*OSC*	55	0	0	0
Information Technology					
Aligned Assets	*OSC*	75	0	0	0
Environmental Asset Management	*OSC*	0	240	0	0
Revenue and Benefits	*OSC*	400	0	0	0
School Admission System	*OSC*	0	125	0	0
Planning&Public Protection Sys	*OSC*	341	0	0	550
Ancillary IT Systems	*OSC*	50	0	0	0
Youth Justice IT Systems	*OSC*	100	0	0	100
Replacement SC System	*OSC*	0	0	2,100	0
Project General	*OSC*	870	705	770	1,405
Network Switch Upgrade	*OSC*	0	200	0	0
Resources					
Financial Systems - e5.5 Project	*OSC*	0	700	0	0
Corporate					
Acquisitions Budget	*OSC*	0	0	0	6,985
Capital Bidding Fund	*OSC*	0	0	0	1,000
Multi-Functioning Device (MFC)	*OSC*	0	0	0	600
Westminster Coroners Court	*OSC*	460	0	0	0
Corporate Capital Contingency	*OSC*	0	0	0	2,144
Compulsory Purchase Order - Clarion	*OSC*	4,801	2,422	0	0
Total Corporate Services		**11,145**	**5,642**	**4,545**	**13,734**

Please Note

1. Excludes budgets relating to future year announcements of Better Care Fund

2. Includes indicative budgets relating to future year announcements of Transport for London Grant

OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Heathier Communities and Older People and SC = Sustainable Communities

Detailed Capital Programme 2010-25 Annex 3

Community and Housing	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Adult Social Care					
Telehealth	HCOP	30	0	0	0
Housing					
Disabled Facilities Grant	SC/HCOP	827	827	532	280
Learning Dsbility Aff Housing	SC/HCOP	0	1,483	145	0
Libraries					
West Barnes Library Re-Fit	SC	200	0	0	0
Library Management System	SC	0	140	0	0
Total Community and Housing		**1,057**	**2,450**	**677**	**280**

Children, Schools and Families	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Primary					
Hillcross - Schools Capital maintenance	CYP	53	0	0	0
Dundonald School Expansion	CYP	50	0	0	0
Garfield - Schools Capital maintenance	CYP	6	0	0	0
Poplar - Schools Capital maintenance	CYP	5	0	0	0
Wimb. Park - Schools Capital maintenance	CYP	40	0	0	0
Abbotsbury - Schools Capital maintenance	CYP	7	0	0	0
Malmesbury - Schools Capital maintenance	CYP	35	0	0	0
Gorringe - Schools Capital maintenance	CYP	50	0	0	0
Liberty - Schools Capital maintenance	CYP	34	0	0	0
Links - Schools Capital maintenance	CYP	160	0	0	0
St Marks - Schools Capital maintenance	CYP	120	0	0	0
Lonesome - Schools Capital maintenance	CYP	7	0	0	0
Sherwood - Schools Capital maintenance	CYP	24	0	0	0
William Morris - Schools Capital maintenance	CYP	28	0	0	0
Unallocated - Schools Capital maintenance	CYP	2,505	1,900	1,900	1,900
Secondary					
Harris Academy Merton - Schools Capital maintenance	CYP	34	0	0	0
Rutlish - Schools Capital maintenance	CYP	12	0	0	0
Harris Academy Wimbledon New School	CYP	136	0	0	0
Special					
Perseid - Schools Capital maintenance	CYP	165	0	0	0
Perseid School Expansion	CYP	22	0	0	0
Melrose SEMH 38 Places (formerly Melrose Primary SEMH annexe 16)	CYP	2,137	0	0	0
Harris Morden Sec Autism Unit	CYP	1,360	0	0	0
Further SEN Provision	CYP	186	0	0	0
Primary ASD base 1-20 places	CYP	18	0	0	0
Melbury College - Schools Capital maintenance	CYP	13	0	0	0
Secondary SEMH/medical PRU	CYP	1,340	0	0	0
New ASD Provision	CYP	270	0	0	0
Other					
Bond Road Family Centre Pmay Equip	CYP	50	0	0	0
Pollards Hill Digital Divide	CYP	170	0	0	0
Total Children, Schools and Families		**9,035**	**1,900**	**1,900**	**1,900**

Detailed Capital Programme 2010-25 **Annex 3**

Environment and Regeneration	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Public Protection and Development					
P&D machines for emission-based charging	SC	400	0	0	0
Pay and Display Machines	SC	0	0	0	60
Car Park Upgrades	SC	909	0	0	0
CCTV cameras and infrastructure upgrade	SC	699	480	0	0
Public Protection and Developm	SC	35	0	0	0
Street Scene and Waste					
Replacement of Fleet Vehicles	SC	550	300	300	300
Alley Gating Scheme	SC	24	24	24	24
Street Cleansing Sub Depot	SC	55	0	0	0
Replacement of Fleet Vehicles	SC	0	340	0	0
Sustainable Communities					
Street Tree Programme	SC	60	60	60	60
New street tree planting programme	SC	50	0	0	0
Street Lighting Replacement Pr	SC	290	290	290	290
Traffic Schemes	SC	150	150	150	150
Surface Water Drainage	SC	60	60	60	60
Repairs to Footways	SC	1,000	1,000	1,000	1,000
Maintain AntiSkid and Coloured Surface	SC	85	70	70	70
Borough Roads Maintenance	SC	1,200	1,200	1,200	1,200
Highways bridges & structures	SC	884	260	260	260
Bishopsford Bridge	SC	1,202	0	0	0
Cycle and Roadway Works around Bishopsford Bridge	SC	130	0	0	0
Culverts Upgrade	SC	508	0	0	0
Street Lighting Wimbledon	SC	670	0	0	0
Cycle Lane Works Plough Lane	SC	200	0	0	0
Unallocated TfL	SC	1,300	1,300	1,300	1,300
Haydons Road Public Realm Improvements	SC	350	0	0	0
Wimbledon Public Realm Implementation	SC	500	500	0	0
Crown Creative Knowledge Exchange	SC	150	0	0	0
Morden Town Centre Improvements	SC	300	0	0	0
Morden TC Regeneration Match Funding	SC	2,190	1,608	2,152	0
42 Graham Road	SC	50	0	0	0
Lost Rivers Repairs	SC	100	100	100	0
Wimbledon Park Lake Reservoir Safety	SC	1,157	0	0	0
Leisure Centre Plant & Machine	SC	410	250	250	250
Parks Investment	SC	363	300	300	300
Resurface Tennis Courts (Wimb Pk)	SC	75	0	0	0
Morden Rec Hockey Pitch	SC	135	0	0	0
Paddling Pools (borough wide) OPTION 1	SC	135	90	0	0
Paddling Pools (borough wide) OPTION 2	SC	113	0	0	0
Total Environmental and Regeneration		**17,151**	**8,382**	**7,516**	**5,324**
Total Capital		**38,389**	**18,374**	**14,638**	**21,238**

Annex 4

Growth/(Reductions) against Approved Programme 2021-24 and Indicative Programme 2024-25

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services	0	0	(10,129)	10,129
Community and Housing	0	0	0	0
Children, Schools and Families	0	0	0	0
Environment and Regeneration	0	0	0	1,300
Total	**0**	**0**	**(10,129)**	**11,429**

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services				
Customer Policy and Improvement	0	0	0	0
Facilities	0	0	0	0
IT Infrastructure	0	0	0	0
Resources	0	0	0	0
Corporate	0	0	(10,129)	10,129
Total Corporate Services	**0**	**0**	**(10,129)**	**10,129**
Community and Housing				
Adult Social Care	0	0	0	0
Housing	0	0	0	0
Libraries	0	0	0	0
Total Community and Housing	**0**	**0**	**0**	**0**
Children, Schools and Families				
All Sectors	0	0	0	0
Secondary	0	0	0	0
Special	0	0	0	0
Other	0	0	0	0
Total Children, Schools and Families	**0**	**0**	**0**	**0**
Environmental and Regeneration				
Public Protection and Development	0	0	0	0
Street Scene and Waste	0	0	0	0
Sustainable Communities	0	0	0	1,300
Total Environmental and Regeneration	**0**	**0**	**0**	**1,300**
Total Capital	**0**	**0**	**(10,129)**	**11,429**

* Assumes Housing Company has been removed from approved budget – to be actioned as part of December 2020 Monitoring

Indicative Capital Programme 2025-30 **Annex 5**

Corporate Services		**Indicative Budget 2025-26**	**Indicative Budget 2026-27**	**Indicative Budget 2027-28**	**Indicative Budget 2028-29**	**Indicative Budget 2029-30**
Customer, Policy and Improvement						
Customer Contact Programme	*OSC*	1,000	1,000	1,000	0	0
Facilities Management						
Other Buildings - Capital Building Works	*OSC*	650	650	650	650	650
Invest to Save schemes	*OSC*	300	300	300	300	300
Information Technology						
Aligned Assets	*OSC*	0	0	75	0	0
Environmental Asset Management	*OSC*	0	0	250	0	0
Revenue and Benefits	*OSC*	400	0	0	0	0
Capita Housing	*OSC*	100	0	0	0	0
ePayments Project	*OSC*	125	0	0	0	0
School Admission System	*OSC*	125	0	0	0	125
Planning&Public Protection Sys	*OSC*	0	0	0	0	550
Kofax Scanning	*OSC*	100	0	0	0	0
Spectrum Spatial Analyst Repla	*OSC*	200	0	0	0	0
Parking System	*OSC*	126	0	0	0	0
Ancillary IT Systems	*OSC*	0	50	0	0	0
Replacement SC System	*OSC*	0	0	0	2,100	0
Project General	*OSC*	1,060	970	1,005	770	1,405
Resources						
Financial Systems - e5.5 Project	*OSC*	0	0	0	700	0
Corporate						
Multi-Functioning Device (MFC)	*OSC*	0	0	0	600	0
Compulsory Purchase Order - Clarion	*OSC*	0	6,119	0	3,460	0
Total Corporate Services		**4,186**	**9,089**	**3,280**	**8,580**	**3,130**
Community and Housing		**Indicative Budget 2025-26**	**Indicative Budget 2026-27**	**Indicative Budget 2027-28**	**Indicative Budget 2028-29**	**Indicative Budget 2029-30**
Housing						
Disabled Facilities Grant	SC/HCOP	280	280	280	280	280
Libraries						
Library Self Service	SC	350	0	0	0	0
Library Management System	SC	0	0	140	0	0
Total Community and Housing		**630**	**280**	**420**	**280**	**280**
Childrens, Schools and Families		**Indicative Budget 2025-26**	**Indicative Budget 2026-27**	**Indicative Budget 2027-28**	**Indicative Budget 2028-29**	**Indicative Budget 2029-30**
Unallocated - Schools Capital maintenance	CYP	1900	1900	1900	1900	1900
Total Children, Schools and Families	**0**	**1,900**	**1,900**	**1,900**	**1,900**	**1,900**

Indicative Capital Programme 2025-30 continued… **Annex 5**

Environment and Regeneration		**Indicative Budget 2025-26**	**Indicative Budget 2026-27**	**Indicative Budget 2027-28**	**Indicative Budget 2028-29**	**Indicative Budget 2029-30**
Public Protection and Development						
Public Protection and Developm	*SC*	0	35	0	0	0
Street Scene and Waste						
Replacement of Fleet Vehicles	*SC*	300	300	300	300	300
Alley Gating Scheme	*SC*	24	24	24	24	24
Waste SLWP IT & Premises	*SC*	42	0	0	0	0
Replacement of Fleet Vehicles	*SC*	3,956	0	0	0	340
Sustainable Communities						
Street Tree Programme	*SC*	60	60	60	60	60
Street Lighting Replacement Pr	*SC*	290	290	290	290	290
Traffic Schemes	*SC*	150	150	150	150	150
Surface Water Drainage	*SC*	60	60	60	60	60
Repairs to Footways	*SC*	1,000	1,000	1,000	1,000	1,000
Maintain AntiSkid and Coloured Surface	*SC*	70	70	70	70	70
Borough Roads Maintenance	*SC*	1,200	1,200	1,200	1,200	1,200
Highways bridges & structures	*SC*	260	260	260	260	260
Leisure Centre Plant & Machine	*SC*	250	250	250	250	250
Parks Investment	*SC*	300	300	300	300	300
Total Environmental and Regeneration		**7,962**	**3,999**	**3,964**	**3,964**	**4,304**
Total Capital		**14,678**	**15,268**	**9,564**	**14,724**	**9,614**

Capital Investment Strategy

ANNEX 6

1. Overview

This annex is new to the Capital Strategy and details the approach adopted in non-core investment activity and sets out how this will help the Authority to deliver its core functions. The definition of Investment covers all financial assets of a local authority as well as non-financial assets that the organisation holds primarily to generate financial returns, such as investment property portfolios.

The annex will detail the security, liquidity and yield of investments and consider risk management and capacity, skills and culture.

2. Detail

During the 2021-22 financial year the Authority is planning the following investment activity:

i) Section 5 of the Treasury Management Strategy sets out the Authority's short to medium term Investment Strategy. This strategy focusses on short to medium term low risk investments.

ii) The Authority has also undertaken a long term investment in CHAS 2013 via the purchase of a £1 share, which generates considerable returns via dividend payments.

From 1 April 2018 (financial year 2018/19) the International Financial Reporting Standard 9 (Financial Instruments) came into force. Its purpose was to make accounting for financial instruments more transparent.

3. Security

The activity in Section 2 of this Annex have and will result in:

i) Short to Medium Term investment of available cash resources in low risk low return investment.

ii) The £1 investment in CHAS 2013 provides continued secure returns to the authority from this wholly owned organisation.

4. Liquidity

i) Short to medium term cash investments can be liquidated easily.

ii) Investments are held in CHAS 2013 Limited and Merantun. It is not currently envisaged that these investments need to be redeemed in the short to medium term. If such a need did arise the following example demonstrates the flexibility available to the council:

The authority has a loan with MSJCB and should the Authority need to liquidate this loan it could be sold.

5. Yield

5.1 Expected yield:

i) Section 5 of the Treasury Management Strategy details the yield expected from short to medium term cash investments

ii) Revenue returns from dividends and use of intellectual property from CHAS 213 are built into the Medium Term Financial Strategy.

In assessing whether investment assets retain sufficient value to provide security of investment officers will be mindful of the fair value model in the International Accounting Standard 40: Investment Property.

6. Borrowing in Advance of Need

6.1 Section 4.2 of the Treasury Management Strategy details the current and future level of under borrowing by the Authority and sets out the Authority's borrowing strategy linked to this and internal borrowing. Investment in the wholly owned housing company should not only provide a financial return but will increase the Authority's housing provision and investment currently in the east of the borough.

6.2 Current indications are that interest rates are likely to rise making it more expensive to borrow. Consideration will be given to the timing of required borrowing to minimise the cost to the Authority and with regard to the current debt portfolio (detailed in Section 4.5 of the Treasury Management Strategy)

7. Risk Assessment

7.1 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.

7.2 It is also recognised that a higher level of risk may need to be accepted, for example, to generate higher returns from loans and investment. 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.

7.3 Within its portfolio of risk Merton has:

i) Short to medium term low return, low risk cash investment

ii) Medium to long term investment in CHAS 2013 which is providing sizeable dividends and returns for use of intellectual property, and

8. Capacity, Skills and Culture

The Authority will where appropriate, buy in expertise to progress loan and investment activity. It is also appropriate in some cases to develop expertise internally.

LONDON BOROUGH OF MERTON

TREASURY MANAGEMENT STRATEGY STATEMENT- 2021-22

1. INTRODUCTION

1.1 Background

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 2021/22 to 2024/25
b) Approve the Minimum Revenue Provision (MRP) policy for 2021/22; and
c) To agree the Treasury Management Strategy for 2021/22.

The Council has 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."

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'

i. CIPFA Prudential Code
ii. MHCLG, MRP investment guidance
iii. CIPFA TM Code
iv. Capital Strategy (for the full report please refer to council's business plan https://democracy.merton.gov.uk/documents/s21645/Report%20Appendices%20with%20blank.pdf

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.

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 2021/22

The strategy for 2021/22 covers two main areas:

1. Capital Programme

- To determine the Council's capital plans and prudential indicators for 2021/22 to 2024/25;
- To approve the Minimum Revenue Provision (MRP) policy.
  The LG Act 2003 require local authorities to set an affordable borrowing limit (http://www.legislation.gov.uk/ukpga/2003/26/section/3).

2. Treasury Management Programme

- To agree the Council's treasury management strategy for 2021/22
- current treasury position as at December 2020;
- 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 4**);and
- cash flow policy
- the policy on use of external service providers

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

2. CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2024/25

The Council is required to calculate various indicators for the next three years. The aim of prudential indicators is to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential indicators 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.

2.1 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 programmes however these are fully funded and do not have any MRP implications.

Please find below the capital expenditure forecast.

Capital Forecast	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Corporate Services	10,135	6,059	4,536	13,563
Community & Housing	8,276	2,367	1,776	1,812
Children Schools & Families	941	2,016	812	358
Environment & Regeneration	15,914	9,112	7,201	6,011
Total	35,266	19,553	14,325	21,744

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 November 2020

Capital Expenditure	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Budget	23,019	38,785	18,419	14,638	21,238
Slippage*	(4,670)	(3,520)	1,134	(313)	506
Leasing Budgets	(400)	0	0	0	(600)
Total Capital Expenditure	17,949	35,266	19,553	14,325	21,144
Financed by:					
Capital Receipts	2,560	900	900	900	300
Capital Grants & Contributions	13,715	20,400	10,235	4,405	3,612
Capital Reserves	0	0	0	0	0
Revenue Provisions	1,675	3,057	29	57	55
Other Financing Sources	0	0	0	0	0
Net financing need for the year (a)	**0**	**10,909**	**8,389**	**8,962**	**17,176**

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

2.2 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 2020/21 forecast movement in CFR shows a decrease of £6.52 million because the expenditure to be funded without additional from borrowing.

The current cash flow projection as at November 2020 for 2020/21 year end is an estimated cash balance of *£105m* (including all short term deposits). The current forecast has been based on assumptions in the MTFS and capital programme spend forecast after slippage.

The 2021/22 forecast capital outturn of £35.3m, 2022/23 of £19.6m, 2023/24 of £14.3m and 2024/25 of £21.1m 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 2022/23 in anticipation for 2023/24. 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:

	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Financing Requirement CFR b/f	179,912	173,583	167,063	171,888	181,814	181,085
Total CFR c/f	173,583	167,063	171,888	181,814	181,085	186,102
Movement in CFR	(6,329)	(6,520)	4,825	9,927	(729)	5,017
Movement in CFR represented by						
Net financing need for the year (above)	0	0	10,909	8,389	8,962	17,176
Less Capital MRP/VRP (b)	(4,899)	(4,855)	(4,841)	(5,884)	(6,547)	(7,252)
Less Other MRP/VRP - leasing and PFI	(1,521)	(817)	(695)	(682)	(697)	(2,223)
Less Other MRP/VRP - PFI - Termination	(788)	(844)	(905)	(970)	(1,040)	(1,114)
Less Other financing movements						
Adjustment of PFI Liability	909					
Adjustment of Leasing Liability*	(30)	(4)	357	9,074	(1,407)	(1,570)
Adjustment of MRP						
Movement in CFR	(6,329)	(6,520)	4,825	9,927	(729)	5,017

* Figures include the estimated impact of IFRS 16 plus £0.5 million allowance for operational leases for vehicles (assumed lease length 5 years) and a £5 million cushion for other operational leases (assumed lease length 10 years)

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 is spent on paying the borrowing associated with delivery of capital investment (interest charges of long-term borrowing).

The table below shows the monetary values for the above ratio and includes leasing costs

	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Net Revenue Financing Costs	**1,262**	**983**	**1,056**	**291**	**(716)**	**(2,983)**
Net Revenue Stream	143,265	156,703	151,586	155,047	158,789	158,789
Ratio of Financing Costs to Net Revenue Stream (Non HRA)	0.88%	0.63%	0.70%	0.19%	(0.45)%	(1.88)%

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.

	2019/20 Actual £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2023/24 Estimate £
Incremental Change in Capital Financing Costs (£000)	*(5,216)*	(279)	72	(765)	(1,006)	(2,268)
Council Tax Base	*74,952*	75,990	76,370	76,752	77,136	77,136
Incremental Impact on Council Tax - Band D (£)	***(69.59)***	**(3.67)**	**0.94**	**(9.96)**	**(13.05)**	**(29.40)**
Council Tax - Band D (£)	*1,227.82*	1,276.92	1,302.45	1,328.49	1,355.05	1,382.14

3. 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 Guidance (option 1). This provided for an approximate 4% reduction in the borrowing need (CFR) each year. As a consequence of this change in policy the Authority over-provided for its MRP payment in 2017/18 by £1,811,043.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the contract 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. The Table over the page details the basis of the MRP calculation for unfinanced capital expenditure incurred on or after 1 April 2008

The table below details the basis of the MRP calculation for all unfinanced capital expenditure incurred on or after 1 April 2008.

	(Years)
Assets valued over £1m	
Buildings	50
Mechanical & Electrical and External	20
Assets valued under £1m	
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

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

4. TREASURY MANAGEMENT STRATEGY

4.1 The Prospects for Interest Rates and Economic Forecasts

The Prospects for Interest Rates and Economic Forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The PWLB rates below are based on the new margins over gilts announced on 26th November 2020. PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Rate View 9.11.20														
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. 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, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were on negative yields during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

  - ✓ As a condition to access PWLB, LAs asked to submit high level description of capital spending for 3 years.
  - ✓ Finance Director of LA to confirm no intention to buy investment assets primarily for yield any time in next 3 years
  - ✓ The PWLB will not lend to an LA that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

  - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
  - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

4.2 Borrowing Strategy

Current Borrowing Portfolio Position

The following table shows the CFR as at December 2020 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.

Narrative	2020/21 Estimate £000s	2021/22 Estimate £000s	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s
External Debt at 1 April	113,010	111,010	109,010	108,700	122,872
Expected change in Debt (repayment and new debt)	(2,000)	(2,000)	(310)	14,172	33,207
Closing External Debt	111,010	109,010	108,700	122,872	156,079
Closing Balance PFI	16,704	16,010	15,328	14,630	12,407
Closing Partial termination Balance PFI	10,920	10,015	9,045	8,005	6,891
Total PFI	27,624	26,025	24,373	22,635	19,298
Closing Balance Finance Leases	787	1,144	10,217	8,811	7,240
Actual Gross Debt at 31 March	139,421	136,178	143,290	154,318	182,617
Capital Financing Requirement (CFR)	167,063	171,888	181,814	181,085	186,102
(Under)/over Borrowing	(27,642)	(35,709)	(38,524)	(26,768)	(3,485)

* Figures include the estimated impact of IFRS 16 plus £0.5 million allowance for operational leases for vehicles (assumed lease length 5 years) and a £5 million cushion for other operational leases (assumed lease length 10 years)

The table contained in section 4.2 shows the CFR forecast for 2020/21 to 2024/25. 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 2021/22 treasury operations. The Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

PFI and finance lease portion of the CFR will not be funded by additional loan. Capital forecasts relating to 2021/22, 2022/23, 2023/24 and 2024/25 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.

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. However if interest rates are 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.

4.3 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	2020/21 Estimate £000s	2021/22 Estimate £000s	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s
Capital Financing Requirement	167,063	171,888	181,814	181,085	186,102
Other Long Term Liabilities	33,124	31,525	29,873	28,135	24,798
Operational Boundary	200,187	203,413	211,687	209,220	210,900

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:

	2020/21 Estimate £000s	2021/22 Estimate £000s	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s
Capital Financing Requirement	197,063	201,888	211,814	211,085	216,102
Other Long Term Liabilities	38,124	36,525	34,873	33,135	29,798
Authorised Limit	235,187	238,413	246,687	244,220	245,900

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.

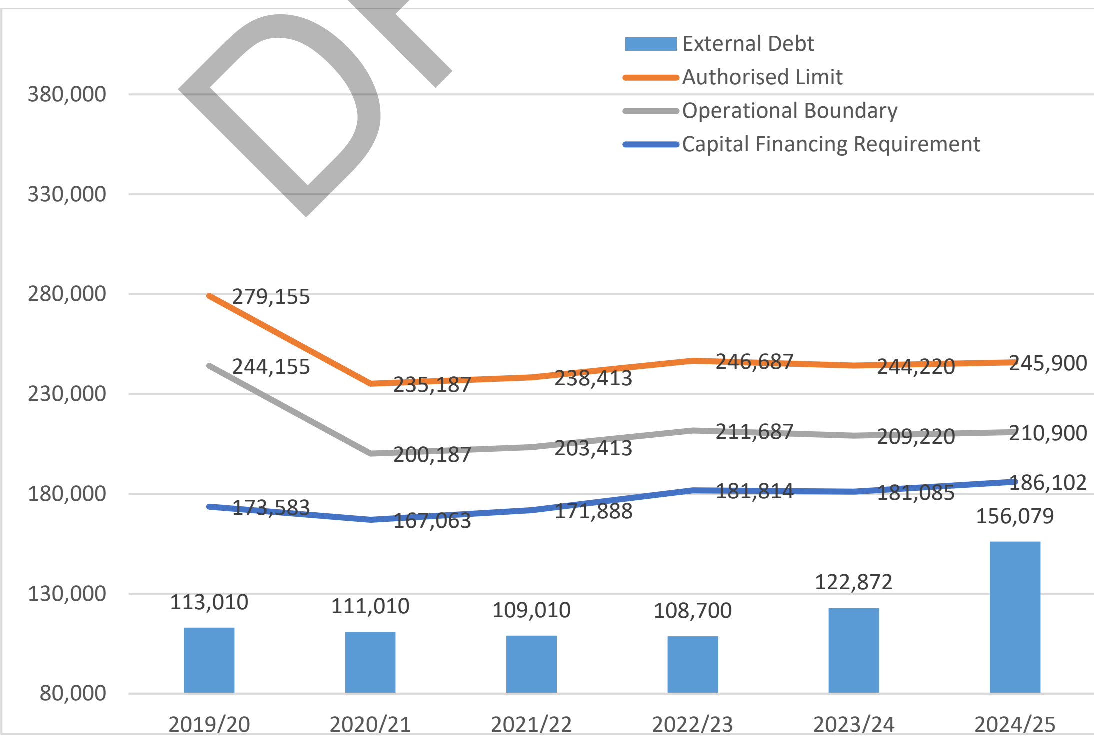
4.4 Treasury Management Limits on Activity

The table below shows the debt related treasury activity limits.

Members are asked to note that the maturity structure guidance changed in The Prudential Code 2017 guidance notes for Lenders Option Borrowers Option (LOBO) Loans, the maturity dates is now deemed to be the next call date. The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment.

	Maturity Structure of borrowing 2020/21			
	Actual November 2020	**Lower**	**Upper**	**Value £'000**
less than 1 year	3.54%	0%	60%	4,000
1 to 2 years	0%	0%	60%	-
2 years to 5 years	23.45%	0%	60%	26,510
5 years to 10 years	3.98%	0%	80%	4,500
10 years to 20 years	11.06%	0%	100%	12,500
20 years to 30 years	11.95%	0%	100%	13,500
30 years to 40 years	28.32%	0%	100%	32,000
40 years to 50 years	17.70%	0%	100%	20,000
Total	**100.00%**			**113,010**

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.



4.5 Interest rate exposure is mitigated as much as possible by keeping up with publications and notifications the Local Authority receives on a regular basis.

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

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

	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
Average Investment Target Return	0.95%	0.20%	0.20%	0.25%	0.30%
Average Investment Target – Property Fund	4.0%	4.0%	4.0%	4.0%	3.40%
Long Term Borrowing Target					
• Current Portfolio	5.58%	5.50%	5.50%	5.50%	5.50%

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

4.6 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.

4.7 Debt Rescheduling

On any restructuring of debt, the 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).

The likely method of restructuring the debt portfolio will be by new loans from PWLB. Following the consultation on PWLB future lending terms, the rates were reduce by 100bp from 26 November 2020.

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.

4.8 Borrowing Options

The Council will use a number of borrowing sources. These include the Public Works Loans Board, Market loans, Municipal Bond Agency (MBA), Retail Bonds, Loans from other Local Authorities and temporary loans. It is hoped that borrowing rates from the MBA will be lower than those offered by the PWLB.

4.9 Changes Which May Affect Treasury Management

- **Future Regulatory Changes to Money Market Fund Valuation**

- ***Proposed Changes to Leasing***

Future changes to accounting for leasing will increase CFR and therefore MRP but there will be compensating adjustments to the cost of services so the overall impact is presentational with no effect on the General Fund. It is anticipated that there may be some impact on both capital and revenue expenditure 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 16) issued in 2015 is not anticipated to be adopted until 2022/23.

- ***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 source of borrowing as and when appropriate.

Environmental, Social and Governance (ESG)
Merton Council declared the Climate emergency policy in July 2019 and aims to become carbon neutral on Council's buildings and services by 2030. When it comes to Treasury management Merton will take ESG issues into consideration when investing cash in the money markets, speaking to potential counterparties about what they offer within the parameters of the Authority's counterparty criteria and the requirement of the MHCLG Investment Guidance to prioritise security, liquidity before yield in that order or importance.

In terms of typical local authority investments there isn't a wide range of products in this area at the moment, although we expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent the council will continue to monitor it and make best use of ESG opportunities when they become available.

5. ANNUAL INVESTMENT STRATEGY

5.1 Investment Policy

London Borough of Merton's investment policy has regard to the MHCLG'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.

5.2 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).

Obviously Covid-19 has had a significant impact on any interest rate forecasts and will be very difficult to forecast with any certainty. These figures will be constantly reviewed in line with future developments in the fight to rid Covid-19 and the economic climate hopefully returns to some normality. In addition to this the Bank of England base rate reduced sharply, (fell from 0.75% to 0.25% on 11th March 2020 and reduced again to 0.10% on the 19th March) further shaping the dramatic drop in interest rate forecasts seen below.

Investment returns expectations

Bank Rate forecasts for financial year ends (March) are:

Average earnings in each year	Now	Previously
2020/21	0.10%	0.10%
2021/22	0.10%	0.10%
2022/23	0.10%	0.10%
2023/24	0.25%	0.25%
2024/25	0.75%	0.75%
Long term later years	2.00%	2.00%

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:

	Now
2020/21	0.10%
2021/22	0.15%
2022/23	0.30%
2023/24	0.50%
2024/25	0.80%
Later years	2.75%

5.3 Investment Treasury Indicator and Limit

Investment Treasury Indicator and Limit - total principal funds invested for greater than 365 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 2020 Actual	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Estimated Principal sums invested greater than 365 days	£10m	£40m	£40m	£30m	£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 365 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.

5.4 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. The council currently have no fixed deposits in this category. Authority do have an investment in a Property Fund which has a 5/10 year recommended time horizon.

A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that: • Total financial exposure to these type of loans is proportionate;

• They have used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;

• They have appropriate credit control arrangements to recover overdue repayments in place; and

• The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

5.5 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. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0% historic risk of default when compared to the whole portfolio.**

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £1m
- Liquid short term deposits of at least £65m available with a week's notice.

Yield – meet or exceed the annual budgeted interest income figure in any given year.

5.6 Risk Management and Creditworthiness Policy

This Council applies the creditworthiness service provided by Link Group. 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:

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
Banks	yellow	£35m	5yrs
Banks	purple	£25m	2 yrs
Banks	orange	£25m	1 yr
Banks – part nationalised	blue	£25m	1 yr
Banks	red	£10m	6 mths
Banks	green	£5m	100 days
Banks	No colour	Not to be used	
Other institutions limit	-	£5m	1yrs
Government (DMADF)		unlimited	6 months
Local authorities	Yellow	£35m	5yrs
	Fund rating	Money Limit	Time Limit
Money market funds	AAA	£35m	Instant
Ultra-Short Dated Bond funds with a credit score of 1.25	Dark pink / AAA	£25m	Instant
Ultra-Short Dated Bond funds with a credit score of 1.5	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 equivalents) 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 uses 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, as well as information on any external support for banks to help support its decision making process.

5.7 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 2**. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

5.8 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.

5.9 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 the Director of Corporate Services as applicable. 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.

5.10 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. Cashflow Management

6.1 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. Please see Appendix 7 for the cash flow forecast.

6.2 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.

7. Policy on the use of External Service Providers

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. 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.

8. 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.

9. Treasury Management Practices

9.1 The 2017 Treasury Management 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 2020/21 can be found on the Council's intranet. An updated version is included as **Appendix 4**

10. Appendices

- Appendix 1 – Policy Investments (Non-Treasury Management Investments)
- Appendix 2 – Approved Countries for Investment
- Appendix 3 – The Treasury Management Role of the S151 Officer
- Appendix 4 – Treasury Management Practices 2021/2022
- Appendix 5– Glossary
- Appendix 6 – Cashflow Forecast

11. Background Papers

- CIPFA Prudential Code for Capital Finance in Local Authorities 2018 Edition
- CIPFA Treasury Management in the Public Sector 2018 Edition
- 2018/19 Treasury Management Strategy report
- The Guide to Local Government Finance (2018 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 2020/24
- TM Code of Practice
- MHCLG Investment Guidance
- MHCLG MRP Guidance
- External auditor opinion on MRP provision
- Prudential Property Investment – Draft CIPFA Guidance on the Application of the Prudential Framework June 2019

APPENDIX 1 – 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
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

5.6 APPROVED COUNTRIES FOR INVESTMENTS (as at 03/01/2020)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, 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.

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX 3

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- Receiving and reviewing regular monitoring and acting on recommendation

(ii) 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 4

LONDON BOROUGH OF MERTON
TREASURY MANAGEMENT PRACTICES 2021/22

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 365 days 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 Governance 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 2: PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

Periodic Review During the Financial Year

Monthly and quarterly meetings take place (quarterly with the Treasury consultant) to review the treasury activities, economic factors and discuss the investment options . In addition to this the Director of Corporate Services will hold treasury management review meetings with the Treasury team, periodically or as required to review actual activity against the Treasury Management Strategy Statement (TMSS) and cash flow forecasts.

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
- 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 uncompounded, 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.

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
- Treasury Management contracts (Investment consultant and Logotech)

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

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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;
- Undertake treasury management activities for the Pension Fund

4.2 Approved Techniques

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

4.3 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:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
European Investment Bank(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.

4.4 Investment Limits

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

4.5 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 Statement of the Treasury Management Duties/Responsibilities of Each Treasury Post

5.2.1 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.

a) The Responsible Officer may delegate her power to borrow and invest to members of her staff, The Treasury Manager and 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.

b) 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.

c) 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.

d) 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.

5.2.2 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

5.2.3 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.

5.2.4 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

5.2.5 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

5.3 Absence Cover Arrangements

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

5.4 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.

5.5 Policy on Taping of Conversations

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

5.6 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

5.7 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.
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.

5.8 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.

5.9 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.

5. There is also a requirement for the Council to carry out a mid-year report. The purpose of this report is to provide a mid-year review on progress/performance throughout the year against targets set.

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

a) The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
b) 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.

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

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 https://mertonhub.merton.gov.uk/_layouts/15/WopiFrame.aspx?sourcedoc=/Merton%20Hub%20Documents/anti_money_laundering_policy.pdf&action=default&DefaultItemOpen=1

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**.

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.

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 and members tasked with financial scrutiny 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 and members receive appropriate training.

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

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1.1 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.

11.1.2 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

11.1.3 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.

11.1.4 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 5

GLOSSARY OF TREASURY MANAGEMENT TERMS

<u>*Accrued Interest*</u>
Any interest that has accrued since the initial purchase or since the last coupon payment date, up to the date of sale/purchase

<u>*Basis Point*</u>
One hundredth of 1% e.g. 0.01%

<u>*Certificate of Deposit (CD*</u>)
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.

<u>*Coupon*</u>
The total amount of interest a security will pay on a yearly basis. The coupon payment period depends on the security.

<u>*Covered Bond*</u>
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.

<u>*Credit Rating*</u>
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.

<u>*Credit risk*</u>
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.

<u>*Debt Management Office (DMO)*</u>
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.

<u>*Financial Strength Rating*</u>
Rating criteria used by Moody's ratings agency to measure a bank's intrinsic safety and soundness.

<u>*Floating Rate Note (FRN)*</u>
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.

<u>*Gilt*</u>
A UK Government Bond, sterling denominated, issued by HM Treasury

<u>*Index Linked Gilts*</u>
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 vise 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

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.

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.

Appendix 6 – Cash flow Forecast 2020 to 2025

2019/20 (£'000)	London Borough of Merton Balance Sheet Projections	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
173,002	CFR	167,063	171,888	181,814	181,085	186,102
(29,285)	PFI Liabilities	(27,624)	(26,025)	(24,373)	(22,635)	(19,298)
(790)	Finance Lease Liabilities	(787)	(1,144)	(10,217)	(8,811)	(7,240)
142,927	Underlying Borrowing Requirement	138,652	144,720	147,224	149,639	159,564
(113,010)	External Borrowing c/fwd	(113,010)	(111,010)	(109,010)	(108,700)	(122,872)
-	Loan Maturities	2,000	2,000	310	13,700	12,500
-	New Loans	-	-	-	(27,872)	(45,707)
(113,010)	External Borrowing	(111,010)	(109,010)	(108,700)	(122,872)	(156,079)
29,917	Under / (Over) Borrowing	27,642	35,710	38,524	26,767	3,485
21%		*20%*	*25%*	*26%*	*18%*	*2%*
13,778	General Fund Balance	13,778	13,778	13,778	13,778	13,778
413	Collection Fund Adjustment Account	413	413	413	413	413
59,606	Earmarked reserves (excl. Schools)	52,615	53,639	60,004	68,059	67,985
8,455	Schools (excl. DSG)	8,455	8,455	8,455	8,455	8,455
(12,750)	Schools - DSG (future yrs drawn early)	(27,639)	(40,346)	(54,662)	(70,922)	(70,922)
2,059	Capital Receipts Reserve	-	-	-	-	-
11,952	Provisions (exc. any accumulating absences)	11,952	11,952	11,952	11,952	11,952
21,900	Capital Grants Unapplied	17,366	5,643	3,839	2,952	2,165
12,515	Capital Grants Receipts In Advance	12,127	13,017	12,170	12,561	13,047
117,928	Amount Available for Investment	89,066	66,551	55,949	47,247	46,872
(34,204)	Debtors	(34,204)	(34,204)	(34,204)	(34,204)	(34,204)
60,951	Creditors	60,951	60,951	60,951	60,951	60,951
(1)	Stock / WIP	(1)	(1)	(1)	(1)	(1)
(7,206)	Balance LT Debtors	(7,206)	(7,206)	(7,206)	(7,206)	(7,206)
-	Balance of LT Liabilities	-	-	-	-	-
5,406	Deferred credits / receipts (non-capital)	5,406	5,406	5,406	5,406	5,406
24,946	Working Capital (Deficit) / Surplus	24,946	24,946	24,946	24,946	24,946
(29,917)	(Under) / Over Borrowing	(27,642)	(35,710)	(38,524)	(26,767)	(3,485)
112,957	External Investments/	86,371	55,788	42,371	45,426	68,334
(10,000)	Strategic LT Investments (eg Property Funds)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
102,957	Adjusted External Investments/	76,371	45,788	32,371	35,426	58,334

APPENDIX 7

MAYOR OF LONDON

CITY OF LONDON

LONDON COUNCILS

City Hall
The Queen's Walk
London SE1 2AA
Switchboard: 020 7983 4000
Email: mayor@london.gov.uk

City of London Corporation
Guildhall, Gresham St
London EC2V 7HH
Switchboard: 020 760 3030
Email:

London Councils
59½ Southwark Street
London SE1 0AL
Switchboard: 020 7934 9999
Email:

Rt Hon Robert Jenrick MP
Secretary of State for Housing, Communities and Local Government
Ministry of Housing, Communities and Local Government
2 Marsham Street
London SW1P 4DF

Date: 12 January 2021

Dear Secretary of State,

London Business Rates Retention Pool 2021-22

We write on behalf of London Government representing the 32 London boroughs, the City of London Corporation and the Greater London Authority to formally request that you revoke the pan-London business rates pool that has been designated in the 2021-22 Provisional Local Government Finance Settlement to continue next financial year.

This is a collective decision on behalf of all 34 member authorities of the pool. The potential financial benefits of pooling business rates across all 34 authorities next year are greatly outweighed by the risks due to the ongoing impact of the pandemic on London's businesses. This was set out in our letter of 23 December, to which the Government has been unable to respond with a proposal that would make the operation of the pool next year financially viable.

We remain committed to the principles of pooling and of working collaboratively between the two tiers of Government in London in pursuit of our longer-term goal of further fiscal devolution. The current pool has shown London Government to be more than capable of taking joint decisions around the distribution of funding and the strategic choices about the investment of resources to benefit the whole of London. We hope to be able to reconstitute the pool in future.

Yours sincerely,

Sadiq Khan
Mayor of London

Cllr Georgia Gould
Chair, London Councils

Catherine McGuinness
Chair, Policy & Resources Committee, City of London Corporation (Lead Authority for the London NNDR Pool)