# Merton Council

# Cabinet

## 17 January 2022

## Supplementary Agenda

This page is intentionally left blank

# CABINET

**17 January 2022**

**Agenda item:**

**Business Plan Update 2022-2026**

**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 2022/23 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2022-2026. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 2 March 2022 and set a Council Tax as appropriate for 2022/23.

## Recommendations:

1. That Cabinet agrees the latest amendments to the draft Capital Programme 2022-2026 and refers them to the Overview and Scrutiny Commission on 19 January 2022 for consideration and comment.
2. That Cabinet notes the details contained in the Provisional Local Government Finance Settlement 2022-26 and the implications for Merton’s MTFS as summarised in Appendix 1.
3. That Cabinet considers and approves the Council’s draft Capital Strategy and Treasury Management Strategy for 2022/23

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

1.1 This report provides an update to Cabinet on the Business Planning process for 2022-26 and in particular on the progress made so far towards setting a balanced revenue budget for 2022/23 and over the Medium Term Financial Strategy 2022-26 period as a whole.

1.2 An update on the latest information with respect to the Local Government Finance Settlement is 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.

1.3 The report also provides an update on the capital programme for 2022-26 and a draft Capital Strategy and Treasury Management Strategy 2022/23.

## 2. DETAILS

**Brief recap**

2.1 A review of assumptions in the MTFS was undertaken and reported to Cabinet on 11 October 2021. Savings targets were set and Cabinet on 8 November 2021 agreed a draft Capital Programme 2022-2031 and referred it to the Overview and Scrutiny panels and Commission in January 2022 for consideration and comment. The November Cabinet also noted the details set out in the Government's Autumn Budget 22021 and Spending Review 2021.

2.3 The last report on the Business Plan to Cabinet on 6 December 2021 updated the MTFS further, agreeing the Council Taxbase for 2022/23 and agreed some new savings proposals for 22/23, referring them to the Overview and Scrutiny Panels in January 2022 for consideration and comment. An updated draft Capital Programme was also 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 October 2021, November 2021 and December 2021, the overall position of the MTFS reported to Cabinet on 6 December 2021 was as follows:-

| (Cumulative Budget Gap) | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| MTFS Gap (Cabinet December 2021) | 0 | 12,802 | 16,939 | 20,111 |

2.4 At its meeting on 6 December 2021, Cabinet resolved:-

1. That Cabinet considers and agrees the draft unachievable savings/income proposals (Appendix 4) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2022 for consideration and comment.
2. That Cabinet considers and agrees the new savings proposals for 2022/23 to 2025/26 (Appendix 3) and refers them to the Overview and Scrutiny panels and Commission in January 2022 for consideration and comment.
3. That Cabinet considers and agrees the draft Capital Programme 2022-2026 (Appendix 5) and refers it to the Overview and Scrutiny panels and Commission in January 2022 for consideration and comment.
4. That Cabinet agrees the proposed Council Tax Base for 2022/23 set out in paragraph 2.7 and Appendix 1.

5. That Cabinet note the opportunity set out in the Spending Review 2021 to enable social service authorities to apply an Adult Social Care Precept in 2022/23 and, subject to confirmation of this when the Referendum Principles are announced in the Local Government Finance Settlement 2022/23, agrees to incorporate this into the MTFS for 2022-26.
6. That Cabinet note that Equalities Impact Assessments for each saving, where applicable, will be included in the Member's Information Pack for consideration in future meetings

**2.8 Review of Assumptions**

Since Cabinet in December, work has been continuing to review assumptions and analyse information which has been received since then, particularly the Provisional Local Government Finance Settlement which was announced on 16 December 2021.

2.8.1 Pay

Updates on pay negotiations for the 2021/22 pay award have been previously reported as part of monthly monitoring reports.

The National Employers made a "final offer" as follows:

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

Unions are currently balloting their members about strike action and the outcome of the ballots should be known around mid to end January 2022.The MTFS includes provision for a 1.75% pay award in 2021/22.

With regard to 2022/23 to 2025/26, the latest estimates for pay inflation included in the MTFS are included in the table below:-

| (Cumulative) | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| Pay inflation (%) | 2% | 2% | 2% | 2% |

Further details on the pay negotiations for 2022/23 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) | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| Price inflation (%) | 2.5% | 1.5% | 1.5% | 1.5% |

The Consumer Prices Index (CPI) rose by 5.1% in the 12 months to November 2021, up from 4.2% in October. On a monthly basis, CPI increased by 0.7% in November 2021, compared with a fall of 0.1% in November 2020. The largest upward contribution to the change in the 12-month inflation rate between October and November 2021 were broad based, with the largest coming from transport (particularly motor fuels), and clothing and footwear. These were partially offset by a large downward contribution from restaurants and hotels.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.6% in the 12 months to November 2021, up from 3.8% in the 12 months to October. The largest upward contributions to the November 2021 CPIH 12-month inflation rate came from transport, principally from motor fuels and second-hand cars) and housing and household services.

The RPI rate for November 2021 was 7.1%, which is up from 6.0% in October 2021.

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

**Table: Forecasts for the UK Economy**

| Source: HM Treasury - Forecasts for the UK Economy (December 2021) | | | |
|---|---|---|---|
| | | | |
| 2021 (Quarter 4) | Lowest % | Highest % | Average % |
| CPI | 2.2 | 5.1 | 4.2 |
| RPI | 3.6 | 6.5 | 6.1 |
| LFS Unemployment Rate | 4.0 | 5.3 | 4.6 |
| | | | |
| 2022 (Quarter 4) | Lowest % | Highest % | Average % |
| CPI | 1.6 | 5.2 | 3.1 |
| RPI | 3.3 | 6.8 | 4.3 |
| LFS Unemployment Rate | 3.6 | 5.0 | 4.3 |
| | | | |

Independent medium-term projections for the calendar years 2021 to 2025 are summarised in the following table:-

| Source: HM Treasury - Forecasts for the UK Economy (November 2021) | | | | | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | % | % | % | % | % |
| CPI | 2.4 | 4.0 | 2.6 | 2.5 | 2.3 |
| RPI | 3.8 | 5.8 | 4.1 | 3.7 | 3.5 |
| LFS Unemployment Rate | 4.7 | 4.6 | 4.2 | 4.1 | 4.1 |

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.

| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| Inflation exceeding 1.5% | 500 | 500 | 500 | 500 |

This will only be released for specific demonstrable demand. The cash limiting strategy is not without risks.

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 Freedom Passes

Freedom Passes are administered by London Councils on behalf of London boroughs. COVID19 has significantly reduced the use of public transport in London, including among concessionary fares passengers. However, because of the methodology used for settlement of the Freedom Pass scheme with TfL, the full effect of the reduction in journeys will not be realised in savings immediately. The settlement methodology uses journey data for the previous two years to calculate the next year's cost. For example, the settlement for 2021/22 will use the average number of journeys that took place between July and June 2019-20 and 2018-19.

This means that the effects of COVID19 will work through the settlement over the next three years. London Councils has now concluded its annual negotiations with transport operators

The costs of Freedom Passes are driven by two key factors:-

- The estimated average number of journeys made by Freedom Pass holders over the past two years
- Previous work to calculate expected average fares per trip taking into account fare increases and decreases within a "basket of fares"

London Councils have advised that estimating journey numbers is an imprecise art. During the first lockdown in spring 2020, journey numbers on buses reduced by over 80% and on the underground by over 90%. Since the summer, journey numbers have been increasing, but have been suppressed more recently by new COVID-19 restrictions. Therefore, it has been difficult to determine stable trend lines that could be used for the purposes of forecasting and London Councils may need to return to these estimates as new data becomes available.

Nevertheless, when forecasting demand, London Councils officers have attempted to establish a baseline, as well as two upside and two downside scenarios. The baseline assumes that for the purposes of this year's settlement, which will determine costs in 2021/22, the two-year average of journeys will be c. -14% of normal journey levels. This level of reduction is reasonably reliable according to London Councils.

London Councils have produced forecasts based on a range of different service demands from -20% fall to +20% over the period 2021-2034.

For Merton, the estimated cost estimates over the next three years are as follows:-

| | 2021/22 £m | 2022/23 £m | 2023/24 £m |
|---|---|---|---|
| Baseline | 7.768 | 5.195 | 6.716 |
| +10% | 7.768 | 5.195 | 7.287 |
| -10% | 7.768 | 5.195 | 6.145 |
| +20% | 7.768 | 5.195 | 7.859 |
| -20% | 7.768 | 5.195 | 5.573 |

The table below compares the current provision in the budget and MTFS for Freedom Passes with the latest worst case estimate:-

| | Budget 2021/22 £m | MTFS 2022/23 £m | MTFS 2023/24 £m | MTFS 2024/25 £m |
|---|---|---|---|---|
| Merton MTFS Current Provision | 7.932 | 7.449 | 8.629 | 9.629 |
| Latest forecast (+20% "Worst case") | 7.768 | 5.195 | 7.859 | 8.859 |
| Change | (0.164) | (2.254) | (0.770) | (0.770) |

It is proposed to amend the MTFS to reflect the revised figures which are the most prudent available at the current time.

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 2022-26:-

| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| Revenuisation | 70 | 70 | 70 | 70 |

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 2021/22**

The revenue budgetary control information below summarises the corporate position using the latest available information as at 30 November 2021 as shown in a separate report on the agenda for this meeting. At period 8 to 30th November 2021, the year-end forecast is a net adverse variance of £7.358m 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 c.£4.135m 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 £4.135m excluding COVID19 and unfavourable variance of £11.493m from COVID19:-

| | Non COVID19 £000 | COVID19 £000 | Total £000 |
|---|---|---|---|
| CS | 356 | 846 | 1,202 |
| CSF | (215) | 714 | 499 |
| E&R | (2,208) | 6,854 | 4,646 |
| C&H | (2,476) | 1,137 | (1,339) |
| **Sub-total** | **(4,543)** | **9,551** | **5,008** |
| Corporate | 408 | 1,942 | 2,350 |
| **Total** | **(4,135)** | **11,493** | **7,358** |

Based on November 2021 monitoring, although an overall favourable non-Covid variance is forecast, the following pressures have been flagged:-

a) Corporate Services: Corporate Governance (Adverse variance £53k), Human Resources (Adverse variance £114k), Corporate items (Housing Benefits Rent Allowances, costs in relation to Merantun, increased legal hard charges and consultancy costs. Adverse variance £679k)

b) Children's Schools and Families: Education Service (Early Years, Senior Management and Policy Planning and Performance -Adverse variance £468k); Child Social Care and Youth Inclusion (Asylum Seeker costs, Children in Care and Resources – Adverse variance £1.132m)
c) Environment and Regeneration: Regulatory Services (Adverse variance £183k); Parking Services (Adverse variance £4.107m); Waste Services (Adverse variance £395k); Leisure & Culture (Adverse variance £279k); Building and Development Control (Adverse variance £137k)
d) Community and Housing: Housing General Fund (mainly Temporary Accommodation Adverse variance £352k)

COVID19

Covid continues to have a significant impact in 2021/22 and there will be some continuing implications on services and income going forward some of which the Government are supporting such as business rates.

2.8.8 Growth

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

| Cumulative | **2022/23 £000** | **2023/24 £000** | **2024/25 £000** | **2025/26 £000** |
|---|---|---|---|---|
| Growth (Cabinet October 2021) | 3,768 | 3,768 | 3,768 | 3,768 |

There is no additional service department growth proposed at this stage.

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

2.9.1 As reported to Cabinet in November 2021, the Chancellor of the Exchequer published an Autumn Budget 2021 and Spending Review 2021 on 27 October 2021 .A summary of the key points was included in the report. The figures included in these documents underlie the allocations to local authorities announced in the Provisional Local Government Finance Settlement 2022/23 on 16 December 2021. Details on the Provisional Local Government Finance Settlement 2022/23 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 2021. The main details are:-

a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 0.5% nationally and by 0.6% in London. The details for Merton are:-

| MERTON | 2021-2022 £m | 2022-23 £m | Change £m | Change % |
|---|---|---|---|---|
| Settlement Funding Assessment | 41.148 | 41.311 | 0.163 | 0.4 |
| of which: | | | | |
| Revenue Support Grant (RSG) | 5.187 | 5.350 | | |
| Baseline Funding Level (BFL) | 35.961 | 35.961 | | |
| | 41.148 | 41.311 | | |
| (Tariff)/Top-Up (Included in BFL) | 9.534 | 9.534 | | |

b) Core Spending Power will increase by 6.9% in cash terms nationally and 6.7% in London.

Merton's Core Spending Power is as follows:-

| | 2021-2022 £m | 2022-2023 £m | Change £m | Change % |
|---|---|---|---|---|
| Settlement Funding Assessment | 41.148 | 41.311 | 0.163 | 0.4 |
| Section 31 Grant | 1.874 | 2.955 | 1.081 | 57.7 |
| Council Tax Requirement | 99.862 | 103.492 | 3.630 | 3.6 |
| Improved Better Care Fund | 4.862 | 5.009 | 0.147 | 3.0 |
| Social Care Grant | 4.466 | 6.282 | 1.816 | 40.7 |
| Market Sustainability and Fair Cost of Care Grant | 0.000 | 0.505 | 0.505 | N/A |
| New Homes Bonus | 0.612 | 0.482 | (0.130) | (21.2) |
| Lower tier Services Grant | 0.399 | 0.420 | 0.021 | 5.2 |
| 2022/23 Services Grant | 0.000 | 2.479 | 2.479 | N/A |
| | | | | |
| Total Core Spending Power | 153.223 | 162.935 | 9.249 | 6.0 |

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 2022/23. 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) | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| **Improved Better Care Fund** | **5.009** | **5.009** | **5.009** | **5.009** |

d) Social Care Grant

As indicated in the Core Spending Power Summary, Social Care Grant of £4.466m will be received in 2022/23. 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 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| **CSF Growth 2022/23 (cumulative)** | **4,635** | **5,025** | **5,025** | **5,025** |
| **Social Care Grant *** | **6.282** | **5,025** | **5,025** | **5,025** |
| **Balance** | **1,647** | **0** | **0** | **0** |

* Although funding beyond 2022/23 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 2022- 23 for authorities with Adult Social Care responsibilities such as Merton:-:

For 2022-23, the relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2022-23 is 3% (2% on other expenditure + 1% on adult social care) greater than its relevant basic amount of council tax for 2021-22

2.9.4 Special and Specific Grants

The distribution of several grants was published with the Provisional Settlement as part of Core Spending Power. These are detailed in Appendix 1 and include "2022-23 Services Grant".

2022-23 Services Grant

This is a new grant termed "2022-23 Services Grant". The Government proposes to introduce this one off 2022/23 Services Grant worth £822 million nationally for 2022/23.

The new grant will be distributed through the existing formula for assessed relative need across the sector, using 2013/14 shares of Settlement Funding Assessment. It will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government.

This grant includes funding for local government costs for the increase in employer National Insurance Contributions.

The government proposes that this grant will not be ringfenced, and conditions on reporting requirements will not be attached. This is so local authorities can provide support across the entire sector in recognition of the vital services delivered at every level of local government.

The Government states that it has a clear intention for this grant to be one off for 2022/23 and have prioritised using an available distribution for 2022/23 but intend to work closely with local government on how to best use this funding from 2023/24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

Other grants

Allocations of the following grants are yet to be announced or confirmed as not continuing. These include:-

- Public Health Grant (expected to rise by inflation as set out at SR21)
- Homelessness Reduction Grant (expected to be published w-c 20th December)
- Lead Local Flood Authorities Grant – which DLUHC confirmed has been discontinued
- The Independent Living Fund – no decision made yet on continuation
- LCTS Admin Subsidy and HB Admin Subsidy will be confirmed later in 2022 (as usual)

2.10 **Settlement funding Assessment: RSG and Business Rates 2022-23**

2.10.1 The Settlement Funding Assessment (SFA) is made up of Revenue Support Grant and Business Rates. As announced in the Provisional local Government Finance Settlement the assumptions with respect to SFA compared to 2021/22 are as follows:-

| | Final Settlement 2021/22 £000 | MTFS 2022/23 £000 | Provisional Settlement 2022/23 £000 |
|---|---|---|---|
| RSG | 5,187 | 5,291 | 5,350 |
| Estimated Share of Business Rates | 26,427 | 25,492 | 26,427 |
| Top-Up | 9,534 | 9,534 | 9,534 |
| **SFA** | **41,148** | **40,317** | **41,311** |
| Section 31-compensation for under-indexing | 1,874 | 2,256 | 2,955 |
| **Total** | **43,022** | **42,573** | **44,266** |

Merton's estimated share of business rates is 30% and equates to c £88m total estimated rates receivable.

The level of rates receivable has been heavily impacted upon by Covid-19 but due to Government schemes lost rates income will be replaced by Section 31 grant.

The final estimated budget for Business Rates for 2022/23 will be based on the Government's NNDR1 return which has to be completed and returned by 31 January 2022. It is therefore, proposed to keep the current estimates in the MTFS and update these in the February Cabinet report, pending the NNDR1 figures

2.10.2 Collection Fund Surplus/Deficits – Business Rates and Council Tax

It is a requirement to budget in 2022/23, for any estimated surplus/deficit arising in the Collection Fund for Council Tax and Business Rates as at 31 March 2022. There has been no allowance to spread any potential deficit in 2021/22 over three years as per the Collection Fund for 2020/21. These details will come from the NNDR1 and calculation of the council tax bad debt provision and will be included in the report to Cabinet in February 2022.

2.10.3 Final projections for Business Rates retention in 2022/23 will be based on NNDR1 returns for 2022/23 which are due to be returned to Central government by 31 January 2022.

2.10.4 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 6 December 2021 agreed the Council Tax Base 2022/23 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 2022/23 compared to 2021/22 is set out in the following table:-

| **Council Tax Base** | **2021/22** | **2022/23** | **Change** |
|---|---|---|---|
| | | | % |
| Whole Area | 74,220.0 | 75,754.6 | 2.1% |
| Wimbledon & Putney Common Conservators | 11,381.8 | 11,705.0 | 2.8% |

2.11.3 These figures will be used to calculate the council tax bills for 2022/23.

## 3. SAVINGS PROPOSALS 2022-26

3.1 Savings proposals were agreed by Cabinet in December 2021 and have been included in the Member's Information Pack which was circulated at the end of December 2021.

## 4. SERVICE PLANNING 2022-26

4.1 Final Draft Service Plans will be included in the report to Cabinet in February 2022. First draft service plans have been included in the Member's Information Pack which was circulated at the end of December 2021

## 5. DSG DEFICIT

5.1 The DSG had a cumulative overspend of £24.981m at the end of 2020/21. The Dedicated Schools Grant (DSG) is forecasting an outturn adverse variance of £12.857m in 2021/22 based on November 2021 monitoring.

5.2 Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country as at the end of 2020/21. The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit to a positive position. We have provided an updated plan to the DfE which they will present to Ministers. An update will be provided to Cabinet in February as part of the MTFS report, but if successful, we are unlikely to hear about the detail of any financial support and performance targets until late January.

5.3 At the current stage it is proposed to include the following provision in the MTFS for the staff required to address the DSG deficit, which is required regardless of whether we are successful with Safety Valve funding. There will also be an increase in SEN capital expenditure to address the deficit which is expected to be grant funded.

| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---|---|---|---|---|
| **DSG safety Valve (cumulative)** | **1,100** | **1,100** | **1.100** | **1,100** |

## 6. UPDATE TO MTFS 2021-25

6.1 The change in the MTFS gap from that reported in December 2021 arising from the latest information discussed in this report is summarised in the following table:-

| **Budget Forecast 2022/23 to 2026/27** | | | | |
|---|---|---|---|---|
| | **22/23 £'000** | **23/24 £'000** | **24/25 £'000** | **25/26 £'000** |
| **MTFS Gap - Cabinet 6 December 2021** | **0** | **12,802** | **16,939** | **20,111** |
| Adult Social Care – Spend | 147 | 147 | 147 | 147 |
| Improved BSF Grant | (147) | (147) | (147) | (147) |
| Cost of Care Spend | 550 | 0 | 0 | 0 |
| Market Sustainability and Fair Cost of Care Fund | (550) | 0 | 0 | 0 |
| 2022/23 Services Grant | (2,479) | 0 | 0 | 0 |
| Capital Financing Costs | 5 | (11) | (84) | (680) |
| Social Care Spend | 1,647 | 0 | 0 | 0 |
| Social Care Grant | (3,122) | (1,475) | (1,475) | (1,475) |
| New Homes Bonus | 18 | 200 | 200 | 200 |
| Freedom Passes | (1,781) | (1,481) | (2,484) | (3,486) |
| DSG Safety Valve | 1,100 | 1,100 | 1,100 | 1,100 |
| Change in Balancing the Budget Reserve | 4,612 | (4,612) | | |
| **REVISED MTFS GAP** | **0** | **6,523** | **14,196** | **15,770** |

6.2 A more detailed MTFS is included as Appendix 2.

## 7. CAPITAL PROGRAMME 2022-26: UPDATE

7.1 A proposed draft Capital Programme 2022-26 was presented to Cabinet on 6 December 2021.

7.2 Monthly monitoring of the approved programme for 2021/22 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.

7.3 Further changes that have been made to the proposed capital programme since it was presented to Cabinet in December 2021 are set out in Appendix 3. These figures are based on November 2021 Monitoring. There will also be an increase in SEN capital expenditure for expansions of provision which is expected to be grant funded if successful as part of the Safety Valve discussions and therefore no net effect on the authority.

### 7.4 Capital Financing Costs

Revenue Implications of Current Capital Programme

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.

The report to Cabinet in December 2021 presented the latest current capital programme based on October 2021 monitoring and new bids, summarised as follows:-

| Capital Expenditure and Financing Costs | 2022/23 Estimate £000 | 2023/24 Estimate £000's | 2024/25 Estimate £000's | 2025/26 Estimate £000's |
|---|---|---|---|---|
| Capital Expenditure after slippage (Cabinet Dec. 2021) | 27,790 | 20,761 | 23,348 | 30,285 |
| Capital Financing Costs (Cabinet Dec. 2021) | 10,802 | 11,647 | 12,774 | 13,578 |

Further work has been ongoing to review and challenge the assumptions these figures are based on.

The latest current capital programme based on November 2021 monitoring and including new bids is summarised in the following table:-

| Capital Expenditure and Financing Costs | 2022/23 Estimate £000 | 2023/24 Estimate £000's | 2024/25 Estimate £000's | 2025/26 Estimate £000's |
|---|---|---|---|---|
| Capital Expenditure after slippage | 30,937 | 21,935 | 15,324 | 37,962 |
| Capital Financing Costs | 10,807 | 11,636 | 12,690 | 12,898 |

The details relating to the latest summary figures are set out in the draft Capital Strategy (Appendix 3).

## 8. BUDGET STRATEGY

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

8.2 The MTFS reported to Cabinet in December 2021 assumed a 2% general Council Tax increase for 2022-2026 and 1% for Adult Social Care in 2022/23 . The MTFS in this update assumes a 3% increase in council tax in 2022/23.

## 9. GLA BUDGET AND PRECEPT SETTING 2022-23

9.1 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.

9.2 The Mayor published his draft consolidated budget and provisional council tax precept for 2022-23 on 22 December 2021 for consultation. The consultation on the budget proposals will end on 18 January 2022.

9.3 Under these budget arrangements, the GLA's provisional precept on council taxpayers in the 32 London boroughs is £395.59 – a £31.93 or 8.8% increase compared to 2021/22. The proposed precept for council taxpayers in the City of London – City of London – excluding the police element – is £118.46 which is a £21.93 (22.7%) increase which excludes the £10 element for the Met Police.

9.4 The GLA's precept proposal assumes that the government accedes to the Mayor's request to adjust the council tax excessiveness principles for the GLA (i.e. referendum limits) to accommodate an additional £20 rise to fund transport services in the final local government settlement. If this is not agreed then the final precept figure may change.

9.5 The final precept will not be approved formally until the London Assembly budget meeting scheduled for 24 February 2022.

## 10. UPDATE

10.1 NNDR1 returns will be required to be submitted to the MLUHC by 31 January 2022. The percentage shares for 2022-23 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.

10.2 Council Tax – Implied increase

10.2.1 If Merton has a 3% Council Tax increase (2% general, 1% 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** | **2021/22 £** | **2022/23 £** | **% change from 2021/22** |
|---|---|---|---|
| Merton (exc. WPCC) | 1,340.72 | 1,380.93 | 3.0% |
| GLA Precept (Provisional) | 363.66 | 395.59 | 8.8% |
| **Implied Council Tax at Band D** | 1,704.38 | 1,776.52 | 4.2% |

## 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 15 February 2022.

11.3 As previously indicated, a Member's 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 the Member's Information Pack.

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 2022-23: Summary
**Appendix 2:** MTFS Update
**Appendix 3:** Draft Capital Programme 2022-26 and Capital Strategy 2022/23
**Appendix 4:** Draft Treasury Management Strategy

**BACKGROUND PAPERS**

Budget files held in the Corporate Services department.

**REPORT AUTHOR**


– *Name: Roger Kershaw*

– *Tel: 020 8545 3458*

**email:** roger.kershaw@merton.gov.uk

**PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23**

Background

The Chancellor of the Exchequer published an Autumn Budget 2021 and Spending Review 2021 on 27 October 2021 .A summary of the key points was included in the Report to Cabinet on 8 November 2021. The figures included in these documents underlie the allocations to local authorities announced in the Provisional Local Government Finance Settlement 2022/23 on 16 December 2021. Details on the Provisional Local Government Finance Settlement 2022/23 are provided in this Appendix.

Overview of the Provisional Local Government Settlement 2022-23

Details of the provisional Local Government Settlement were published on 16 December 2021.

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

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 0.5% in SFA nationally in 2022/23. Details of changes in SFA for England, London boroughs and in Merton are summarised in the following table:-

| | 2018/19 Final £m | 2019/20 Final £m | 2020/21 Final £m | 2021/22 Final £m | 2022/23 Provisional £m |
|---|---|---|---|---|---|
| Merton (£m) | 44.662 | 40.460 | 41.120 | 41.148 | 41.311 |
| Annual % Change | | -9.4% | 1.6% | 0.1% | 0.4% |
| Cumulative % change | | -9.4% | -7.9% | -7.9% | -7.5% |
| England (£m) | 16,943.064 | 15,958.163 | 16,208.506 | 16,206.706 | 16,282.153 |
| Annual % Change | | -5.8% | 1.6% | 0.0% | 0.5% |
| Cumulative % change | | -5.8% | -4.3% | -4.3% | -3.9% |
| London Boroughs (£m) | 2,901.229 | 2,713.504 | 2,757.716 | 2,760.736 | 2,777.718 |
| Annual % Change | | -6.5% | 1.6% | 0.1% | 0.6% |
| Cumulative % change | | -6.5% | -4.9% | -4.8% | -4.4% |

The Provisional Settlement broadly reflects the details set out in the Spending Round 2021. The main details are:-

a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 0.5% nationally and by 0.6% in London. The details for Merton are:-

| MERTON | 2021-2022 £m | 2022-23 £m | Change £m | Change % |
|---|---|---|---|---|
| Settlement Funding Assessment | 41.148 | 41.311 | 0.163 | 0.4 |
| of which: | | | | |
| Revenue Support Grant (RSG) | 5.187 | 5.350 | | |
| Baseline Funding Level (BFL) | 35.961 | 35.961 | | |
| | 41.148 | 41.311 | | |
| (Tariff)/Top-Up (Included in BFL) | 9.534 | 9.534 | | |

1.2 <u>Core Spending Power</u>

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 equalised for impact of ASC precept for 2022-23
- Lower Tier Services Grant
- Market Sustainability and Fair Cost of Care Fund: to support local authorities, prepare markets for reform and move towards paying providers a fair cost of care
- Services Grant 2022-23: a new, one-off grant to support all services delivered by councils

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 1% in 2022-23
- All authorities increase overall council tax by the maximum amount (2% in 2022-23)
- Tax base increases at the same average rate for each authority as between 2017-18 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 | 2018/19 Final | 2019/20 Final | 2020/21 Final | 2021/22 Final | 2022/23 Provisional | 2022/23 Change |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | % |
| England | 45,098.3 | 46,213.3 | 48,999.1 | 50,392 | 53,856.5 | 6.9% |
| London Boroughs | 6,731.4 | 6,848.2 | 7,257.8 | 7,440.9 | 7,936.6 | 6.7% |
| Merton | 139.6 | 142.2 | 150.3 | 153.2 | 162.9 | 6.3% |

A summary of Merton’s assumed Core Spending Power from 2018/19 to 2022/23 is included in the following table:-

**Detailed Breakdown of Core Spending Power – Merton**

| | **Final** | **Final** | **Final** | **Final** | **Provisional** | **Annual Change (21-22 to 22-23)** | **Cumulative Change (18-19 to 22-23)** |
|---|---|---|---|---|---|---|---|
| | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | | |
| | £m | £m | £m | £m | £m | % | % |
| Council Tax | 87.009 | 92.370 | 97.386 | 99.862 | 103.492 | 3.6% | 18.9% |
| SFA | 44.662 | 40.460 | 41.120 | 41.148 | 41.311 | 0.4% | (7.5)% |
| S.31 grant Compensation for business rates | 0.793 | 1.153 | 1.441 | 1.874 | 2.955 | 57.7% | 272.6% |
| Improved Better Care Fund | 3.523 | 4.114 | 4.862 | 4.862 | 5.009 | 3.0% | 42.2% |
| New Homes Bonus | 2.371 | 2.108 | 1.438 | 0.612 | 0.482 | (21.2)% | (79.7)% |
| Adult Social Care Support Grant | 0.467 | 0.000 | 0.000 | 0.000 | 0.000 | 0.0 | - |
| Winter Pressures Grant | 0.748 | 0.748 | 0.000 | 0.000 | 0.000 | 0.0 | - |
| Social Care Support Grant | 0.000 | 1.278 | 0.000 | 0.000 | 0.000 | 0.0 | - |
| Social Care Grant | 0.000 | 0.000 | 4.058 | 4.466 | 6.282 | 40.7% | - |
| Market Sustainability and Fair Cost of Care Fund | 0.000 | 0.000 | 0.000 | 0.000 | 0.505 | - | - |
| Lower Tier Services Grant | 0.000 | 0.000 | 0.000 | 0.399 | 0.420 | 5.3% | - |
| 22/23 Services Grant | 0.000 | 0.000 | 0.000 | 0.000 | 2.479 | - | - |
| **Core Spending Power** | **139.574** | **143.231** | **150.305** | **153.223** | **162,935** | **6.3%** | **16.7%** |

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 2022-23, 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 2022-23, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2022-23 is 3% comprising 1% for expenditure on adult social care and 2% for other expenditure), or more than 3%, greater than its relevant basic amount of council tax for 2021-22.

Police and Crime Commissioners (PCCs) including the GLA charge for the Metropolitan Police will be allowed increases of £10. The consultation document notes that the Mayor of London is currently considering his approach to the future funding of Transport for London, and that the Government will consider any proposals he makes about the future level of the GLA precept in response to this consultation. The Mayor is currently considering whether to raise council tax by £20 a year to help fund TfL.

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

| | 2022/23 % | 2023/24 % | 2024/25 % | 2025/26 % |
|---|---|---|---|---|
| Council Tax increase - General | 1.99 | 2.00 | 2.00 | 2.00 |
| Council Tax increase - ASC | 1.00 | 0 | 0 | 0 |
| Total | 2.99 | 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, but the consultation rules that the Government has decided to maintain the current approach to the NHB payments in 2022-23.

The Government is proposing a new round of NHB payments (year 12 payments) in 2022-23.

The allocations for 2022-23 will be funded through a £554 million top slice of RSG.

The Government has not changed the calculation process for year 12 payments, and the methodology is the same as in 2021-22. Year 12 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 2022-23 allocations. This means paying legacy payments associated with year 9 (2019-20)

Merton's increase in units in 2022/23 is 0.45% and slightly more than the 0.4% baseline and therefore Merton receives additional NHB of £152,654 in 2022/23 plus the NHB relating to year 9 (£329,759), totalling £482,413.

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

The Improved Better Care Fund (iBCF) will be increased by £63m (3%) and £10m in London. This will be an inflationary uplift on 2021-22 allocations in line with the September 2020 to September 2021 change in the Consumer Price Index (CPI). The distribution formula remains unchanged and the grant will continue to be required to be pooled as part of the Better Care Fund .

Merton's allocation is:-

| **Improved Better Care Fund** | **2021-22 £m** | **2022-23 £m** | **Change £m** | **Change %** |
|---|---|---|---|---|
| Merton | 4.862 | 5.009 | 0.147 | 3.0 |

1.4.4 Social Care Grant

Social Care Grant allocations will be increased by £636m in 2022-23. This brings the total of the grant to £2.35 billion, with £556 million allocated using the Adult Social Care Relative Needs Formula (RNF) and a further £60 million to equalise the variation in yield from the ASC precept. If the terms are the same as for previous years, 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 | 2021-22 £m | 2022-23 £m | Change £m | Change % |
|---|---|---|---|---|
| Merton | 4.466 | 6.282 | 1.816 | 40.7 |

<u>Department of Health and Social Care's Market Sustainability and Fair Cost of Care Fund</u>

This is a £162 million fund to support local authorities to prepare their markets for reform and move towards paying providers a fair cost of care. It will be allocated using the existing ASC Relative Needs Formula.

Merton's allocation is:-

| Market Sustainability and Fair Cost of Care Fund | £m |
|---|---|
| Merton | 0.505 |

The government says that it will work closely with local government to determine appropriate grant conditions, national guidance and distribution mechanisms for funding allocations in 2023 to 2024 and 2024 to 2025 and has indicated that £600 million will be allocated nationally via this grant in those years.

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

1.5 <u>Provisional Settlement Consultation Response</u>
The Government's consultation period on the provisional settlement figures has a deadline of 13 January 2022.

| DRAFT MTFS 2022-26: | | | | |
|---|---|---|---|---|
| | **2022/23 £000** | **2023/24 £000** | **2024/25 £000** | **2025/26 £000** |
| **Departmental Base Budget 2021/22** | **161,837** | **161,837** | **161,837** | **161,837** |
| Inflation (Pay, Prices) | 6,506 | 10,755 | 16,485 | 20,544 |
| NI increase | 989 | 1,008 | 1,029 | 1,049 |
| Salary oncost increase (15.2% to 17.06%) | 24 | 48 | 72 | 96 |
| FYE – Previous Years Savings | (3,305) | (3,176) | (2,651) | (2,651) |
| FYE – Previous Years Growth | 384 | 774 | 774 | 774 |
| Amendments to previously agreed savings/growth | 3,641 | 900 | 325 | 325 |
| Change in Net Appropriations to/(from) Reserves | (905) | (1,936) | (1,935) | (1,935) |
| Taxi card/Concessionary Fares | (2,259) | (777) | (777) | (777) |
| Social Care - Additional Spend offset by grant/precept | 1,713 | 1,176 | 1,181 | 1,186 |
| Growth | 909 | 909 | 1,359 | 909 |
| DSG Safety Valve | 1,100 | 1,100 | 1,100 | 1,100 |
| Provision - DSG Deficit | 10,543 | 11,628 | 12,714 | 13,799 |
| Other | 2,092 | 661 | 740 | 918 |
| **Re-Priced Departmental Budget** | **183,268** | **184,907** | **192,252** | **197,174** |
| Treasury/Capital financing | 10,816 | 11,654 | 12,708 | 12,916 |
| Pensions | 0 | 0 | 0 | 0 |
| Other Corporate items | (19,548) | (20,716) | (20,946) | (20,946) |
| Levies | 606 | 606 | 606 | 606 |
| **Sub-total: Corporate provisions** | **(8,126)** | **(8,456)** | **(7,632)** | **(7,424)** |
| | | | | |
| **Sub-total: Repriced Departmental Budget + Corporate Provisions** | **175,142** | **176,452** | **184,621** | **189,750** |
| Savings/Income Proposals 2022/23 | (936) | (2,718) | (2,607) | (2,496) |
| **Sub-total** | **174,206** | **173,734** | **182,014** | **187,254** |
| Appropriation to/from departmental reserves | (1,301) | (270) | (271) | (271) |
| Appropriation to/from Balancing the Budget Reserve | (11,529) | (5,096) | 0 | 0 |
| ONGOING IMPACT OF COVID-19 (NET) | 1,143 | 505 | 0 | 0 |
| **BUDGET REQUIREMENT** | **162,519** | **168,873** | **181,743** | **186,983** |
| **Funded by:** | | | | |
| Revenue Support Grant/Covid RNF & LCTS grant | 0 | 0 | 0 | 0 |
| Business Rates (inc. Section 31 grant) | (39,573) | (40,424) | (41,292) | (42,178) |
| Adult Social Care Grants inc. BCF | (5,009) | (5,009) | (5,009) | (5,009) |
| Social Care Grant | (6,282) | (5,025) | (5,025) | (5,025) |
| PFI Grant | (4,797) | (4,797) | (4,797) | (4,797) |
| New Homes Bonus | (482) | (300) | (300) | (300) |
| Council Tax inc. WPCC | (104,965) | (108,411) | (111,123) | (113,903) |
| Collection Fund – (Surplus)/Deficit | 1,617 | 1,616 | 0 | 0 |
| Market Sustainability and Fair Cost of Care Fund | (550) | 0 | 0 | 0 |
| 2022/23 Services Grant | (2,479) | 0 | 0 | 0 |
| **TOTAL FUNDING** | **(162,519)** | **(162,350)** | **(167,546)** | **(171,213)** |
| | | | | |
| **GAP including Use of Reserves (Cumulative)** | **0** | **6,523** | **14,196** | **15,770** |

# Merton's Capital Strategy
# 2022-26

# December 2021 – 2nd Draft

**Delivering Your Merton**

Our ambition for the future of Merton (Your Merton) should build on the strengths of the borough and what makes Merton unique, while not shying away from the big challenges ahead. Merton has a huge amount to offer but not everyone has been able to benefit from this to the same degree, and we have not shouted loud enough about what makes Merton and its communities great.

Our parks, rivers and open spaces form part of the unique identity and character of Merton. People have told us how much they value the wealth of green spaces in Merton and that they want to see these green spaces being maximised to their fullest extent. The Council and its partners should think creatively and ambitiously about how to harness their value as community assets, while protecting them and supporting biodiversity.

People have also told us how important community is to them and want to see a vision for the future which brings people together.  They value the diversity in our communities, want to hold onto the community spirit from the pandemic and see more places in their local area where people can come together. Merton has a wealth of assets in its community infrastructure, especially our voluntary and community groups – our ambition must reinforce and build on these.

The strength of Merton's partnerships on a local level is an asset for the borough and should drive delivery of the ambition. Investment in our local partnerships and community infrastructure has proven to be invaluable over the last year when mobilising the emergency response to the pandemic. This will continue to be crucial in recovery and how we work with our community to deliver the best outcomes for the borough and its residents.

Looking back over the last decade, there is much that Merton can be proud of in what the council and its partners have delivered for its residents and communities. The recent experience of the pandemic has imposed huge strains on the boroughs' residents, but it has also reinforced the value and importance of the council's role in leading the response to this unique event. We have shown the strength and effectiveness of our local partnerships and what we can achieve when we work side by side with our communities and partners. This partnership working and collaboration should be carried forward into developing and delivering Your Merton 2030.



**<u>Councillor Mark Allison,</u>**

**<u>Leader, Merton Council</u>**

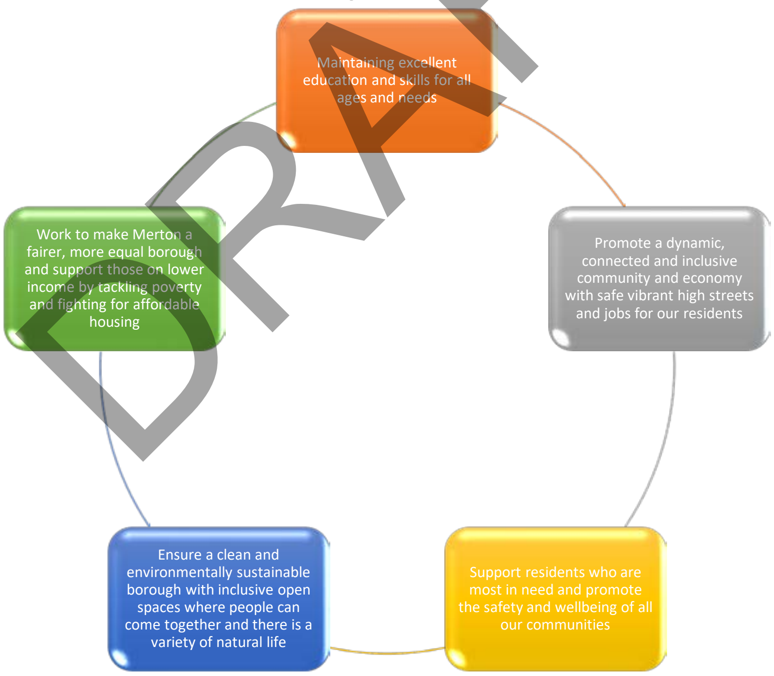
## Strategic Planning Strategy Framework

The Capital Strategy is an integral part of the Council's Strategic and Financial Planning Framework:


As part of the Prudential Code for Capital Finance in Local Authorities 2017 local authorities are required to produce a capital strategy. This document should embody the capital investment requirements of the strategic leadership of the Authority including key strategies and plans developed by the organisation such as the Local Plan, Pupil Place Planning, the Asset Management Strategy and any Transport Strategies.

Since September 2020 Merton has been undertaking the largest borough-wide engagement programme it has ever undertaken and is now taking forward five strategic priorities to deliver our ambition:

Strategic Priorities






Underneath these five priorities will sit a set of strategic objectives which we would work with our partners to develop and deliver on.

The impact of the pandemic continues to be felt by all our communities, businesses and the local economy. As a Council we continue to respond to these challenges making sure we position ourselves to recover as quickly as possible from its effects. Strong financial management is at the heart of the Capital Strategy enabling it to play a key role in the Council's response.

## Business Plan 2022-2026

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.

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.

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.

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.

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

<u>Key Non-Financial Information in the Business Plan</u>




## Service Plans

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.

**Capital Strategy**

The Council recognises the vital contribution its Capital Strategy plays in the economic growth of the borough. The significant and strategically planned investment shows that Merton is an ambitious borough looking to invest in improvements of placemaking to create an economic resilience which allows both local business and communities to thrive. It also welcomes the opportunity to work with the private sector to deliver its priorities and for the private sector to see Merton as a place it wants to invest in. The Council recognises that it needs to leverage private investment to create a resilient local economy and deliver the best outcomes for residents and businesses.

The importance of having a meaningful and comprehensive Capital Strategy is recognized by the Chartered Institute of Public Finance and Accountancy's (CIPFA) in both its Prudential Code and Capital Strategy Guidance which requires every local authority have a Capital Strategy allowing them to ensure capital investment is directed to programmes and projects which maximise the delivery of organisational objectives, support sound borrowing and effective financial management.



**Evidence of Need**

Merton is an outer London borough with a current population in 2021 of 204,676, projected to increase to 210,416 in 2026 and 221,303 in 2036 (BPO projections dated March 2021). The Borough Preferred Option (BPO) population projections are calculated using the Merton housing trajectory, as published in the Authority Monitoring Report (AMR) each year. This is considered to be the best estimate of assumed growth in Merton and is used for the Local Plan.

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 43%. The population aged 85 and over is projected to increase by an even greater proportion, 52% (BPO March 2021). Local research supports the increasing need identified in the London Plan for housing designed for older people, including sheltered and extra-care.

The Merton Community Plan sets out the long term community ambition for the borough, with an overall aim to increase social capital and improve resilience and wellbeing, particularly for those parts of Merton with the lowest socio-economic outcomes. 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 fed into the development of the Community Plan.

The Covid-19 pandemic has had a profound impact on Merton, its residents, local businesses and communities. Community organisations, faith groups, local businesses and thousands of volunteers of all ages and backgrounds have worked in partnership with the council to help those in need across the borough.

**1. Maintaining excellent education and skills for all ages and needs.**

Looking at the earlier stages of life there is projected to be little change in the number of people aged under 15, compared with increases or decreases shown for other age groups. Focussing on the student aged population of 18-23 years, there is projected to be a rise of around 3,300 or 33% between 2021 and 2036 (BPO March 2021).

The council is responsible for school places in the borough and has a statutory duty to ensure that sufficient school places are available for every child. Children Schools and Families (CSF) provide annual reports and updates with regard to supply and demand of school places in Merton. These are the council's official school roll forecasts submitted to the Department for Education (DfE) and are based on the GLA Model 2 medium scenario (middle development scenario and middle migration scenario) which incorporates the borough housing development growth.

From 2022/23 £2.5 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.

While Merton schools perform well, there are differences across the borough which existed prior to the pandemic and emerging evidence suggests that attainment of disadvantaged pupils will be further compounded by the pandemic impacts.

- 68% of children in the west of the borough meet school readiness expectations compared to 55% of children in the east of the borough – below the London average.
- 12.6% of Merton school pupils received Special Educational Needs (SEN) support with 4.8% (1,583) having an Education Health and Care (EHC) plan – above the London average. The highest rates of children and young people on SEN support and EHC plans are in the East of the borough.

- Before the pandemic, Merton had a lower proportion of Asian and Black pupils who achieved grade 5 or above in English and Maths GCSE compared to London average. Differences in attainment across wards can also be seen in GCSE results and poorer outcomes are seen for children eligible for Free School Meals or Pupil Premium grant. Emerging evidence suggested that attainment of disadvantaged pupils will be further compounded by the pandemic

The information below has been taken from the September 2021 School Places Planning Strategy.

**Primary Education**

A baseline review carried out in summer 2021 identified that Merton has a total of 44 state funded primary schools.

After an unprecedented 35% increase in primary school pupil numbers in the 11 years to 2017/18 (a rise of 4,367 from 12,683 to 17,050), 2017/18 was the peak. Merton is now experiencing a significant fall, with a drop of 1,184 (7%) to 2020/21. This fall was not forecast at a London or national level prior to 2016 and seems to have been highly influenced by changing migration patterns as a result of the Brexit referendum and then Brexit itself. Reception year numbers decreased in 2020/21 for the fifth consecutive year and projections indicate further falls in future years.

The actual and forecast numbers for reception year and total for primary schools between 2006/07 and 2025/26 determines that there are no primary school projects identified for the first 5 years of the new Local Plan period. This will be reviewed on an annual basis, but it is expected that the downward trend will continue for a number of years.

**Secondary Education**

A baseline review carried out in September 2021 identified that Merton has a total of 9 state funded secondary schools.

The substantial increase of primary school pupils in the 11 years to 2017/18 then moved 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. Since that time the numbers have declined and the continued downward trend of primary school pupils will carry into the secondary schools over the next few years. The level of demand will continue to be dependent on pupil retention, as there is extensive cross borough border moment.

Based on forecast pupil numbers there are no plans to implement any further mainstream secondary school expansions for the first five years of the Local Plan period and the council is not supportive of new schools in neighbouring boroughs close to the borough boundaries. The current strategy is to continue to work with the secondary schools to monitor numbers annually, to agree options for reductions in admissions numbers in the coming years.

**Special Education Needs**

The council caters for pupils with Special Educational needs and disabilities (SEND) through mainstream schools, specialist provision within mainstream schools (referred to as additional resourced provision), special schools, and the use of independent provision.

The growth in demand for SEND placements has received national attention, and recent growth has been significant in Merton. The number of children with Education, Health and Care Plan (EHCP) in Merton more than doubled in the last 5 years, from 1,075 in January 2016 to 2,252 in January 2020.

The council has been active in implementing special school expansions in recent years, including the following sites:




Despite recent school expansions, SEND places are currently full. The council is therefore reliant on independent schools, which is continuing to increase the overall costs. To respond to this forecast continued growth, the council has planned to provide an additional 80 SEND school places at Whatley Avenue, from September 2022. Additionally, there is a need to address the current over reliance on the independent sector.

Reports provided by CSF in September 2021 indicate that the number of increased places has not kept up with the increase in EHCPs. The CSF team was working with the Department for Education (DfE) over the autumn as part of the 'Safety Valve Intervention Programme' with a view to submit a proposal to DfE for future plans if successful. The actual and projected fall in demand for primary school places, and the projected fall in demand for secondary school places offers the opportunity to deliver additional specialist spaces for a lower capital cost and make the best use of buildings.

**Tertiary and Adult Education**

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 include South Thames College (Merton Campus) and Wimbledon College of Arts; and Merton Adult Education.

These facilities have a regional and even a national catchment and can therefore impact on the local areas, for example, the numbers of students seeking local private accommodation in the borough, local transport patterns, and the types of local retail provided. Whilst there is no need for special provision to be made for such facilities, they form an important component of the borough's overall educational offer and in themselves can be significant contributors to the educational infrastructure of the borough.

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. There are no known tertiary education projects to be delivered in the first 5 years of the Local Plan.

**Early Years and 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.

The Merton BPO 2021 indicates there are 13,718 children under the age of five living in Merton, representing 6.7% of the total population. This total is projected to decline over the next 5 years to 12,653 in 2026, before then increasing slightly over the 10-year period to 13,250 in 2036 (5.9% of the total population).

The Merton Childcare Sufficiency Assessment (CSA) (2020) published in January 2021 provides an assessment of the sufficiency of Merton's childcare market place and how the council proposes to manage any shortfalls in a specific type or need in the borough. The CSA report identifies that the quality of childcare provision in Merton is consistently high.

The CSA recorded 377 childcare providers in the Borough, offering approximately 7,721 early years childcare places through childminders, nursery classes in primary schools and one special school and private and voluntary nurseries and preschools. The CSA reports that the childcare market in Merton remains stable, although it does identify that the impact of Covid-19 may have an effect on the market throughout 2021 and into early 2022. It identifies that demand for childcare is likely to be reduced over the next 5 years, given that the 0-5 years and 5-11 years population groups both continue to fall.

The report identified further investigation was required in the next year to increase the number of places for funded 2 year olds in Figge's Marsh, Ravensbury and St Helier wards. This was due to these areas having lower supply and take up. A recently opened site in Ravensbury at the end of 2020 will assist this need. As two of these wards share a border with Sutton, it is acknowledged that families may be utilising childcare facilities in the neighbouring borough.

Wimbledon Park was also identified as an area of concern, with less than a quarter of eligible families taking up places and a lack of provision may be dissuading families as they have to look elsewhere for places.

It is difficult to provide a complete assessment of all early childcare needs, given that population data does not take into account the movement of children into neighbouring boroughs. The CSA is carried out annually, and will continue to be monitored. Major developments that come forward in the borough will need to liaise with the council to consider childcare needs early on in the planning process.

2. **Promote a dynamic, connected and inclusive community and economy with safe, vibrant high streets and jobs for our residents.**

**Vibrant High Streets, Jobs and Transport**

The new Local Plan also supports the delivery of new jobs. The development of key sites across Merton, particularly in the town centres and along the high streets will include the provision of commercial space, to ensure businesses continue to thrive in the borough.

Economic and social recovery from the effects of the Covid-19 pandemic 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 Covid-19 is likely to 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.

The LIP sets out Merton Council's transport strategy and has been developed to align with and contribute towards the delivery of objectives set out in the Mayor's Transport Strategy. These include:

- Healthy streets and healthy people;
- A good public transport experience; and
- New homes and jobs.

LIP3 sets out a three year delivery programme for the period 2019/20 to 2020/22 and also outlines an indicative programme through to 2041. The programme is set against a background of predicted employment, population and freight growth and the demands it places on an increasingly congested transport system and the need to lessen and minimise the impacts on the environment and air quality.

The plan acknowledges a changing society and expanding health challenges, notably growing obesity in children and health inequalities in Merton, especially in the eastern parts of the borough. It seeks to reduce these inequalities by encouraging healthier lifestyles through increased physical activity, especially for short trips, and supporting better access to community facilities and essential services.

As an outer London borough, with lower levels of public transport accessibility in some areas, Merton has a challenging target that 73 per cent of all trips should be made on foot, by cycle or using public transport by 2041, compared to around 61% today.

To meet the ambitious targets set out in the Mayor's Transport Strategy and the LIP, the council and its partners will need to build on the progress over recent years and deliver transport projects that enable a greater shift to sustainable travel choices over the Local Plan period.

The Merton LIP is focused on tangible pedestrian and cycle improvements, in line with TfL's Health Streets approach and the Mayor's aim that "Londoner's do at least the 20 minutes of active travel they need to stay healthy each day."

A number of transport and public realm schemes have been identified for delivery in the first five years of the Local Plan period. These include:

- Improvements to cycling and pedestrian route networks throughout the borough;
- Introduction of Dockless cycle schemes and e-bikes;
- Wider coverage of car clubs;
- Increasing the number and mix of on-street electric vehicle charge points;
- Improvements to the London Tram Network;
- Improvements to bus infrastructure and access across the borough; and
- Improvements to the public realm quality and accessibility in Wimbledon town centre.

The funding and delivery of transport and public realm improvements will come from a number of sources, primarily from TfL and planning contributions.

Restrictions over the course of 2020 and 2021 have had a significant impact on the local business sector with continued disruption, financial uncertainty and loss of income. Merton BIDs and the Merton Chamber of Commerce has reported the huge pressure and stress being experienced by local business owners. As government schemes for financial support for businesses come to an end, the full scale of the pandemic impact and compounding challenges from Brexit is likely to become more apparent.

- Over £55million in financial support has been provided to businesses who were supported through £44.5m business rates relief and over £11 million in grants delivered by through the local authority, alongside business support activities.
- Street inspections carried out over the summer showed that the shop vacancy rate doubled in all the town centres as a result of the pandemic. Mitcham, Raynes Park and Wimbledon have the highest shop vacancy rate, with 42, 23 and 63 businesses that became vacant over the pandemic respectively.
- The Google Mobility report indicates lower numbers returning to retail and recreation places as well as workplaces, and public transport usage have all significantly decreased in Merton as a result of the pandemic. In Merton, as of 1 October 2021, -38% people were visiting workplaces and –31% people were using public transport while –18% of people were visiting retail and recreation places compared to the first 5 weeks from 3 January 2020.
- 50 percent less spend was recorded on Wimbledon High Street in July 2021. The combined data on Mastercard spend, footfall and Google mobility during lockdown indicate the impact on our high streets which continue to face challenges in recovery.

**Libraries**

There are seven libraries operating in the borough in the following locations; Colliers Wood, Mitcham, Morden, Pollards Hill, Raynes Park, Wimbledon and West Barnes. The libraries offer a range of community services for all ages, both in person and online. This includes book hire, e-library, holding of events, room hire, provision of arts spaces, volunteering activities, Merton memories collection, the hiring of computers and use of printing facilities.

The Morden library also houses the Heritage and Local Studies Centre, which tells the story of Merton and its people through a changing programme of exhibitions and events. The Centre also offers educational services for local schools and adult learners as well as access to a wide range of local history resources.

**Digital Infrastructure and Telecoms**

The provision of high speed communications infrastructure is key to ensuring economic growth and social wellbeing. The council recognises that digital services are integral to the residents and businesses in Merton; they enhance civic inclusivity, social participation and the local economy.

Telecommunications and digital infrastructure is provided across the borough through a variety of private network suppliers. In order to meet the needs of the population and housing growth over the Local Plan period, these networks will need to expand accordingly. Future digital connections should be provided with a focus on affordability, security and resilience and should provide access to services from a range of providers. This includes publicly accessible Wi-Fi and connections for flexible and affordable workspaces in the borough.

While most of the borough experiences good digital connectivity, Ofcom does identify that there remain some areas with low or poor connectivity which are unable to receive a minimum download speed of 30Mbit/s. The council is supportive of the expansion of digital services into these areas.

The installation of connectivity infrastructure to increase digital, mobile and smart technology and provide enhanced coverage, resilience and connectivity has been identified as essential delivery for the Local Plan period. As these services are provided by private suppliers, it is not identified within the council's funding portfolio.

**3. Support residents who are most in need and promote the safety and wellbeing of all our communities.**

The Merton Family Services Directory provides a user friendly webpage resource to enable residents to find community groups and places in their neighbourhood. This includes 12 community centres, 5 adult and community education services, 19 community and cultural groups, 12 faith groups and the 7 libraries.

Merton Connected (formerly Merton Voluntary Service Council (MVSC)) works to support, enable and champion the voluntary, community and faith sectors in Merton, aiming to create a thriving community where people's lives are enriched by voluntary and community action.

The Authority 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 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.

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.

The Merton Story outlines that life expectancy for men in living in east Merton is 79.3 years, shorter than the 82.2 years of men who live in the west of the borough. Similarly, for women, life expectancy for those who live in the east of Merton is 83.3 years, compared to 85.3 years for women in the west of the borough.

Data from the National Institute for Health Protection (formally known as Public Health England) indicates that the gap between the 30% most and 30% least deprived wards is larger than for total life expectancy: 9.4 years for men and 9.3 for women. Therefore, someone living in a deprived ward in the east of the borough will on average spend at least 9 more years in poor health than someone in a more affluent part of the borough. This may impact on the last years of working life, family life and on a healthy and fulfilling retirement. Risk factors such as tobacco use, an unhealthy diet, alcohol and drug use, obesity and high blood pressure can also have a large impact on premature mortality, or deaths under 75 years, which are found to be higher in the more deprived wards of east Merton.

The Merton Story identifies that the main causes of ill health and premature deaths in Merton are cancer and circulatory disease such as coronary heart disease and stroke. Unhealthy behaviours, such as smoking, lack of physical activity, an unhealthy diet and using drugs and alcohol, can all contribute to these types of deaths. The Health and Wellbeing Strategy aims to make healthy choices easier and more preferred, particularly for people in areas with lower socio-economic conditions.
Merton's Health and Wellbeing Strategy (2019-24) is aligned with other strategies and plans across the Council including the Children and Young People's Plan, the developing Sustainable Communities Strategy and the Local Plan. The themes for the strategy are Start well; Live well; Age well in a Healthy place.
Merton's Children and Young People's Plan (2019-2023) sets out the priorities to make sure that Merton is a place where children and young people feel they can belong, stay safe, be healthy and can thrive.
The mental health of residents is just as important as their physical wellbeing. Public Health England figures indicate that in 2017, it was estimated that 25,300 adults in Merton were suffering depression and anxiety. While this is lower than the London and England average, it suggests that not all adults who experience mental health issues visit a GP.

The number of people in Merton with dementia is predicted to increase from 2,050 to 3,300 by 2035, with only 70% currently diagnosed (the Merton Story 2019).

Dementia is an umbrella term used to describe a range of progressive neurological disorders, that is, conditions affecting the brain. There are over 200 subtypes of dementia, but the five most common are: Alzheimer's disease, vascular dementia, dementia with Lewy bodies (DLB), frontotemporal dementia and mixed dementia. Some people may have a combination of different types of dementia and these are commonly called mixed dementia.

Because dementia is a general term, its symptoms can vary widely from person to person. People with dementia often have problems with:

- Memory
- Attention
- Communication
- Reasoning, judgement and problem solving
- Visual perception beyond typical age-related changes in vision

Early diagnosis can slow the disease progression and improve quality of life. Merton Council is an active member of the Merton Dementia Action Alliance (MDAA) and is working towards becoming a Dementia Friendly borough. The new Local Plan policies incorporate how dementia-friendly design through housing, transport and public realm can help to make communities more dementia-friendly.

**Projections**

The London Healthy Urban Development Unit (HUDU) has provided a spatial analysis of the population projections for Merton, to illustrate the interactions between the different types of health services in the borough and how the changes in future population may impact on these services:

- Overall healthcare provision; health centres, primary care networks, GPs and hospitals;
- Primary care floorspace;
- Mental health care floorspace; and
- Acute health care floorspace.

A new Merton Borough Health and Care Estates Strategy 2021 (MBES) has been prepared in partnership with Merton Borough Estates Group. The MBES reviews the needs of local health providers against the borough's housing and population growth and supports the delivery of

Merton's Local Health and Care Plans. The MBES also takes into account some of the implications of Covid-19 on the healthcare system, although it is acknowledged that this is ongoing work and further information may be provided to the council as it comes forward.

Merton is unique to its neighbouring boroughs as there is no acute hospital within the borough. This results in residents travelling to the most convenient hospital close to where they live, either St George's University Hospital in Wandsworth, Epsom and St Helier Hospital in Sutton or Kingston Hospital in Kingston. The MBES 2021 identifies the key healthcare needs for the borough, setting out the areas and the projects that are considered to be a priority in meeting the health needs of the Merton population.

To meet the healthcare needs for the borough, a number of schemes have been identified for delivery over the Local Plan period. These include:

- Wimbledon Stadium PCN improvements.
- Colliers Wood new GP surgery.
- Rowans Surgery new premises at Rowan Park.
- Mitcham Health and Wellbeing Hub.
- Morden Road Health Centre, to be considered alongside Morden town centre regeneration.
- Expansion of healthcare capacity across the borough to respond to population and development growth.

The disproportionate impact of Covid-19 - There were higher levels of infections, hospitalisations and deaths seen in the east of the borough in 2020, associated with a greater prevalence of risk factors such as deprivation.

- Overall, wards in East Merton saw a higher rate of COVID-19 deaths over 2020 (131.1 per 100,000), than those in the West (120.7 per 100,000), despite wards in the west of the borough having an older population. There has been a total of 499 deaths related to Covid in Merton as of September 2021.
- Merton residents of Asian ethnicity also have been overrepresented in numbers of infections, hospitalisation and death, compared to their proportion in the population; Black residents were also more likely to be hospitalised from Covid-19. This reflected a similar picture in other London boroughs.

**4. Ensure a clean and environmentally sustainable borough with inclusive open spaces where people can come together and there is a variety of natural life**

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. The Authority has set aside £2 million to progress delivery of this target and the proposed programme for 2025-26 makes provision for the replacement of the majority of the waste fleet with carbon neutral vehicles.

At this stage, there are no specific projects that have been identified in Merton to deliver gas or electricity improvements in the borough however the council is committed to further conversations with the gas and electricity infrastructure suppliers to understand how a move towards low carbon energy sources may come forward over the Local Plan period.

**Waste Management**

The preparation of the new South London Waste Partnership (SLWP) commenced in 2018. The draft SLWP works towards reducing the amount of waste going to landfill, making major waste developments zero carbon, making minor waste developments as close to zero carbon as possible and providing opportunities for the circular economy to expand. As at December 2021, the draft SLWP had been submitted to the Secretary of State in January 2021, with the hearings held in September 2021. Adoption is expected in early 2022.

**Recreation, Sport and Leisure Facilities**

To support the new Local Plan, the council commissioned studies to assess the quantity, quality, accessibility and availability of indoor and outdoor sports facilities in Merton. The Merton Playing Pitch Strategy (PPS) was adopted in October 2019 and the Merton Indoor Sports Facility Study (ISFS) was published in February 2020.

These documents provide a strategic assessment and an up to date analysis of supply and demand for grass and artificial playing pitches and indoor sports facilities in the borough. They were carried out in line with Sport England's published guidance and in conjunction with a number of national sports governing bodies (NGBs), including the English Cricket Board, Rugby Football Union, Football Foundation, Lawn Tennis Association, England Hockey, Badminton England, English Indoor Bowls Association, England Netball, Swim England, Volleyball England and Table Tennis England.

These documents identify that Merton has the following sports and playing pitches and indoor facilities:

- Football – 104 pitches across 28 sites
- Cricket – 39 pitches, 307 grass wickets and 1 artificial wicket
- Rugby union – 46 grass pitches on 15 sites
- Hockey – 8 pitches on 7 sites
- AGPs – 26 pitches, 11 of full size
- Tennis – 205 tennis courts across 30 sites
- Lawn bowling – 9 greens
- Athletics – 1 athletics site
- Water sports centre – 1
- Indoor swimming pools – 20
- Indoor sports halls – 13 (3 or more courts)
- Health and fitness suites – 20
- Fitness studios – 38
- Squash courts – 8
- Indoor tennis – 4

The PPS identifies that Merton has significantly higher levels of "Active" participation compared with Outer London and England (Sport England Active Lives Survey) and playing pitches are generally well used throughout the borough. The value of participation in sport and physical activity is significant, and its contribution to the health, wellbeing and quality of life of residents should not be under estimated. The PPS also notes that residents will travel across and into neighbouring boroughs to access sports facilities.

The PPS supply and demand analysis identified that the projected growth in population and the increased participation in female sports and youth sports will mean that continued investment in sporting facilities will be needed over the lifetime of the Local Plan. This is to ensure that the number and quality of facilities is sufficient for the population needs.

The PPS recommends that playing pitches are protected in the borough, to ensure there remains sufficient sports provision for the population. The action plan sets out the issues and opportunities that have been identified across all Merton playing pitches, showing the priority sites, delivery timescales and costs involved in bringing these forward. Many of the items in the action plan relate to improvements to ancillary facilities, which will lead to a more efficient use of pitches across a number of sports and teams.

The PPS identifies that over the lifetime of the Local Plan, there is likely to be a shortfall in the provision of some sports pitches in the borough, with a number of recommendations and actions set out. As the majority of these are currently unfunded, it is the joint responsibility of landowners, sporting providers, clubs and other partners to work together and provide funding for, and the delivery of new, and improvements to, sports pitches.

There are three council leisure centres in the borough; Canons Leisure Centre, Wimbledon Leisure Centre and Morden Leisure Centre. All three facilities are operated by Greenwich Leisure Limited and provide access to a variety of sports and leisure activities including swimming, diving, gym, sauna, fitness classes, multi-use games areas, sports halls and squash courts. The council has made significant investment into the leisure centres, with the new Morden Leisure Centre opening in 2019, replacing the previous Morden Park Pools facility. Some improvements to the other leisure centres will be required over the Local Plan period.

**Green Infrastructure**

Green Infrastructure is a form of natural capital, which provides direct and indirect benefits to people. These benefits include clear air and water, cooling to lessen the impacts of climate change, provision of a better environment for walking and cycling, promoting healthier living and providing habitat for biodiversity and ecological resilience.

The Merton Green Infrastructure Study was published in 2020, providing an assessment of the quality, quantity, accessibility and use of open spaces throughout the borough. Merton has a relatively high proportion of open space, at 35% land cover, similar to the neighbouring boroughs of Kingston and Sutton, reflecting the characteristics of outer London. The quality assessment carried out in the study identified that 60% of open spaces can be classified as fair, good or very good, including parks, recreation and outdoor sports facilities, allotments and cemeteries. Of the 40% of green spaces that fall into the poor category, these were natural and semi-natural greenspaces, green corridors and education; thus showing a general trend that more formal open space areas are of a higher quality. There are some areas (particularly noticeable around Raynes Park) where there are gaps in access to both district and local parks, and these areas should be targeted for improvements in accessibility through new developments that come forward.

There is good accessibility (84%) to nature through publicly accessible Sites of Importance for Nature Conservation (SINCs). In the small areas that are identified as having deficiency, there are a number of existing open spaces which could provide opportunities to enhance the natural environment.

**Burial Spaces, Cemeteries and Crematoria**

There are 9 cemeteries in Merton, located widely in the north, south-west and east of the borough. These cover a variety of faiths and religions, catering for the diverse population in Merton and the wider area.

The council's parks and open spaces team manage the following three of these cemeteries:

Merton and Sutton Joint Cemetery, Morden
Church Road Cemetery, Mitcham
Gap Road Cemetery, Wimbledon
The Greenspaces team has confirmed that recent expansions to Merton and Sutton Joint Cemetery and London Road Cemetery mean that there is sufficient burial capacity for 50-75 years. While improvements to other privately managed cemeteries may come forward throughout the borough, at this time it is considered there is sufficient burial space capacity for the Local Plan period. Burial needs will continue to be regularly reviewed and updated in this document as necessary.

**Children's Play Facilities**

The Green Infrastructure Study (2020) includes a quality, quantity and accessibility review of all play spaces in Merton. These are defined areas set aside for children and young people in supervised or unsupervised environments, providing a variety of play equipment such as swings, slides, skateboard parks, outdoor basketball areas and other informal space for social interaction.

83 play areas were identified for survey in the borough and 82 were surveyed (1 was not accessible at the time of the survey). Of these, 21 were doorstep play spaces, 56 were local play spaces and 5 were neighbourhood play spaces. The majority of play spaces are located in the east, south and north of Merton, with fewer in the Wimbledon, Raynes Park and New Malden areas. Access to play spaces was assessed in line with the standards set out in the Mayor's SPG for children's play spaces:

- 0-4 years – 27% of the borough is within an accessible walking distance (100m). There are some areas of deficiency identified in the north-west and south-west of the borough, particularly with formal play areas.
- 5-11 years – 76% of the borough is within an accessible walking distance (400m) of a play area of open space which could be used for informal recreation. Much of the provision of play in Morden and Wimbledon is delivered by open spaces, rather than formal play areas.
- 12 years and over – More than 95% of the borough is within an accessible distance (800m) of a play area or an open space which could be used for informal recreation. There is a lack of formal play areas in the west of the borough where most of the play provision is delivered by open spaces for informal recreation.

It is identified that some improvements will be needed to play spaces in the borough over the Local Plan period.

**Flood Risk Management**

As a Lead Local Flood Authority (LLFA), the council provides a significant amount of guidance in accordance with nation planning requirements to ensure that flood risk is understood and managed effectively and sustainably in the borough. Merton's joint Strategic Flood Risk Assessment (SFRA) was produced in partnership with Wandsworth Council and key risk management organisations including the Environment Agency, Thames Water, Network Rail and Transport for London.

The Merton Sustainable Drainage Design and Evaluation Guide SPD was adopted in June 2020. This sets out how sustainable drainage systems should be fully integrated from the start of the design process along with other aspects of development design.

A number of flood risk schemes have been identified for delivery over the Local Plan period. These include:

- Delivering reservoir safety through improvements to Wimbledon Park Lake; and
- Surface water flood risk alleviation schemes in critical drainage areas including Raynes Park Town Centre and Southfields grid.

The funding and delivery of flood risk management projects will come from a number of sources and will require funding and collaboration between the council, landowners, neighbouring boroughs, Thames Water, the Environment Agency and other stakeholders.

**5. Work to make Merton a fairer, more equal borough and support those on lower income by tackling poverty and fighting for affordable housing.**

The new Merton Local Plan will cover the next 15 years and will allocate land for a range of uses, including housing, retail and employment. The IDP identifies the necessary infrastructure that will be required to ensure that future development is accompanied by the relevant services and facilities that are needed to sustain growth.

National and regional planning policy and guidance identifies the importance of infrastructure. As such this document has been reviewed and written in line with the National Planning Policy Framework (NPPF), National Planning Practice Guidance (NPPG) and the London Plan 2021.

The Local Plan sets out that the council will plan for 11,732 new homes over the 15 year plan period from 2021 to 2036. Delivery of this housing is required to meet the needs of the increase in population and growth; projected to be an overall increase of approximately 16,600 people.

The Infrastructure Delivery Plan identifies the anticipated strategic requirements for the provision of a range of different infrastructure types across the borough. These include transport, health, education, green and blue infrastructure, sport and leisure, community, utilities, climate change, economic development and emergency services.

The council must ensure that the necessary infrastructure required to support new residential and commercial development throughout the borough can be delivered at the right time, therefore addressing any existing shortfalls in provision.

This infrastructure report supports the Local Plan and it should also be used to inform major planning applications that come forward. It is the responsibility of site owners, promoters and developers to ensure sufficient information on infrastructure is submitted with any planning applications. For example, this can include transport assessments, strategic flood risk assessments and biodiversity assessments.

The public sector has previously been relied upon to provide and ensure the delivery of infrastructure. However, in the context of public sector funding restrictions, including the impacts from the Covid-19 pandemic, there will be an increased reliance on infrastructure and service providers and the development industry to fund infrastructure going forward.

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.

Data from HMRC on the use of the furlough scheme and self-employment support schemes indicates that Merton residents were highly reliant on government financial assistance during the pandemic.

- 38,200 people were furloughed in Merton during the pandemic. In May 2020, it reached a height of 18.6% as a proportion of the age working population, reducing to 5.5% in June 2021 as the scheme comes to a close.
- Merton has consistently had the highest rate of employments furloughed during the pandemic out of the SLP boroughs and slightly higher than the London average at its height.
- In June 2021, the proportion of the working age population claiming self-employment funding support (SEISS) was 7.8% down from 9.8% in July 2020.
- Merton has had the highest rate of SEISS claims out of the SLP boroughs and higher than the London average, suggesting a higher demand for this financial support from the self-employed compared to its neighbouring boroughs.

The pandemic has highlighted areas of unmet need in the borough and the level of insecurity faced by low-income households, disproportionately in the east of the borough. Understanding the impact on households and communities most vulnerable to economic shocks in the short to long term will be important with rising pressures on household costs (such as food, energy and fuel).

- 317% increase was seen in emergency food provision during the pandemic, which was mostly provided to households in the East of the borough. Cricket Green had the greatest number of households receiving emergency provision.
- The number of school pupils eligible for free school meals rose during the pandemic – from 17.5% to 22.1% (an extra 1,220) in 2020/21.
- 5,195 (13.1%) children in Merton under 16 years live in low-income families, mostly in East Merton, with Pollards Hill, Cricket Green, Figges Marsh, and Ravensbury wards most affected.

While the level of unemployment in the borough is reducing, in common with other London boroughs, data on claimants for job seekers and Universal credit shows that the level is still high. There continues to be significant uncertainty ahead regarding the economic recovery and to what extent there will be long term ‘scarring’ effects from the pandemic on employment – such as for young people and those in lower-skilled, more precarious employment.

- Data on Universal Credit claimants during the pandemic showed that some groups were worse affected than others – in particular young people, BAME groups and those on lower incomes. Employment for those between18-39 is recovering faster however than those aged 40-64.
- The total claimant rate as a proportion of the working age population in Merton is currently 5.8% - down from a height of 8.6% in March 2021 but still significantly higher than the pre-pandemic level of 2.7% in March 2020.
- There are significant disparities in the levels of unemployment across the wards in the borough. For example, in August 2021 the claimant rate in Pollards Hill was 10.8% (710) compared to 2.2% in Dundonald (150).

As with many London Boroughs, Merton is facing ambitious, regionally set housing targets for the Local Plan period. Infrastructure needs will be driven by the projected population growth, housing targets and economic growth.

**Housing**

The Merton Strategic Housing Needs Assessment (SHNA) published in July 2019 identified that generally there is a need for more homes of all types and sizes throughout the borough. At the borough level, it is anticipated that new homes will be concentrated around the existing town centres and areas of the borough with good access to public transport and local services. These include Mitcham, Morden, Colliers Wood, South Wimbledon, Wimbledon and Raynes Park

Over the Local Plan period 2021/22 - 2035/36, a minimum of 11,732 homes are expected to be delivered. Sites that have been identified for housing include both major and smaller site allocations, small sites, and windfall sites.

Although Merton has a lower rate of households in temporary accommodation compared the other boroughs, the borough continues to face many challenges with affordable housing in common with the challenges facing other London boroughs. Measures put in place during the pandemic to prevent evictions and increased homelessness came to an end in August which may result in a rise in homelessness prevention and relief.

- In 2021 there were 9,125 households on the Councils Housing Register, with only 191 social housing homes that became available for letting in the same year.
- 7.2% of households in Merton are overcrowded, predominantly in the east of the borough
- MHCLG data for Merton indicates that 551 households were owed a prevention or relief between April 2020 and March 2021.

**<u>External and Partner Influences</u>**

The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requiring capital works, partner organisations, businesses developers and by the needs and views of other interested parties, particularly those of Borough residents

Government sponsored initiatives and programmes will influence the projects which the Council will include in its capital investment plans. In particular, its Housing Investment Programme in which the Council participates with regard to Disabled Facilities Grants, this is a major area of investment where the majority of funding is provided by Government.

Transport for London works closely with all London boroughs and community groups to integrate transport planning and operations across the Capital. This results in the provision of ring-fenced funding for work to be undertaken by Merton.

The Authority is working closely with the Department of Education to develop plans to reduce and contain the increasing revenue pressure from independent sector SEN placements, this is resulting in the provision of additional SEN places within the capital programme.

Where required by legislation to carry out works of a capital nature, such as to comply with the Disablement Disability Act or Health and Safety requirements, or anti-pollution regulations, the Council will consider the most effective way to discharge its obligations and appropriate provision will be made in its Capital Programme once it has determined that it shall carry out the necessary work and that this should be capitalised.

The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners' needs. When working with the private sector, the objective will be to maximise the benefits to the

Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

Regard will be given to the Council's obligations under Disabled Access requirements in putting forward proposals for capital investment and in the design of any facilities which are proposed. Wherever possible the principles of financial and environmental sustainability will be incorporated into any capital projects.


**Property as a Corporate Resource**

The Asset Management Strategy provides the overarching aims and framework for managing the Council's property portfolio within the context of the council's corporate priorities.

The Council also works closely with a wide range of partners, such as the health sector, police and education services. The Property Strategy acknowledges the importance of joint working with these organisations and the need to be consistent with the Community Plan and planning framework.

The Council's aim is to maximise the contribution of property assets to the delivery of the councils objectives, with the flexibility to continually adapt to changing demands.

The Financial Aims are to:
- Maximise capital receipts.
- Maximise revenue income.
- Reduce revenue cost.
- Reduce capital expenditure.

The Service aims are to:
- Minimise the amount of office accommodation.
- Improve quality and suitability of property assets.
- Match property to approved service requirements.

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.

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.

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.

The Authority the CIPFA Fixed Asset IT System to manage, maintain and account for its fixed assets, Property Management, Facilities management and Capital Finance utilise the system.

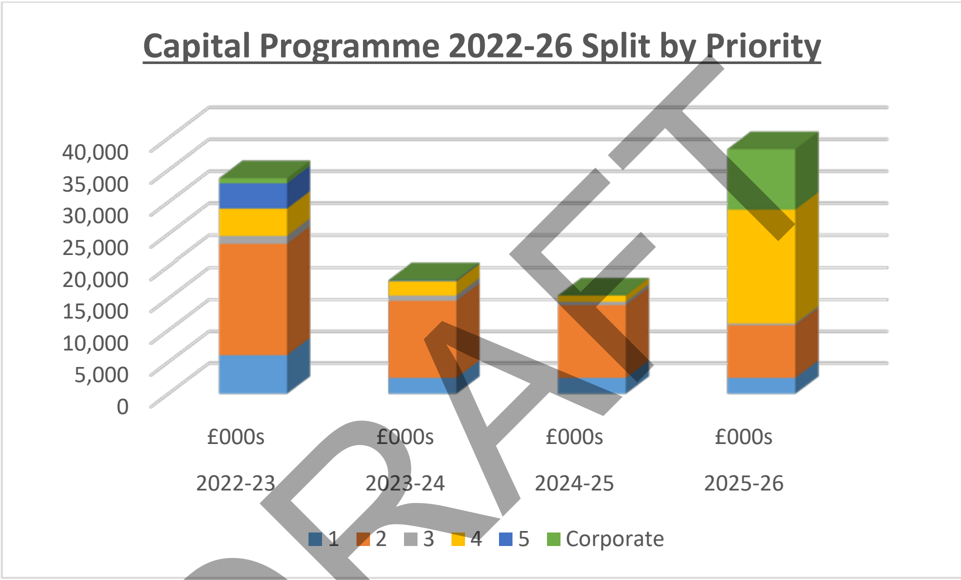
Under the requirements of the Localism Act 2011 parish councils and local voluntary and community organisations have the right to nominate local land or buildings they would like to see included in a list of assets of community value which is maintained by the Local Authority. Once listed the owner must 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.

## Capital Investment Mapping

The proposals contained in the capital strategy will result in the following capital programmes in each department (detail provided in annexes 1 and 3):

| Department | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Indicative Budget 2025-26 £000s |
|---|---|---|---|---|
| Corporate Services | 8,522 | 5,570 | 4,755 | 12,896 |
| Community and Housing | 2,530 | 972 | 720 | 690 |
| Children, Schools and Families | 6,441 | 2,500 | 2,500 | 2,500 |
| Environment and Regeneration | 16,228 | 8,808 | 7,474 | 22,183 |
| **Total** | **33,721** | **17,850** | **15,449** | **38,269** |

The chart below reflects this budget over the five strategic priorities of the organisation:






**Key**

1. Maintaining excellent education and skills for all ages and needs.
2. Promote a dynamic, connected and inclusive community and economy with safe, vibrant high streets and jobs for our residents.
3. Support residents who are most in need and promote the safety and wellbeing of all our communities.
4. Ensure a clean and environmentally sustainable borough with inclusive open spaces where people can come together and there is a variety of natural life
5. Work to make Merton a fairer, more equal borough and support those on lower income by tackling poverty and fighting for affordable housing.

## Capital Investment Planning

### Capital resources 2021-25

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.

### Capital receipts

Capital receipts generated from the disposal of surplus and under-utilised land, property and other assets 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.

### Projected Capital Receipts

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 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| | £000s | £000s | £000s | £000s |
| Sale of Assets | 0 | 0 | 0 | 0 |
| Right to buy/VAT Shelter* | 900 | 900 | 900 | 0 |
| **Total** | **900** | **900** | **900** | **0** |

* Umbrella agreement with Clarion ceases March 2025

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 0.12%, as such an increase in receipts of £1m would be expected to generate a £1,200 increase in interest in a full year.

## Grant Funding

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

| Grants | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|---|---|---|---|---|
| Heritage Lottery Fund | 1,205 | 0 | 0 | 0 | 0 |
| Transport for London LIP (**earmarked) Capital *** | 2,114 | 1,407 | 1,300 | 1,300 | 1,300 |
| **TOTAL: E&R*** | 3,319 | 1,407 | 1,300 | 1,300 | 1,300 |
| **School Condition 2020-22 (non-ringfenced)*** | 3,479 | 1,900 | 1,900 | 1,900 | 1,900 |
| **Special Provision Grant** | 2,192 | 0 | 0 | 0 | 0 |
| **Devolved Formula Capital (Earmarked)** | 356 | TBA | TBA | TBA | TBA |
| **Safety Valve Funding †** | | | | | |
| **TOTAL: CSF*** | 6,027 | 1,900 | 1,900 | 1,900 | 1,900 |
| **Disabled Facilities Grant Allocation 2019-20** | 642 | | | | |
| **Disabled Facilities Grant Allocation 2020-21** | 558 | 722 | 0 | | |
| **Disabled Facilities Grant Allocation 2021-22** | | | 732 | 720 | |
| **Disabled Facilities Grant Allocation 2022-23 Onwards** | N/A | TBA | TBA | TBA | TBA |
| **TOTAL: C&H** | 1,200 | 722 | 732 | 720 | 0 |
| **TOTAL GRANT FUNDING *** | 9,346 | 3,307 | 3,200 | 3,200 | 3,200 |

* School Condition and TfL Estimated from 2022-23 – The level of TfL funding is currently under review

†If successful with Safety Valve funding from DfE

## Contributions

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

| Capital Contributions | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|---|---|---|---|---|
| Strategic Community Infrastructure Levy | 5,893 | 8,099 | 1,441 | 450 | 830 |
| Neighbourhood Community Infrastructure Levy | 788 | 841 | 0 | 0 | 0 |
| Section 106 Agreements | 283 | 1,553 | 145 | 0 | 0 |
| Clarion Contributions to fund CPOs | 4,079 | 2,422 | 0 | 0 | 0 |
| **Total Used to Fund the Programme** | **11,044** | **12,915** | **1,586** | **450** | **830** |

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

It is envisaged that the budgeted capital programme will slip, the table below shows the expected outturn position and the summary funding position. Balances held by the authority will generate interest until utilised to fund the capital programme (detail in Annex 2).

| Capital Expenditure | 2021/22 Estimate £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000's | 2024/25 Estimate £000's | 2025/26 Estimate £000's |
|---|---|---|---|---|---|
| Capital Expenditure | **27,549** | **33,721** | **17,850** | **15,449** | **38,269** |
| Slippage and Underspends | (5,536) | (2,784) | 4,084 | (125) | (307) |
| Total Capital Expenditure * | 22,013 | 30,937 | 21,935 | 15,324 | 37,962 |
| **Financed by:** | | | | | |
| Capital Receipts * | 1,351 | 900 | 900 | 900 | 0 |
| Capital Grants & Contributions | 14,871 | 19,593 | 10,191 | 5,258 | 4,950 |
| Revenue Provisions | 3,537 | 196 | 55 | 56 | 55 |
| **Net financing need for the year** | **2,254** | **10,248** | **10,788** | **9,110** | **32,957** |

* Includes Multi-Function Devices finance lease

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

| | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s |
|---|---|---|---|---|
| Grant & Contributions * | 19,593 | 10,191 | 5,258 | 4,950 |
| Council Funding | 11,343 | 11,742 | 10,067 | 33,012 |
| **Total** | **30,937** | **21,935** | **15,324** | **37,962** |

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

**Impact of the Capital Programme on Revenue**

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 2006/07 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 2023/24, from 2023/24 onwards (£12.0 million in 23/4, £37.5 million 24/25 and £41.3 million 25/26) borrowing will be required. Over the period 2022-26 the Authority is scheduled to repay £26.5 million (24.3%) of long term debt. This will be kept under review as part of general Treasury Management.

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.

**Annual Minimum Revenue Provision (MRP) Statement**

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. The statement is set out in Section 3 of the Treasury Management Strategy.

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

| **MTFS March 2021** | **2021/22 £000s** | **2022/23 £000s** | **2023/24 £000s** | **2024/25 £000s** | **2025/26 £000s** | **2026/27 £000s** | **2027/28 £000s** |
|---|---|---|---|---|---|---|---|
| MRP | 4,841 | 5,835 | 6,377 | 7,180 | 8,526 | 10,025 | 9,936 |
| Interest on Borrowing | 6,316 | 6,111 | 5,981 | 6,202 | 5,808 | 5,696 | 5,895 |
| **Total Borrowing Costs** | **11,157** | **11,946** | **12,358** | **13,382** | **14,333** | **15,721** | **15,831** |
| Interest on Investments | (64) | (24) | (4) | 0 | 0 | 0 | 0 |
| CCLA Investment Two Loans @ £10m | (323) | (323) | (323) | (323) | (323) | (323) | (323) |
| **Total Borrowing Costs Net of Investment interest** | **10,770** | **11,599** | **12,031** | **13,059** | **14,010** | **15,398** | **15,508** |

| **Proposed Programme Business Plan 2021-25** | **2021/22 £000s** | **2022/23 £000s** | **2023/24 £000s** | **2024/25 £000s** | **2025/26 £000s** | **2026/27 £000s** | **2027/28 £000s** |
|---|---|---|---|---|---|---|---|
| MRP | 4,841 | 5,097 | 5,966 | 7,001 | 7,876 | 11,538 | 12,211 |
| Interest on Borrowing | 6,171 | 6,106 | 6,041 | 6,020 | 5,345 | 5,737 | 6,363 |
| **Total Borrowing Costs** | **11,012** | **11,203** | **12,007** | **13,021** | **13,221** | **17,274** | **18,573** |
| Interest on Investments | (64) | (73) | (48) | (8) | 0 | 0 | 0 |
| CCLA Investment Two Loans @ £10m | (323) | (323) | (323) | (323) | (323) | (323) | (323) |
| **Total Borrowing Costs Net of Investment interest** | **10,625** | **10,807** | **11,636** | **12,690** | **12,898** | **16,951** | **18,250** |

| Movement in Projected Costs | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s | 2027/28 £000s |
|---|---|---|---|---|---|---|---|
| MRP | 0 | (738) | (411) | (180) | (650) | 1,513 | 2,274 |
| Interest on Borrowing | (145) | (5) | 60 | (182) | (463) | 41 | 468 |
| **Total Borrowing Costs** | **(145)** | **(743)** | **(351)** | **(361)** | **(1,112)** | **1,554** | **2,742** |
| Interest on Investments | 0 | (49) | (43) | (8) | 0 | 0 | 0 |
| CCLA Investment Two Loans @ £10m | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Borrowing Costs Net of Investment interest** | **(145)** | **(792)** | **(394)** | **(369)** | **(1,112)** | **1,554** | **2,742** |

**Debt repayment**

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 5.5%. For the period 2022-26, 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.

The Table below shows the maturity structure of current external debt

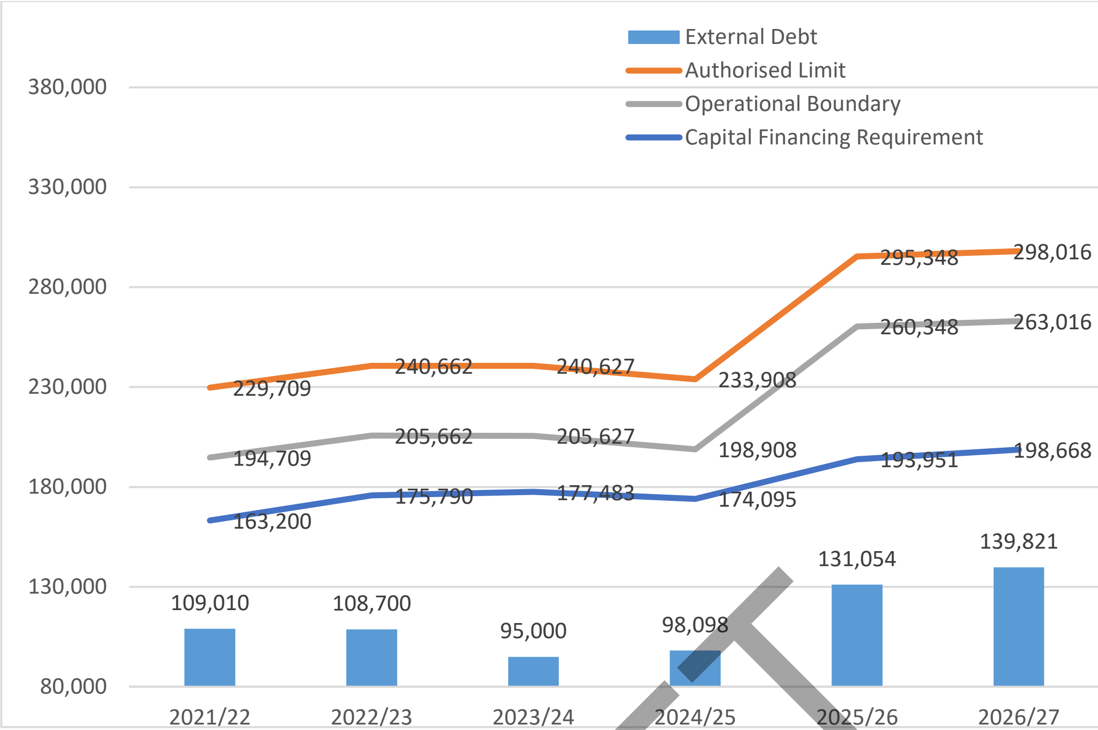
| | **Actual November 2021** | **Value £'000** |
|---|---|---|
| less than 1 year | 0.00% | 0 |
| 1 to 2 years | 0.28% | 310 |
| 2 years to 5 years | 24.03% | 26,200 |
| 5 years to 10 years | 4.13% | 4,500 |
| 10 years to 20 years | 11.47% | 12,500 |
| 20 years to 30 years | 18.81% | 20,500 |
| 30 years to 40 years | 22.93% | 25,000 |
| 40 years to 50 years | 18.35% | 20,000 |
| **Total** | **100.00%** | **109,010** |



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.

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



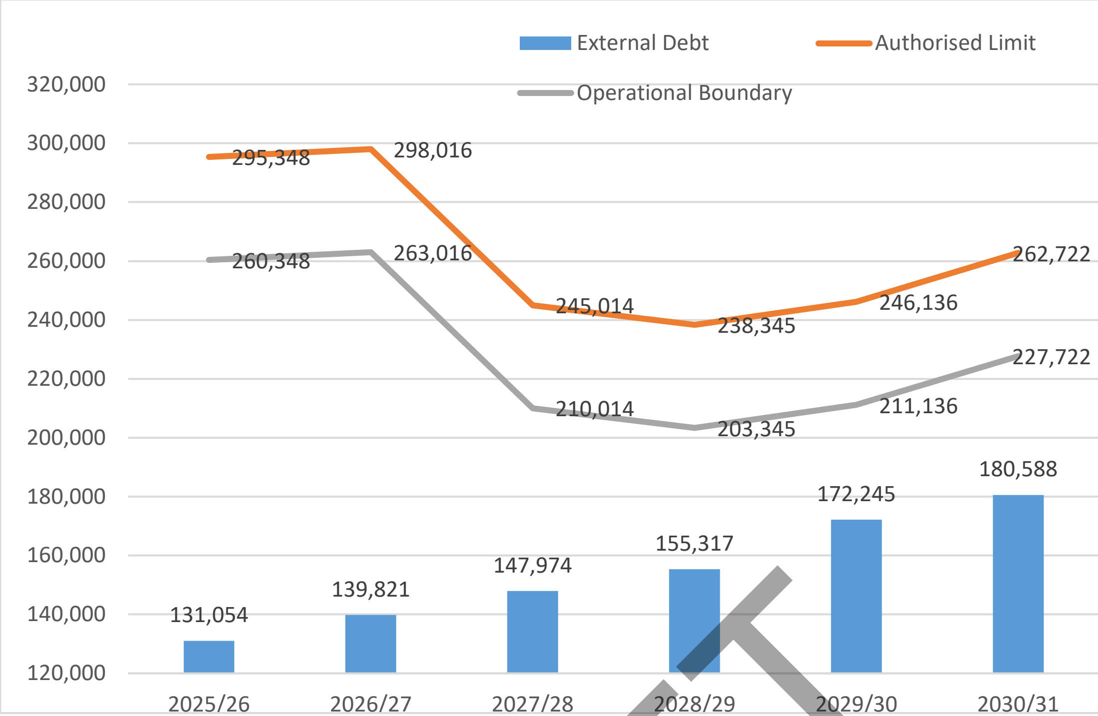

The Table below summarises the Indicative Capital Programme for 2026 to 2031. Additional detail is provided as Annex 5:

| Department | Indicative Budget 2026-27 | Indicative Budget 2027-28 | Indicative Budget 2028-29 | Indicative Budget 2029-30 | Indicative Budget 2030-31 |
|---|---|---|---|---|---|
| Corporate Services | 9,759 | 3,555 | 7,030 | 5,455 | 3,330 |
| Community and Housing | 481 | 655 | 280 | 280 | 630 |
| Children, Schools and Families | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| Environment and Regeneration | 6,134 | 5,212 | 4,254 | 11,984 | 4,149 |
| **Total** | **18,874** | **11,922** | **14,064** | **20,219** | **10,609** |

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

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 £212k for assets with a life of 5 years to £32k for an asset life of 50 years.

The Table below shows the impact of the indicative programme 2025-31 on the Authority's debt:




## Capital Investment Strategy for non-core Activity

This section of the strategy 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.

During the 2022-23 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.

**Security** - The activity in relation to non-core investment 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.

**Liquidity**

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

ii) Investments are held in CHAS 2013 Limited. 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.

**Yield** - 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.

**Borrowing in Advance of Need**

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.

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)

**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.

## Capital Planning Process

### Capital Bids and Prioritisation Criteria

The authority has an annual bidding process for capital resources, in keeping with corporate priorities and identified service priorities. Submitted bids are reviewed and challenged as part of the process. Proposed capital bids are subject to scrutiny in the autumn and January. The table below summarises the movement in the capital programme from this year's process (detail in Annex 4):

| Department | Proposed Budget 2022-23 | Proposed Budget 2023-24 | Proposed Budget 2024-25 | Proposed Budget 2025-26 |
|---|---|---|---|---|
| Corporate Services | (550) | 325 | (8,316) | 8,710 |
| Community and Housing | 0 | 0 | 0 | 60 |
| Children, Schools and Families | 812 | 600 | 600 | 600 |
| Environment and Regeneration | 1,871 | 890 | 150 | 12,921 |
| **Total** | **2,133** | **1,815** | **(7,566)** | **22,291** |



Given the scarcity of financial resources the Authority has dovetailed the CIL annual bidding processes with the capital bidding process.

## Governance

### Accounting Definitions and Practices

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.

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.

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.

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.

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.

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.

**Capital Programme Board**

Merton's Capital Strategy is coordinated by the Capital Programme Board. The board, is effectively a sub-group of the Corporate Management Team (CMT). It comprises the Directors of Corporate and Environment and Regeneration Services with selected key managers from each service department.

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.

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

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.

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

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.

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.

**Capital Programme Approval and Amendment**

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.

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)

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.

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.

**Capital Monitoring**

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.

December 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.

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.

**Capacity, Skills and Culture**

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.

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

**Risk Management and Assessment**

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 annually. The Authority's Risk Management Strategy is reviewed and updated annually and presented to CMT, Cabinet and Council.

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

It is also recognised that a higher level of risk may need to be accepted, for example, to 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.

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

APPENDIX 3

## Capital Investment Programme - Schemes for Approval 2022-26    Annex 1

| Department | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Indicative Budget 2025-26 £000s |
|---|---|---|---|---|
| Corporate Services | 8,522 | 5,570 | 4,755 | 12,896 |
| Community and Housing | 2,530 | 972 | 720 | 690 |
| Children, Schools and Families | 6,441 | 2,500 | 2,500 | 2,500 |
| Environment and Regeneration | 16,228 | 8,808 | 7,474 | 22,183 |
| **Total** | **33,721** | **17,850** | **15,449** | **38,269** |

| Department | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Indicative Budget 2025-26 £000s |
|---|---|---|---|---|
| **Corporate Services** | | | | |
| Facilities Management | 1,952 | 1,675 | 950 | 950 |
| Information Technology & Business Systems | 3,346 | 3,195 | 3,205 | 2,480 |
| Finance | 0 | 700 | 0 | 0 |
| Corporate Items | 3,224 | 0 | 600 | 9,466 |
| **Total Corporate Services** | **8,522** | **5,570** | **4,755** | **12,896** |
| **Community and Housing** | | | | |
| Adult Social Care | 30.4 | 0 | 0 | 0 |
| Housing | 2,360 | 972 | 520 | 280 |
| Libraries | 140 | 0 | 200 | 410 |
| **Total Community and Housing** | **2,530** | **972** | **720** | **690** |
| **Children, Schools and Families** | | | | |
| Primary School | 3,178 | 2,500 | 2,500 | 2,500 |
| Secondary Schools | 198 | 0 | 0 | 0 |
| SEN Schools and ARPs | 2,658 | 0 | 0 | 0 |
| Other | 407 | 0 | 0 | 0 |
| **Total Children, Schools and Families** | **6,441** | **2,500** | **2,500** | **2,500** |
| **Environmental and Regeneration** | | | | |
| Public Protection and Development | 1857 | 1024 | 480 | 465 |
| Street Scene and Waste | 993 | 324 | 24 | 16,278 |
| Sustainable Communities | 13,377 | 7,460 | 6,970 | 5,440 |
| **Total Environmental and Regeneration** | **16,228** | **8,808** | **7,474** | **22,183** |
| | | | | |
| **Total Capital** | **33,721** | **17,850** | **15,449** | **38,269** |

**Please Note:**

1. Excludes budget relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements for Transport for London
   and Schools Condition Grant

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

**FUNDING THE CAPITAL PROGRAMME 2021-26** **Annex2**

| Merton | Capital Programme £000s | Funded by Merton £000s | Funded by grant and capital contributions £000s |
|---|---:|---:|---:|
| **2021/22 Current Budget** | **32,066** | **9,624** | **22,442** |
| Potential Slippage b/f | 0 | 0 | 0 |
| **2021/22 Revised Budget** | **32,066** | **9,624** | **22,442** |
| Potential Slippage c/f | (8,421) | (970) | (7,451) |
| Potential Underspend not slipped into next year | (1,632) | (1,513) | (120) |
| **Total Spend 2021/22** | **22,013** | **7,142** | **14,871** |
| **2022/23 Current Budget** | **33,721** | **15,167** | **18,554** |
| Potential Slippage b/f | 8,421 | 970 | 7,451 |
| **2022/23 Revised Budget** | **42,143** | **16,137** | **26,006** |
| Potential Slippage c/f | (8,572) | (2,774) | (5,797) |
| Potential Underspend not slipped into next year | (2,633) | (2,018) | (615) |
| **Total Spend 2022/23** | **30,937** | **11,343** | **19,593** |
| **2023/24 Current Budget** | **17,850** | **11,639** | **6,213** |
| Potential Slippage b/f | 8,572 | 2,774 | 5,797 |
| **2023/24 Revised Budget** | **26,422** | **14,413** | **12,010** |
| Potential Slippage c/f | (3,016) | (1,612) | (1,403) |
| Potential Underspend not slipped into next year | (1,472) | (1,057) | (415) |
| **Total Spend 2023/24** | **21,935** | **11,742** | **10,191** |
| **2024/25 Current Budget** | **15,449** | **10,679** | **4,770** |
| Potential Slippage b/f | 3,016 | 1,612 | 1,403 |
| **2024/25 Revised Budget** | **18,465** | **12,292** | **6,174** |
| Potential Slippage c/f | (1,694) | (1,133) | (562) |
| Potential Underspend not slipped into next year | (1,446) | (1,092) | (354) |
| **Total Spend 2024/25** | **15,324** | **10,067** | **5,258** |
| **2025/26 Current Budget** | **38,269** | **33,639** | **4,630** |
| Potential Slippage b/f | 1,694 | 1,133 | 562 |
| **2025/26 Revised Budget** | **39,964** | **34,772** | **5,192** |
| Potential Slippage c/f | (1,515) | (1,398) | (117) |
| Potential Underspend not slipped into next year | (486) | (361) | (125) |
| **Total Spend 2025/26** | **37,962** | **33,012** | **4,950** |

# Detailed Capital Programme 2022-26 Annex 3

| Department | Priority | Scrutiny | Revised Budget 2022-23 | Indicative Budget 2023-24 | Indicative Budget 2024-25 | Indicative Budget 2025-26 |
|---|---|---|---|---|---|---|
| **Corporate Services** | | | | | | |
| Facilities Management | | | | | | |
| Other Buildings - Capital Building Works | 2 | OSC | 650 | 650 | 650 | 650 |
| Replacement Boilers | 4 | OSC | 379 | 0 | 0 | 0 |
| Civic Centre Lightning Upgrade | 4 | OSC | 300 | 0 | 0 | 0 |
| Combined Heat and Power (CHP) System Replacement | 4 | OSC | 0 | 450 | 0 | 0 |
| Absorption Chiller Replacement | 4 | OSC | 0 | 275 | 0 | 0 |
| Invest to Save schemes | 2 | OSC | 574 | 300 | 300 | 300 |
| Photovoltanics & Energy Conserv | 4 | OSC | 50 | 0 | 0 | 0 |
| Information Technology & Business Systems | | | | | | |
| Customer Contact Programme | 2 | OSC | 1,081 | 1,000 | 0 | 1,000 |
| Robotics Process Automation | 2 | OSC | 55 | 0 | 0 | 0 |
| Web Content Management | 2 | OSC | 90 | 0 | 100 | 0 |
| Environmental Asset Management | 2 | OSC | 240 | 0 | 0 | 0 |
| Revenue and Benefits | 2 | OSC | 700 | 0 | 0 | 0 |
| Capita Housing | 2 | OSC | 0 | 0 | 0 | 120 |
| ePayments Project | 2 | OSC | 0 | 0 | 150 | 0 |
| Children's Safeguarding | 2 | OSC | 125 | 0 | 0 | 0 |
| Planning&Public Protection Sys | 2 | OSC | 0 | 0 | 550 | 0 |
| Kofax Scanning | 2 | OSC | 0 | 150 | 0 | 0 |
| Spectrum Spatial Analyst Repla | 2 | OSC | 0 | 0 | 0 | 200 |
| Parking System | 2 | OSC | 0 | 175 | 0 | 0 |
| Youth Justice IT Systems | 2 | OSC | 0 | 0 | 0 | 100 |
| Transport Management System | 2 | OSC | 150 | 0 | 0 | 0 |
| Replacement SC System | 2 | OSC | 0 | 1,100 | 1,000 | 0 |
| Project General | 2 | OSC | 705 | 770 | 1,405 | 1,060 |
| Network Switch Upgrade | 2 | OSC | 200 | 0 | 0 | 0 |
| Finance | | | | | | |
| Financial Systems - e5.5 Project | 2 | OSC | 0 | 700 | 0 | 0 |
| Corporate Items | | | | | | |
| Acquisitions Budget | Corporate | OSC | 0 | 0 | 6,785 | 0 |
| Capital Bidding Fund | Corporate | OSC | 0 | 0 | 1,000 | 0 |
| Multi-Functioning Device (MFC) | 2 | OSC | 0 | 0 | 600 | 0 |
| Westminster Coroners Court | Corporate | OSC | 802 | 0 | 0 | 0 |
| Corporate Capital Contingency | Corporate | OSC | 0 | 0 | 1,681 | 0 |
| CPO Clarion | 5 | OSC | 2,422 | 0 | 0 | 0 |
| **Total Corporate Services** | | | **8,522** | **5,570** | **14,221** | **3,430** |

DRAFT

**Please Note:**

1. Excludes budget relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant

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

**Priority**

1. Maintaining excellent education and skills for all ages and needs.
2. Promote a dynamic, connected and inclusive community and economy with safe, vibrant high streets and jobs for our residents.
3. Support residents who are most in need and promote the safety and wellbeing of all our communities.
4. Ensure a clean and environmentally sustainable borough with inclusive open spaces where people can come together and there is a variety of natural life
5. Work to make Merton a fairer, more equal borough and support those on lower income by tackling poverty and fighting for affordable housing.

## Detailed Capital Programme 2022-26 Continued... Annex 3

| Department | Priority | Scrutiny | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Budget 2025-26 £000s |
|---|---|---|---|---|---|---|
| **Community and Housing** | | | | | | |
| Adult Social Care | | | | | | |
| Telehealth | 3 | HCOP | 30 | 0 | 0 | 0 |
| Housing | | | | | | |
| Disabled Facilities Grant | 3 | SC/HCOP | 827 | 827 | 520 | 280 |
| Learning Dsbility Aff Housing | 5 | SC/HCOP | 1,533 | 145 | 0 | 0 |
| Libraries | | | | | | |
| West Barnes Library Re-Fit | 2 | SC | 0 | 0 | 200 | 0 |
| Library Capital Refurbishment | 2 | SC | 0 | 0 | 0 | 60 |
| Library Self Service | 2 | SC | 0 | 0 | 0 | 350 |
| Library Management System | 2 | SC | 140 | 0 | 0 | 0 |
| **Total Community and Housing** | | | **2,530** | **972** | **720** | **690** |

| Department | Priority | Scrutiny | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Budget 2025-26 £000s |
|---|---|---|---|---|---|---|
| **Children, Schools and Families** | | | | | | |
| Primary School | | | | | | |
| West Wimb. - Schools Capital maintenance | 1 | CYP | 65 | 0 | 0 | 0 |
| Hillcross - Schools Capital maintenance | 1 | CYP | 63 | 0 | 0 | 0 |
| Joseph Hood - Schools Capital maintenance | 1 | CYP | 45 | 0 | 0 | 0 |
| Dundonald School Expansion | 1 | CYP | 20 | 0 | 0 | 0 |
| Pelham - Schools Capital maintenance | 1 | CYP | 30 | 0 | 0 | 0 |
| Wimb. Chase - Schools Capital maintenance | 1 | CYP | 35 | 0 | 0 | 0 |
| Bond - Schools Capital maintenance | 1 | CYP | 30 | 0 | 0 | 0 |
| Cranmer - Schools Capital maintenance | 1 | CYP | 45 | 0 | 0 | 0 |
| Haslemere - Schools Capital maintenance | 1 | CYP | 160 | 0 | 0 | 0 |
| Links - Schools Capital maintenance | 1 | CYP | 20 | 0 | 0 | 0 |
| St Marks - Schools Capital maintenance | 1 | CYP | 55 | 0 | 0 | 0 |
| St Marks - Immersive Learning Centre | 1 | CYP | 80 | 0 | 0 | 0 |
| Lonesome - Schools Capital maintenance | 1 | CYP | 30 | 0 | 0 | 0 |
| Unallocated - Schools Capital maintenance | 1 | CYP | 2,500 | 2,500 | 2,500 | 2,500 |
| Secondary Schools | - | - | | | | |
| Harris Academy Morden - Morden Multi Sport Community Pitch | 1 | CYP | 135 | 0 | 0 | 0 |
| Raynes Park - Schools Capital maintenance | 1 | | 21 | 0 | 0 | 0 |
| Ricards Lodge - Schools Capital maintenance | 1 | | 22 | 0 | 0 | 0 |
| Rutlish - Schools Capital maintenance | 1 | | 20 | 0 | 0 | 0 |
| SEN Schools and ARPs | - | - | | | | |
| Perseid - Schools Capital maintenance | 1 | CYP | 40 | 0 | 0 | 0 |
| Secondary Autism Unit | 1 | CYP | 1,108 | 0 | 0 | 0 |
| Further SEN Provision | 1 | CYP | 180 | 0 | 0 | 0 |
| Primary ASD base 1-20 places | 1 | CYP | 30 | 0 | 0 | 0 |
| Medical PRU Expansion | 1 | CYP | 400 | 0 | 0 | 0 |
| Whately Avenue New ASD Provision | 1 | CYP | 900 | 0 | 0 | 0 |
| Other | - | - | | | | |
| Care Leavers Living Accommodation | 3 | CYP | 132 | 0 | 0 | 0 |
| Care Leavers Drop In Accommodation | 3 | CYP | 20 | 0 | 0 | 0 |
| Bond Road Family Centre Pmay Equip | 1 | CYP | 35 | 0 | 0 | 0 |
| Pollards Hill Digital Divide | 3 | CYP | 220 | 0 | 0 | 0 |
| **Total Children, Schools and Families** | | | **6,441** | **2,500** | **2,500** | **2,500** |

## Detailed Capital Programme 2022-26 Continued... Annex 3

| Department | Priority | Scrutiny | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Budget 2025-26 £000s |
|---|---|---|---|---|---|---|
| **Environmental and Regeneration** | | | | | | |
| Public Protection and Development | | | | | | |
| P&D machines for emission-based charging | 4 | SC | 303 | 0 | 0 | 0 |
| Replacement ANPR cameras with air quality / traffic sensor enhancements | 4 | SC | 86 | 300 | 300 | 300 |
| Pay and Display Machines | 2 | SC | 0 | 0 | 60 | 0 |
| Car Park Upgrades | 2 | SC | 526 | 0 | 0 | 0 |
| Rapid Response Cameras | 4 | SC | 41 | 0 | 0 | 45 |
| CCTV cameras and infrastructure upgrade | 2 | SC | 588 | 554 | 0 | 0 |
| CCTV Business Continuity and Resiliance | 2 | SC | 173 | 0 | 0 | 0 |
| 5 new permanent cameras per year, and enhanced network connections | 2 | SC | 0 | 135 | 100 | 100 |
| Brangwyn Cresent / Commonside Easte Improvement Project | 4 | SC | 52 | 0 | 0 | 0 |
| Willow Lane Bridge BID - Improvement Project 2021 | 4 | SC | 39 | 0 | 0 | 0 |
| Designing Out Crime | 2 | SC | 50 | 35 | 20 | 20 |
| Street Scene and Waste | - | - | | | | |
| Replacement of Fleet Vehicles | 4 | SC | 551 | 300 | 0 | 1,212 |
| Alley Gating Scheme | 4 | SC | 46 | 24 | 24 | 24 |
| Waste SLWP IT & Premises | 2 | SC | 8 | 0 | 0 | 42 |
| Waste Bins | 2 | SC | 13 | 0 | 0 | 0 |
| Replacement of Fleet Vehicles | 4 | SC | 340 | 0 | 0 | 15,000 |
| Street Cleansing Sub Depot | 2 | SC | 35 | 0 | 0 | 0 |
| Sustainable Communities | | | | | | |
| Street Tree Programme | 4 | SC | 60 | 60 | 60 | 60 |
| Street Lighting Replacement Pr | 4 | SC | 290 | 290 | 290 | 290 |
| Traffic Schemes | 2 | SC | 150 | 150 | 150 | 150 |
| Surface Water Drainage | 2 | SC | 100 | 100 | 100 | 60 |
| Repairs to Footways | 2 | SC | 1,000 | 1,000 | 1,000 | 1,000 |
| Maintain Anti-Skid and Coloured Surface | 2 | SC | 60 | 60 | 60 | 60 |
| Borough Roads Maintenance | 2 | SC | 1,200 | 1,200 | 1,200 | 1,200 |
| Highways bridges & structures | 2 | SC | 944 | 260 | 260 | 260 |
| Culverts Upgrade | 2 | SC | 488 | 0 | 0 | 0 |
| Street Lighting Wimbledon | 4 | SC | 262 | 0 | 0 | 0 |
| S Wimb Bus Area Wayfinding | 2 | SC | 135 | 0 | 0 | 0 |
| Milner Road Improvements | 2 | SC | 140 | 0 | 0 | 0 |
| Cycle access/parking | 2 | SC | 5 | 40 | 0 | 0 |
| Cycle Lane Works Plough Lane | 2 | SC | 210 | 0 | 0 | 0 |
| Morden Park Cycle Path | 2 | SC | 107 | 0 | 0 | 0 |
| Unallocated TfL* | 2 | SC | 1,300 | 1,300 | 1,300 | 1,300 |
| Elmwood Centre Hub | 2 | SC | 65 | 0 | 0 | 0 |
| New Horizon Centre | 4 | SC | 69 | 0 | 0 | 0 |
| Pollards Hill Bus Shelter | 2 | SC | 150 | 100 | 0 | 0 |
| Sandy Lane Public Realm | 2 | SC | 235 | 0 | 0 | 0 |
| Crowded Places-Hostile Vehicl | 2 | SC | 180 | 0 | 0 | 0 |
| Wimbledon Public Realm Implementation | 2 | SC | 901 | 0 | 0 | 0 |
| Haydons Road Public Realm Improvements | 2 | SC | 380 | 0 | 0 | 0 |
| Wimbledon Village Heritage Led Public Realm | 2 | SC | 770 | 0 | 0 | 0 |
| Morden TC Regeneration Match Funding | 2 | SC | 2,000 | 2,000 | 2,000 | 0 |

* Currently under review

## Detailed Capital Programme 2022-26 Continued... Annex 3

| Department | Priority | Scrutiny | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Budget 2025-26 £000s |
|---|---|---|---|---|---|---|
| **Environmental and Regeneration continued….** | | | | | | |
| Crown Creative Knowledge Exchange | 2 | SC | 75 | 0 | 0 | 0 |
| Morden Town Centre Improvements | 2 | SC | 200 | 0 | 0 | 0 |
| Lost Rivers Repairs | 2 | SC | 175 | 100 | 0 | 0 |
| 42 Graham Road | 2 | SC | 50 | 0 | 0 | 0 |
| Vacant Premises Upgrade | 2 | SC | 18 | 0 | 0 | 0 |
| Community Centres Energy Saving Lighting | 4 | SC | 35 | 0 | 0 | 0 |
| Wimbledon Park Lake Reservoir Safety | 4 | SC | 204 | 0 | 0 | 0 |
| Watersports Fleet | 4 | SC | 0 | 0 | 0 | 10 |
| New Wimbledon Park lakeview building - including Watersport Centre | 4 | SC | 0 | 0 | 0 | 500 |
| Leisure Centre Plant & Machine | 2 | SC | 250 | 250 | 250 | 250 |
| Parks Investment | 4 | SC | 300 | 300 | 300 | 300 |
| Resurface Tennis Courts (Wimb Pk) | 4 | SC | 150 | 0 | 0 | 0 |
| New interactive water play feature at Wimbledon Park | 4 | SC | 226 | 0 | 0 | 0 |
| Paddling Pools (borough wide) OPTION 1 | 4 | SC | 135 | 0 | 0 | 0 |
| Sports Drainage | 4 | SC | 75 | 75 | 0 | 0 |
| Multi Use Sports Area | 4 | SC | 175 | 175 | 0 | 0 |
| Abbey Recreation Ground | 4 | SC | 40 | 0 | 0 | 0 |
| Colliers Wood Rec Ground | 4 | SC | 67 | 0 | 0 | 0 |
| **Total Environmental and Regeneration** | | | **16,228** | **8,808** | **7,474** | **22,183** |
| | | | | | | |
| **Total Capital** | | | **33,721** | **17,850** | **24,916** | **38,269** |



**Please Note:**

1. Excludes budget relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant

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

## Growth/(Reductions) proposed Programme 2022-26 Annex 4

| Department | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Indicative Budget 2025-26 £000s |
|---|---|---|---|---|
| Corporate Services | (550) | 325 | (8,316) | 8,710 |
| Community and Housing | 0 | 0 | 0 | 60 |
| Children, Schools and Families | 812 | 600 | 600 | 600 |
| Environment and Regeneration | 1,871 | 890 | 150 | 12,921 |
| **Total** | **2,133** | **1,815** | **(7,566)** | **22,291** |

| Department | Revised Budget 2022-23 £000s | Revised Budget 2023-24 £000s | Revised Budget 2024-25 £000s | Indicative Budget 2025-26 £000s |
|---|---|---|---|---|
| **Corporate Services** | | | | |
| Facilities Management | 0 | 0 | 0 | 0 |
| Information Technology & Business Systems | (550) | 325 | 1,150 | (756) |
| Finance | 0 | 0 | 0 | 0 |
| Corporate Items | 0 | 0 | (9,466) | 9,466 |
| **Total Corporate Services** | **(550)** | **325** | **(8,316)** | **8,710** |
| **Community and Housing** | | | | |
| Adult Social Care | 0 | 0 | 0 | 0 |
| Housing | 0 | 0 | 0 | 0 |
| Libraries | 0 | 0 | 0 | 60 |
| **Total Community and Housing** | **0** | **0** | **0** | **60** |
| **Children, Schools and Families** | | | | |
| Primary School | 600 | 600 | 600 | 600 |
| Secondary Schools | 0 | 0 | 0 | 0 |
| SEN Schools and ARPs | 0 | 0 | 0 | 0 |
| Other | 212 | 0 | 0 | 0 |
| **Total Children, Schools and Families** | **812** | **600** | **600** | **600** |
| **Environmental and Regeneration** | | | | |
| Public Protection and Development | 441 | 470 | 420 | 465 |
| Street Scene and Waste | 0 | 0 | (300) | 11,956 |
| Sustainable Communities | 1,430 | 420 | 30 | 500 |
| **Total Environmental and Regeneration** | **1,871** | **890** | **150** | **12,921** |
| | | | | |
| **Total Capital** | **2,133** | **1,815** | **(7,566)** | **22,291** |

# Indicative Capital Programme 2026-31 Annex 5

| Department | Scrutiny | Indicative Budget 2026-27 £000s | Indicative Budget 2027-28 £000s | Indicative Budget 2028-29 £000s | Indicative Budget 2029-30 £000s | Indicative Budget 2030-31 £000s |
|---|---|---|---|---|---|---|
| **Corporate Services** | | | | | | |
| 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 & Business Systems | | | | | | |
| Customer Contact Programme | OSC | 1,000 | 1,000 | 0 | 0 | 1,000 |
| Aligned Assets | OSC | 90 | 0 | 0 | 0 | 0 |
| Environmental Asset Management | OSC | 250 | 0 | 0 | 0 | 0 |
| Revenue and Benefits | OSC | 0 | 0 | 0 | 750 | 0 |
| Capita Housing | OSC | 0 | 0 | 0 | 0 | 120 |
| ePayments Project | OSC | 0 | 0 | 150 | 0 | 0 |
| Children's Safeguarding | OSC | 0 | 125 | 0 | 0 | 0 |
| Planning & Public Protection Sys | OSC | 0 | 0 | 0 | 550 | 0 |
| Kofax Scanning | OSC | 0 | 150 | 0 | 0 | 0 |
| Spectrum Spatial Analyst Replacement | OSC | 0 | 0 | 0 | 0 | 200 |
| Parking System | OSC | 0 | 175 | 0 | 0 | 0 |
| Ancillary IT Systems | OSC | 50 | 0 | 0 | 0 | 0 |
| Youth Justice IT Systems | OSC | 0 | 0 | 0 | 100 | 0 |
| Payroll System | OSC | 160 | 0 | 0 | 0 | 0 |
| Transport Management System | OSC | 0 | 150 | 0 | 0 | 0 |
| Replacement SC System | OSC | 0 | 0 | 1,100 | 1,000 | 0 |
| SEN Case Management System | OSC | 170 | 0 | 0 | 0 | 0 |
| Project General | OSC | 970 | 1,005 | 770 | 1,405 | 1,060 |
| Finance | - | | | | | |
| Financial Systems - e5.5 Project | OSC | 0 | 0 | 0 | 700 | 0 |
| Corporate Items | - | | | | | |
| Multi-Functioning Device (MFC) | OSC | 0 | 0 | 600 | 0 | 0 |
| CPO Clarion | OSC | 6,119 | 0 | 3,460 | 0 | 0 |
| **Total Corporate Services** | | **9,759** | **3,555** | **7,030** | **5,455** | **3,330** |
| **Department** | | **Indicative Budget 2026-27 £000s** | **Indicative Budget 2027-28 £000s** | **Indicative Budget 2028-29 £000s** | **Indicative Budget 2029-30 £000s** | **Indicative Budget 2030-31 £000s** |
| **Community and Housing** | | | | | | |
| Housing | | | | | | |
| Disabled Facilities Grant | SC/HCOP | 280 | 280 | 280 | 280 | 280 |
| Libraries | | | | | | |
| Library Capital Refurbishment | SC | 201 | 235 | 0 | 0 | 0 |
| Library Self Service | SC | 0 | 0 | 0 | 0 | 350 |
| Library Management System | SC | 0 | 140 | 0 | 0 | 0 |
| **Total Community and Housing** | | **481** | **655** | **280** | **280** | **630** |
| **Department** | | **Indicative Budget 2026-27 £000s** | **Indicative Budget 2027-28 £000s** | **Indicative Budget 2028-29 £000s** | **Indicative Budget 2029-30 £000s** | **Indicative Budget 2030-31 £000s** |
| **Children, Schools and Families** | | | | | | |
| Unallocated - Schools Capital maintenance | CYP | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| **Total Children, Schools and Families** | | **2,500** | **2,500** | **2,500** | **2,500** | **2,500** |

# Indicative Capital Programme 2026-31 continued …. Annex 5

| Department | | Indicative Budget 2026-27 | Indicative Budget 2027-28 | Indicative Budget 2028-29 | Indicative Budget 2029-30 | Indicative Budget 2030-31 |
|---|---|---|---|---|---|---|
| **Environmental and Regeneration** | | | | | | |
| Public Protection and Development | | | | | | |
| Replacement ANPR cameras with air quality / traffic sensor enhancements | SC | 300 | 300 | 0 | 345 | 345 |
| Pay and Display Machines | SC | 0 | 0 | 0 | 60 | 0 |
| Rapid Response Cameras | SC | 45 | 0 | 0 | 50 | 50 |
| CCTV Business Continuity and Resilience | SC | 0 | 73 | 0 | 0 | 0 |
| 5 new permanent cameras per year, and enhanced network connections | SC | 100 | 100 | 100 | 100 | 100 |
| Public Protection and Development | SC | 35 | 0 | 0 | 0 | 0 |
| Street Scene and Waste | | | | | | |
| Replacement of Fleet Vehicles | SC | 0 | 575 | 0 | 6,475 | 0 |
| Alley Gating Scheme | SC | 24 | 24 | 24 | 24 | 24 |
| Replacement of Fleet Vehicles | SC | 0 | 0 | 0 | 1,290 | 0 |
| 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 Anti-Skid and Coloured Surface | SC | 60 | 60 | 60 | 60 | 60 |
| Borough Roads Maintenance | SC | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Highways bridges & structures | SC | 260 | 260 | 260 | 260 | 260 |
| Water sports Fleet | SC | 0 | 10 | 0 | 10 | 0 |
| New Wimbledon Park lakeview building - including Water sport Centre | SC | 2,000 | 500 | 500 | 0 | 0 |
| Leisure Centre Plant & Machine | SC | 250 | 250 | 250 | 250 | 250 |
| Parks Investment | SC | 300 | 300 | 300 | 300 | 300 |
| **Total Environmental and Regeneration** | | **6,134** | **5,212** | **4,254** | **11,984** | **4,149** |
| | | | | | | |
| **Total Capital** | | **18,874** | **11,922** | **14,064** | **20,219** | **10,609** |


RAYNES
PARK HIGH SCHOOL

# LONDON BOROUGH OF MERTON

# TREASURY MANAGEMENT STRATEGY STATEMENT- 2022-23

## 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 2022/23 to 2025/26
b) Approve the Minimum Revenue Provision (MRP) policy for 2022/23; and
c) To agree the Treasury Management Strategy for 2022/23

CIPFA are consulting on the Treasury Management Code of Practice and Prudential Code. While closed, the outcome of the consultation has yet to be published and CIPFA have suggested a soft launch in 2022-23 with full adoption in 2023-24.
The DLUHC are also currently consulting on MRP – consultation to close 8th Feb.

- https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/consultation-on-changes-to-the-capital-framework-minimum-revenue-provision

In addition to the TMSS Merton's treasury function also reports on mid-year and end of year treasury activities and performance.

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'

1. CIPFA Prudential Code
2. MHCLG now the DLUHC, MRP and investment guidance
3. CIPFA TM Code

The Guidance requires the Council to set out its Treasury strategy for borrowing and to prepare an Annual Investment Strategy.

**CIPFA Prudential Code-**
On the 20 December 2021 CIPFA has published the new *Prudential Code for Capital Finance in Local Authorities* (Prudential Code) and *Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes* (the Treasury Management Code).

These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions.

The new Codes will have a 'soft' launch of provisions for the 2022-23 financial year, ie, where possible local authorities should make their best endeavours to adhere to their provisions and not undertake any new investments that would not be consistent with the changes and will be fully implemented in the 2023/24 financial year.

## 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 and liquidity ahead of 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 2022/23

The strategy for 2022/23 covers two main areas:

**1. Capital Programme**

- To determine the Council's capital plans and prudential indicators for 2022/23 to 2025/26;
- To approve the Minimum Revenue Provision (MRP) policy.

**2. Treasury Management Programme**

- To agree the Council's treasury management strategy for 2022/23
- current treasury position as at December 2021;
- 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 2022/23 – 2025/26

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 and are linked to the CIPFA Prudential Code and TM Code of Practice. 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. Actuals are calculated from the SoAs with estimates based on the Capital programme.

### 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 have no impact on the council's net financing need for the year or borrowing requirement

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 | 2025/26 Estimate £'000 |
|---|---|---|---|---|---|
| Corporate Services | 2,999 | 9,110 | 7,799 | 4,992 | 12,753 |
| Community & Housing | 1,271 | 2,041 | 1,054 | 655 | 712 |
| Children Schools & Families | 6,296 | 6,053 | 3,041 | 2,329 | 2,383 |
| Environment & Regeneration | 11,447 | 13,733 | 10,041 | 7,348 | 22,114 |
| **Total** | 22,013 | 30,937 | 21,935 | 15,324 | 37,962 |

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 2021

| Capital Expenditure | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 |
|---|---|---|---|---|---|
| Capital Budget | **27,549** | **33,721** | **17,850** | **15,449** | **38,269** |
| Slippage* | (5,536) | (2,784) | 4,084 | (125) | (307) |
| Leasing Budgets | 0 | 0 | 0 | (600) | 0 |
| Total Capital Expenditure | 22,013 | 30,937 | 21,935 | 14,724 | 37,962 |
| **Financed by:** | | | | | |
| Capital Receipts | 1,351 | 900 | 900 | 900 | 0 |
| Capital Grants & Contributions | 14,871 | 19,593 | 10,191 | 5,258 | 4,950 |
| Capital Reserves | 0 | 0 | 0 | 0 | 0 |
| Revenue Provisions | 3,537 | 196 | 55 | 56 | 55 |
| Other Financing Sources | 0 | 0 | 0 | 0 | 0 |
| **Net financing need for the year (a)** | **2,254** | **10,248** | **10,788** | **8,510** | **32,957** |

* Includes finance lease expenditure table in Treasury Management Strategy which 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 2021/22 forecast movement in CFR shows a decrease of £4.26 million because MRP is greater than the net financing need for the year (cap ex table v CFR table).

The 2022/23 forecast capital outturn of £30.9m, 2023/24 of £21.9m, 2024/25 of £14.7m and 2025/26 of £37.9m 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 2024/25. 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:

| | 2020/21 Actual £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 |
|---|---|---|---|---|---|---|
| **Capital Financing Requirement**<br>CFR b/f | 173,583 | 167,459 | 163,200 | 175,790 | 177,483 | 174,095 |
| **Total CFR c/f** | 167,459 | 163,200 | 175,790 | 177,483 | 174,095 | 193,951 |
| **Movement in CFR** | (6,123) | (4,260) | 12,591 | 1,693 | (3,388) | 19,856 |
| **Movement in CFR represented by** | | | | | | |
| Net financing need for the year (above) | 451 | 2,254 | 10,248 | 10,788 | 8,510 | 32,957 |
| Less Capital MRP/VRP | (4,855) | (4,841) | (5,097) | (5,966) | (7,001) | (7,876) |
| Less Other MRP/VRP - leasing and PFI | (817) | (695) | (682) | (697) | (2,223) | (2,486) |
| Less Other MRP/VRP - PFI - Termination | (844) | (905) | (970) | (1,040) | (1,114) | (1,194) |
| Less Other financing movements | | | | | | |
| Adjustment of PFI Liability | | | | | | |
| Adjustment of Leasing Liability* | (59) | (73) | 9,092 | (1,392) | (1,560) | (1,544) |
| Adjustment of MRP | | | | | | |
| **Movement in CFR** | (6,123) | (4,260) | 12,591 | 1,693 | (3,388) | 19,856 |

* 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) – Currently double checking the treatment of Hall Place as new contract currently being put in place



**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, ratio and includes leasing costs

| | 2020/21 Actual £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 |
|---|---|---|---|---|---|---|
| Net Revenue Financing Costs | **1,145** | **1,006** | **10,180** | **(1,468)** | **(5,177)** | **(4,653)** |
| Net Revenue Stream | 174,300 | 164,363 | 162,519 | 162,350 | 167,546 | 171,213 |
| Ratio of Financing Costs to Net Revenue Stream (Non HRA) | 0.66% | 0.61% | 6.26% | (0.90%) | (3.09%) | (2.72%) |

**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.

| | 2020/21 Actual £ | 2021/22 Estimate £ | 2022/23 Estimate £ | 2023/24 Estimate £ | 2024/25 Estimate £ | 2025/26 Estimate £ |
|---|---|---|---|---|---|---|
| Incremental Change in Capital Financing Costs (£000) | 1,266 | (139) | 9,174 | (11,647) | (3,709) | 524 |
| Council Tax Base | 75,990 | 74,220 | 75,755 | 76,716 | 77,100 | 77,485 |
| **Incremental Impact on Council Tax - Band D (£)** | **16.66** | **(1.87)** | **121.10** | **(151.83)** | **(48.11)** | **6.76** |
| Council Tax - Band D (£) | 1,276.92 | 1,340.72 | 1,380.93 | 1,408.54 | 1,436.71 | 1,465.44 |

## 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.

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

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

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

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 |

***It is likely that we will be adding in assets below 5 years***



## 4. TREASURY MANAGEMENT STRATEGY

### 4.1 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. Link provided the following forecasts on 8 November 2021. These are forecasts for PWLB certainty rates, gilt yields plus 80 bps.

No change to the LINK forecast following the base rate increase on the 16 December 2021

| Link Group Interest Rate View 20.12.21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BANK RATE | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 |
| 3 month ave earnings | 0.20 | 0.30 | 0.50 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 6 month ave earnings | 0.40 | 0.50 | 0.60 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 |
| 12 month ave earnings | 0.70 | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 |
| 5 yr PWLB | 1.40 | 1.50 | 1.50 | 1.60 | 1.60 | 1.70 | 1.80 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 |
| 10 yr PWLB | 1.60 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.10 | 2.20 | 2.30 |
| 25 yr PWLB | 1.80 | 1.90 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 |
| 50 yr PWLB | 1.50 | 1.70 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.30 | 2.30 |

Our forecast for Bank Rate includes four increases, one in quarter 2 of 2022 to 0.50%, then quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

• Medium and long-dated gilt yields and, therefore, PWLB rates, have fallen sharply over the last two months, particularly at the very long end where differentials between 50 and 25 years have widened out during December to 35bps. This is thought to probably be due to demand by pension funds seeking to finalise their portfolio positions at the 31 December year end, as well as a reflection of bond purchase activity in other developed economy markets. We have assumed this is a temporary anomaly which will work its way out of the system during the first quarter of 2022 and restore the average differential of around 20 bps between 25 and 50-year rates: the latter rising back up to more normal levels.

• Our forecasts for medium and long rates have edged down by 20-30bp; this reflects the shock that Omicron has sent through financial markets at a time when confidence had been rising that the threat from Covid was passing. In addition, there has been a fall in inflation expectations now that the Fed has finally woken up as to how strongly inflationary pressures have risen in the US and the need to counter these by several interest rate increases in 2022 and beyond. The Bank of England has also started to take action to counter the threat of inflation by implementing a Bank Rate increase last week

• LIBOR and LIBID rates will cease from the end of 2021. In the October edition of CityWatch, we outlined how these rates are expected to be replaced. In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.

• Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.



**Significant risks to the forecasts**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **German general election** in September 2021. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel's tenure as Chancellor will end and will leave a hole in overall EU leadership.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

- **The balance of risks to the UK economy: -**
- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.



**A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE**

- Last month the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE



**Forecasts for PWLB rates and gilt and treasury yields**
As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.
There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.

- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

**Gilt and treasury yields**
Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend $1trn on infrastructure, which has just been passed by both houses, and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy has been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation.

**At its 3rd November Fed meeting**, the Fed decided to make a start on tapering QE purchases with the current $80bn per month of Treasury securities to be trimmed by $10bn in November and a further $10bn in December. The $40bn of MBS purchases per month will be trimmed by $5bn in each month. If the run-down continued at that pace, the purchases would cease entirely next June but the Fed has reserved the ability to adjust purchases up or down. This met market expectations. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields would rise as a consequence over the taper period, all other things being equal.
However, on the inflation front it was still insisting that the surge in inflation was "largely" transitory. In his post-meeting press conference, Chair Jerome Powell claimed that "the drivers of higher inflation have been predominantly connected to the dislocations caused by the pandemic" and argued that the Fed's tools cannot address supply constraints. However, with the Fed now placing major emphasis on its mandate for ensuring full employment, (besides containing inflation), at a time when employment has fallen by 5 million and 3 million have left the work force, resignations have surged due to the ease of getting better paid jobs and so wage pressures have built rapidly.
With wage growth at its strongest since the early 1980s, inflation expectations rising and signs of a breakout in cyclical price inflation, particularly rents, the FOMC's insistence that this is still just a temporary shock "related to the pandemic and the reopening of the economy", does raise doubts which could undermine market confidence in the Fed and lead to higher treasury yields.

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

**The balance of risks to medium to long term PWLB rates: -**

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

- **A new era – a fundamental shift in central bank monetary policy**
- One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.



**Investment and borrowing rates**

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **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 and still remain at historically low levels. 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 which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps 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 current margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk. (*Amend as appropriate).*
- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, (*amend as appropriate),* there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

## 4.2 Borrowing Strategy

**Current Borrowing Portfolio Position**

The following table shows the CFR as at December 2021 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 | 2021/22 Estimate £000s | 2022/23 Estimate £000s | 2023/24 Estimate £000s | 2024/25 Estimate £000s | 2025/2026 Estimate £000s |
|---|---|---|---|---|---|
| External Debt at 1 April | 111,010 | 109,010 | 108,700 | 95,000 | 98,098 |
| Expected change in Debt (repayment and new debt) | (2,000) | (310) | (13,700) | 3,098 | 32,957 |
| Closing External Debt | 109,010 | 108,700 | 95,000 | 98,098 | 131,054 |
| Closing Balance PFI | 16,010 | 15,328 | 14,630 | 12,407 | 9,921 |
| Closing Partial termination Balance PFI | 10,015 | 9,045 | 8,005 | 6,891 | 5,697 |
| Total PFI | 26,025 | 24,373 | 22,635 | 19,298 | 15,618 |
| Closing Balance Finance Leases | 1,110 | 10,202 | 8,810 | 7,250 | 5,706 |
| Actual Gross Debt at 31 March | 136,145 | 143,275 | 126,445 | 124,646 | 152,378 |
| Capital Financing Requirement (CFR) | 163,200 | 175,790 | 177,483 | 174,095 | 193,951 |
| (Under)/over Borrowing | (27,055) | (32,515) | (51,038) | (49,449) | (41,573) |

* 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 2021/22 to 2025/26. 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 2022/23 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 2022/23, 2023/24, 2024/25 and 2025/26 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 £30m. This means that cash outflows for capital purposes would primarily be met from cash investments until £30m 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 | 2021/22 Estimate £000s | 2022/23 Estimate £000s | 2023/24 Estimate £000s | 2024/25 Estimate £000s | 2025/2026 Estimate £000s |
|---|---|---|---|---|---|
| Capital Financing Requirement | 163,200 | 175,790 | 177,483 | 174,095 | 193,951 |
| Other Long Term Liabilities | 31,510 | 29,872 | 28,144 | 24,813 | 66,395 |
| Operational Boundary (Borrowing) | 194,741 | 205,669 | 205,627 | 198,907 | 270,345 |

**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:

| | 2021/22 Estimate £000s | 2022/23 Estimate £000s | 2023/24 Estimate £000s | 2024/25 Estimate £000s | 2025/26 Estimate £000s |
|---|---|---|---|---|---|
| Borrowing | 193,200 | 205,790 | 207,483 | 204,095 | 223,951 |
| Other Long Term Liabilities | 36,510 | 34,872 | 33,144 | 29,813 | 71,397 |
| Authorised Limit | 229,709 | 240,662 | 240,627 | 233,908 | 295,348 |

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

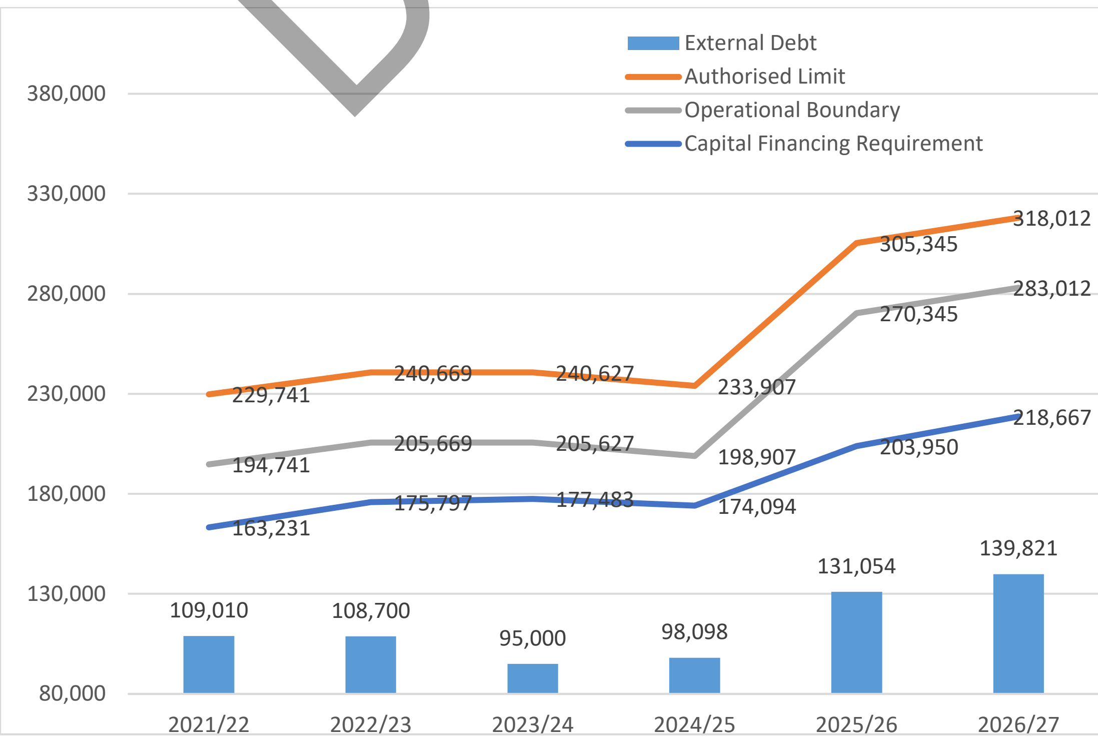
The table below shows the debt related treasury activity limits.

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 2021/22 | | | |
|---|---|---|---|---|
| | **Actual November 2021** | **Lower** | **Upper** | **Value £'000** |
| less than 1 year | 0.00% | 0% | 60% | 0 |
| 1 to 2 years | 0.28% | 0% | 60% | 310 |
| 2 years to 5 years | 24.03% | 0% | 60% | 26,200 |
| 5 years to 10 years | 4.13% | 0% | 80% | 4,500 |
| 10 years to 20 years | 11.47% | 0% | 100% | 12,500 |
| 20 years to 30 years | 18.81% | 0% | 100% | 20,500 |
| 30 years to 40 years | 22.93% | 0% | 100% | 25,000 |
| 40 years to 50 years | 18.35% | 0% | 100% | 20,000 |
| **Total** | **100.00%** | | | **109,010** |



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.

### 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

| | 2021/22 Estimate % | 2022/23 Estimate % | 2023/24 Estimate % | 2024/25 Estimate % | 2025/26 Estimate % |
|---|---|---|---|---|---|
| **Average Investment Target Return** | 0.20% | 0.20% | 0.25% | 0.30% | 0.40% |
| **Average Investment Target – Property Fund** | 4.0% | 4.0% | 4.0% | 3.40% | 3.50% |
| **Long Term Borrowing Target**<br>• Current Portfolio | 5.50% | 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.

### 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.

### 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.

***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).

**Investment returns expectations**

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

| Average earnings in each year | Now |
|---|---|
| 2021/22 | 0.25% |
| 2022/23 | 0.50% |
| 2023/24 | 0.75% |
| 2024/25 | 1.00% |
| 2025/26 | 1.50% |
| Long term later years | 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:

| Average earnings in each year | Now | Previously |
|---|---|---|
| 2022/23 | 0.50% | 0.25% |
| 2023/24 | 0.75% | 0.50% |
| 2024/25 | 1.00% | 0.50% |
| 2025/26 | 1.25% | 1.00% |
| Long term later years | 2.00% | 2.00% |

**5.3 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 2021 Actual** | **2021/22 Estimate** | **2022/23 Estimate** | **2023/24 Estimate** | **2024/25 Estimate** | **2025/26 Estimate** |
|---|---|---|---|---|---|---|
| Estimated Principal sums invested greater than 365 days | £10m | £40m | £30m | £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).

Along with the fixed deposits, Money Market Funds and funds being placed with the CCLA the council is considering depositing money into an Ultra short dated bond Fund in April 2022 for a period of 6-9 months.. The fund is classed as Volatile Net Asset Value (VNAV). The fund is on our treasury advisor's recommended list and has a AAA rating.

**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 ahead of yield.

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.

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

- 5% historic risk of default when compared to the whole portfolio.

**2 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.

3. **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** | **£25m** | **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 (maximum 5 Funds, £20m per Fund)** | **AAA** | **£100m** | **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 Group 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 6 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 Group, 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 and members that are associated with treasury matters 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 2022/23
- Appendix 5– Glossary
- Appendix 6 – Cashflow Forecast

**11. Background Papers**

- CIPFA Prudential Code for Capital Finance in Local Authorities 2017 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 |

**APENDIX 2 - APPROVED COUNTRIES FOR INVESTMENTS (as at 10/11/2021)**

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

**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

**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) Adherence to agreed policies and practices on a day-to-day basis
c) Maintaining relationships with counterparties and external service providers
d) Supervising treasury management staff
e) Monitoring performance on a day-to-day basis
f) Submitting management information reports to the Responsible Officer; and
g) 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:
    i. Lloyds Banking Group
    ii. 25 Gresham Street, London
    iii. 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**

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

*Basis Point*
One hundredth of 1% e.g. 0.01%

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

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

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

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

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

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

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

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

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

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

*Interest Rate Risk*
The risk that an investment's value will change due to a change in the absolute level of interest rate. Interest rate risk affects the value of bonds more directly than stocks, and it's a major risk to all bond holders. As interest rates rise, bond prices fall and 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 2022 to 2027

**London Borough of Merton**
**Balance Sheet Projections- Cash Flow**

| 2020/21 (£'000) | | 2021/22 (£'000) | 2022/23 (£'000) | 2023/24 (£'000) | 2024/25 (£'000) | 2025/26 (£'000) | 2026/27 (£'000) |
|---|---|---|---|---|---|---|---|
| | **CAPITAL FINANCING REQUIREMENT** | | | | | | |
| 166,914 | CFR | 163,200 | 175,790 | 177,483 | 174,095 | 193,951 | 198,668 |
| (27,625) | PFI Liabilities | (26,025) | (24,373) | (22,635) | (19,298) | (15,618) | (12,099) |
| (1,183) | Finance Lease Liabilities | (1,110) | (10,202) | (8,810) | (7,250) | (5,706) | (16,713) |
| 138,106 | Underlying Borrowing Requirement | 136,065 | 141,215 | 146,038 | 147,547 | 172,627 | 169,856 |
| (111,010) | External Borrowing c/fwd | (111,010) | (109,010) | (108,700) | (95,000) | (98,098) | (131,054) |
| - | Loan Maturities | 2,000 | 310 | 13,700 | 12,500 | 0 | 0 |
| - | New Loans | 0 | 0 | 0 | (15,598) | (32,957) | (8,766) |
| (111,010) | External Borrowing | (109,010) | (108,700) | (95,000) | (98,098) | (131,054) | (139,821) |
| 27,096 | Under / (Over) Borrowing | 27,055 | 32,515 | 51,038 | 49,449 | 41,573 | 30,035 |
| *20%* | *Underborrowing as a % of Underlying Borrowing Requirement* | *20%* | *23%* | *35%* | *34%* | *24%* | *18%* |
| | **RESERVES / BALANCES, INVESTMENTS & WC** | | | | | | |
| 14,000 | General Fund Balance | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 |
| (16,383) | Collection Fund Adjustment Account | (16,383) | (16,383) | (16,383) | (16,383) | (16,383) | (16,383) |
| 98,356 | Earmarked reserves (excl. Schools) | 98,356 | 98,356 | 98,356 | 98,356 | 98,356 | 98,356 |
| 11,728 | Schools (excl. DSG) | 11,728 | 11,728 | 11,728 | 11,728 | 11,728 | 11,728 |
| (24,981) | Schools - DSG (future yrs drawn early) | (24,981) | (24,981) | (24,981) | (24,981) | (24,981) | (24,981) |
| 451 | Capital Receipts Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| 9,958 | Provisions (exc. any accumulating absences) | 9,958 | 9,958 | 9,958 | 9,958 | 9,958 | 9,958 |
| 23,875 | Capital Grants Unapplied | 22,728 | 18,842 | 23,612 | 29,373 | 34,749 | 34,749 |
| 13,783 | Capital Grants Receipts In Advance | 13,783 | 13,783 | 13,783 | 13,783 | 13,783 | 13,783 |
| 130,787 | Amount Available for Investment | 129,189 | 125,303 | 130,073 | 135,834 | 141,210 | 141,210 |
| (70,743) | Debtors | (70,743) | (70,743) | (70,743) | (70,743) | (70,743) | (70,743) |
| 107,319 | Creditors | 107,319 | 107,319 | 107,319 | 107,319 | 107,319 | 107,319 |
| (1) | Stock / WIP | (1) | (1) | (1) | (1) | (1) | (1) |
| (7,067) | Balance LT Debtors | (7,067) | (7,067) | (7,067) | (7,067) | (7,067) | (7,067) |
| - | Balance of LT Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,390 | Deferred credits / receipts (non-capital) | 5,390 | 5,390 | 5,390 | 5,390 | 5,390 | 5,390 |
| 34,898 | Working Capital (Deficit) / Surplus | 34,898 | 34,898 | 34,898 | 34,898 | 34,898 | 34,898 |
| (27,096) | (Under) / Over Borrowing | (27,055) | (32,515) | (51,038) | (49,449) | (41,573) | (30,035) |
| 138,589 | External Investments/(Borrowing Requirement) | 137,032 | 127,686 | 113,933 | 121,283 | 134,535 | 146,073 |
| (10,000) | Strategic LT Investments (eg Property Funds) | (10,000) | (10,000) | (10,000) | (10,000) | (10,000) | (10,000) |
| 128,589 | Adjusted External Investments/(Borrowing Requ | 127,032 | 117,686 | 103,933 | 111,283 | 124,535 | 136,073 |

This page is intentionally left blank

# Cabinet

## Date: 17 January 2022

## Subject: Financial Report 2021/22 – Period 8 November 2021

Lead officer: Roger Kershaw

Lead member: Councillor Tobin Byers

## Recommendations:

---

A. That Cabinet note the financial reporting data for month 8, November 2021, relating to revenue budgetary control, showing a forecast net adverse variance at year end on net service expenditure of £5.008m, increasing to £7.358m when corporate and funding items are included, a decrease of £1.177m compared to last month
B. That CMT note the contents of Section 5 and approve the adjustments to the Capital Programme contained in Appendix 5b and 5d, subject to the receipt of project plans for those schemes where full slippage has been requested
   That Cabinet note the contents of Section 5, Appendix 5b and 5d of the report and approve the adjustments to the Capital Programme in the Table below:

| | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 | Narrative |
|---|---|---|---|---|---|
| **Corporate Services** | **£** | **£** | | **£** | |
| Westminster Coroners Court | | 402,000 | | | Increase in estimate orig. estimate 5 years old |
| **Community and Housing** | | | | | |
| Disabled Facilities Grant - General | 200,000 | | | (200,000) | Virement to fund projected outturn |
| Major Projects - Social Care H - Learning Dsbility Aff Housing | (50,000) | | | | 2021-22 Budget moved to Rev. for Feas Stdies |
| **Children, Schools and Families** | | | | | |
| Haslemere - Capital Maintenance | (160,000) | 160,000 | | | Re-profiled in accordance with projected spend |
| Harris Morden - Harris Morden Community Sports Pitch | (70,000) | 70,000 | | | Re-profiled in accordance with projected spend |
| Raynes Park - Capital Maintenance | (21,000) | 21,000 | | | Re-profiled in accordance with projected spend |
| Ricards Lodge - Capital Maintenance | (21,610) | 21,610 | | | Re-profiled in accordance with projected spend |
| Rutlish - Capital Maintenance | (20,000) | 20,000 | | | Re-profiled in accordance with projected spend |
| Melrose Whatley Avenue Expansion | (150,000) | 150,000 | | | Re-profiled in accordance with projected spend |
| Melrose School Expansion | 252,020 | | | | Virement to cover expected outturn |
| Unallocated SEN Expansion Budget | (20,000) | (232,020) | | | Virement to cover expected outturn |
| Youth Provision - Pollards Hill Digital Divide | (160,000) | 160,000 | | | Re-profiled in accordance with projected spend |

| | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 | Narrative |
|---|---|---|---|---|---|
| **Environment and Regeneration** | | | | | |
| Off Street Parking - P&D - Car Park Upgrades | (60,000) | 60,000 | | | Re-profiled in accordance with projected spend |
| Highways & Footways - Highway Bridges & Structures | (684,000) | 684,000 | | | Re-profiled in accordance with projected spend |
| Highways & Footways - TfL Principal Roads | (6,600) | 0 | | | TfL adjustment to funding |
| Highways & Footways - Culverts | (488,430) | 488,430 | | | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Morden Cycle Path | (107,220) | 107,220 | | | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Cycle Lane Works Plough Lane | (100,000) | 100,000 | | | Re-profiled in accordance with projected spend |
| Mitcham Area Regeneration - Elmwood Centre Hub | (65,000) | 65,000 | | | Re-profiled in accordance with projected spend |
| Wimbledon Area Regeneration - Wimbledon Public Realm | (100,000) | 0 | | | Virement of SCIL Money to Wimb Hill Scheme |
| Wimbledon Area Regeneration - Wimbledon Hill Rd | 154,850 | 0 | | | Utilising SCIL & NCIL Funding |
| Wimbledon Area Regeneration - Haydons Rd Public Realm | (80,000) | 80,000 | | | Re-profiled in accordance with projected spend |
| Morden Area Regeneration - Crown Creative Knowledge Exchange | (75,000) | 75,000 | | | Re-profiled in accordance with projected spend |
| Parks Investment - Wimb. Park Tennis Courts | (150,440) | 150,440 | | | Re-profiled in accordance with projected spend |
| Parks Investment - Wimb. Park Water Play | (226,000) | 226,000 | | | Re-profiled in accordance with projected spend |
| TfL Unallocated Budget | (495,250) | | | | Removal of unawarded Estimated TfL Allocation |
| **Total** | **(2,703,680)** | **2,808,680** | **0** | **(200,000)** | |

C. That Cabinet approve the use of £750k from the Your Merton reserve to fund the following projects over the financial years 2021/22 and 2022/23:

| Department | Your Merton Project | £ |
|---|---|---|
| Corporate Services | Communicating our improvements to residents & businesses | 125,000 |
| Corporate Services | Cultural improvements to Merton staff and their wellbeing | 140,000 |
| E&R | Don't Mess with Merton | 415,000 |
| E&R | Safety of Women and Girls | 15,000 |
| CSF | Youth Fund | 10,000 |
| CSF | Apprenticeship Coordinator – Vulnerable Groups | 45,000 |
| | **Total** | **750,000** |

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 8 monitoring report for 2021/22 presented in line with the financial reporting timetable.

This financial monitoring report provides -

- A full year forecast projection as at period 8.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2021/22;
- Progress on the delivery of the 2021/22 revenue savings

## 2. THE FINANCIAL REPORTING PROCESS

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

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £37.838m by the end of this financial year.

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

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

**Executive summary** – At period 8 to 30 November 2021, the year end forecast is a net adverse variance of £7.358m when all incremental Covid costs are included, after applying known government grant funding. Whilst Merton has been part of the Safety Valve discussions with the DfE, the outcome will not be known until mid January. If support is confirmed, this could have a positive impact on the 2021/22 outturn position.

**Summary Position as at 30th November 2021**

| | Current Budget 2021/22 £000s | Forecast Variance at year end (November) £000s | Forecast Variance at year end (October) £000s | Covid-19 Forecast Variance £000s | Outturn variance 2020/21 £000s |
|---|---|---|---|---|---|
| **Department** | | | | | |
| Corporate Services | 11,890 | 1,202 | 1,322 | 846 | 3,746 |
| Children, Schools and Families | 63,048 | 499 | 643 | 714 | (2,971) |
| Community and Housing | 69,470 | (1,339) | (1,557) | 1,137 | (2,264) |
| Public Health | (0) | 0 | 0 | 0 | (18) |
| Environment & Regeneration | 15,329 | 4,646 | 5,324 | 6,854 | 10,689 |
| Overheads | 0 | 0 | 0 | 0 | 0 |
| **NET SERVICE EXPENDITURE** | **159,736** | **5,008** | **5,732** | **9,551** | **9,182** |
| **Corporate Items** | | | | | |
| Impact of Capital on revenue budget | 11,157 | (145) | (145) | 0 | (27) |
| Other Central budgets | (7,488) | 553 | 803 | 0 | 2,151 |
| Levies | 959 | 0 | 0 | 0 | 0 |
| **TOTAL CORPORATE PROVISIONS** | **4,628** | **408** | **658** | **0** | **2,124** |
| **Covid-19** | **0** | 833 | 1,036 | **833** | **176** |

| | | | | | |
|---|---|---|---|---|---|
| **TOTAL GENERAL FUND** | **164,364** | **6,249** | **7,425** | **10,384** | **11,306** |
| **FUNDING** | | | | | |
| Revenue Support Grant | (5,187) | 0 | 0 | 0 | 0 |
| Business Rates | (34,339) | 0 | 0 | 0 | 0 |
| Other Grants | (16,949) | 0 | 0 | 0 | (382) |
| Council Tax and Collection Fund | (98,434) | 0 | 0 | 0 | 4 |
| COVID-19 emergency funding | (6,811) | 0 | 0 | 0 | 0 |
| Income compensation for SFC | (2,643) | 1,109 | 1,109 | 1,109 | |
| **FUNDING** | **(164,363)** | **1,109** | **1,109** | **1,109** | **(378)** |
| | | | | | |
| **NET** | **2** | **7,358** | **8,534** | **11,493** | **10,928** |

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

Covid-19 Financial Impact

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

The ongoing situation with high levels of uncertainty, particularly around the impact of the new Omicron variant, continues to make forecasting difficult for the year ahead as it's unclear if or when some service areas will see activity return to pre-covid levels. The financial impact of Omicron will be kept under review as the scale of additional costs or lost income to the Council emerge as the situation develops.

Covid Expenditure

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

Income shortfall

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

Savings unachieved

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

Covid-19 Summary

| COVID-19 COST SUMMARY | Forecast as at November 2021<br>2021/22<br>£000s | Forecast as at October 2021<br>2021/22<br>£000s |
|---|---|---|
| **Department** | | |
| Corporate Services | 846 | 905 |
| Children, Schools and Families | 714 | 714 |
| Community and Housing | 1,137 | 1143 |
| Environment & Regeneration | 6,854 | 6,726 |
| **TOTAL INCOME LOSS & SAVINGS UNACHIEVED** | **9,551** | **9,488** |
| **Corporate Items - Covid costs** | | |
| Corporate Services | 115 | 115 |
| Children, Schools and Families | 180 | 180 |
| Community and Housing | 242 | 242 |
| Environment & Regeneration | 296 | 499 |
| **ADDITIONAL COVID EXPENDITURE** | **833** | **1,036** |
| **FUNDING** | | |
| Business Rates | 4,717 | 5,387 |
| Council Tax | 0 | 0 |
| **TOTAL FUNDING LOSS** | **4,717** | **5,387** |
| | | |
| **GROSS COST OF COVID-19** | **15,101** | **15,911** |
| **Covid general funding** | **-6,811** | **-6,811** |
| **Income compensation for sales, fees & charges** | **-1,534** | **-1,534** |
| **NET COST OF COVID-19** | **6,756** | **7,566** |

## Covid-19 impact on the Collection Fund

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

Due to Covid-19 the level of collection is less than expected and will result in a deficit in Business Rates for the financial year 2021/22. This deficit is currently estimated at £4.717m as shown in the covid table above to demonstrate the full impact of covid, however, due to the way Business Rates are accounted for in local authorities, any shortfall will not be reflected in the 2021/22 financial year but will be managed via the Collection Fund and accounted for in future years. The Council will build estimates for Business Rates including any deficit/surplus from previous accounting years into the MTFS and budgets for 2022/23 onwards. The estimated deficit is therefore not reflected in the main summary position table for 2021/22 as it will not impact the general fund outturn.

In 2020/21 Merton collected 90.04% of its Business Rates income. As at the end of November, 2021/22 business rates collected is 0.68% less than the equivalent for last year, but the forecast for the full year is up 3% compared to last month with the collection rate now forecast to be 90% by year end in line with 2020/21.

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

In December 2021 a further business rate relief scheme was announced which could see bills reduced by £4.7m. However, at the time of writing we await further guidance on the scheme and will continue to review the potential impact as more details become known.

## Cashflow

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

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

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

The impact to the UK economy has still not been assessed after the recent outbreak of Omicron. The UK government intends to get the UK adult population fully boosted by December 2021, and we don't expect the impact to the UK economy nor the council income to be as significant as in March 2020.

The Bank of England base rate increased to 0.25% in December, the Council can now account for a better return on its MMF and the short term fixed deposits

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

## 4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

## Corporate Services

| Division | Current Budget £000 | Full year Forecast (November) £000 | Full Year Forecast Variance (November) £000 | Full Year Forecast Variance (October) £000 | Covid-19 Forecast Impact (November) £000 | Outturn Variance 2020/21 £000 |
|---|---|---|---|---|---|---|
| Customers, Policy & Improvement | 5,755 | 5,540 | (216) | (125) | 53 | 915 |
| Infrastructure & Technology | 12,545 | 12,676 | 131 | 131 | 176 | (51) |
| Corporate Governance | 1,750 | 1,829 | 79 | 77 | 26 | (88) |
| Resources | 5,698 | 5,993 | 295 | 405 | 471 | 1,811 |
| Human Resources | 1,903 | 2,138 | 234 | 224 | 120 | 102 |
| Corporate Other | 710 | 1,389 | 679 | 610 | 0 | 1,057 |
| **Total (Controllable)** | **28,361** | **29,563** | **1,202** | **1,321** | **846** | **3,746** |

**Overview**

The department is currently forecasting an adverse variance of £1,202k at year end of which £846k is due to the external impact of covid-19. The adverse forecast variance has reduced by £119k since October.

**Customers, Policy and Improvement - £216k favourable variance**

The favourable variance is primarily due to various vacancies expected to be held for part of the year, such as in the AD (£125k) and Programme Office budgets (£61k).

The Voluntary Sector Coordination budget is also forecasting a favourable variance of £43k on grant spend.

The Registrars services are also forecasting a favourable variance of £57k due to the strong recovery of income levels following the cessation of covid restrictions earlier this year. The forecast income for this service is cautious at this stage and is likely to reduce as it is expected that the demand for the service will reduce over the winter months and may also be impacted by Omicron.

Additional favourable variances include £49k due to an over-achievement of income forecast against the cash collection saving, £32k staffing underspends within the complaints team and £23k primarily from the Merton Link’s supplies and services budget lines.

Partially offsetting the favourable variances are the Press and PR budget which is forecasting a £119k adverse variance owing to the use of agency staff to cover the Head of Communications post pending the completion of a restructure. There is also a net adverse variance of £53k in the Translations services due to under-achievement against the income budget as external demand remains low and a £23k adverse variance in the Policy and Strategy team partly due to the use of agency staff.

**Infrastructure & Technology - £131k adverse variance**

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £216k on the Corporate Print Strategy and £103k on the PDC (Chaucer Centre). These will be reviewed throughout the year and may improve depending on the level of staff returning to the office. Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £94k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£27k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances. A further £41k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) relating to the introduction of a charging scheme.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted by £126k and £78k in Safety Services due to recruitment lag as well as contingency not expected to be required in year. There is a favourable £46k variance forecast for Garth Road from rental income and the Business Systems Team is also forecasting a £33k favourable variance due to vacancies in the team, most of which have now been successfully filled.

**Corporate Governance – £79k adverse variance**

The adverse variance is primarily due to forecast overspend within LBM Legal Service (£137k) of which £115k results from prior year unachieved savings. The removal of these unachievable savings is being factored in to the MTFS from 2022/23.

The adverse variance has been partially offset by favourable variances within the division which include £15k within AD Corporate Governance due to recharges for migration work for the AD's salary costs, £8k within Democracy Services from IT costs and Mayor's allowances spend being less than budgeted, £20k across Electoral Services largely from less than budgeted canvass pay and £19k within the South London Legal Partnership (SLLp).

SLLp is currently forecasting a £96k surplus overall, £19k is forecast to be LBM's share. The variance in SLLp is largely due to reduced running costs as staff largely continue to work remotely and less than budgeted staffing costs which are more than offsetting the reduced number of chargeable hours being completed compared to the budget.

**Resources - £295k adverse variance**

The adverse variance forecast within Resources has reduced by £110k since October. This is mainly due to £122k New Burdens funding for grants work within Revenues and Benefits (though this is largely offset with increased running costs) and Bailiff service income improvement.

Within Resources there are multiple budgets forecasting adverse variances due to Covid-19. Resulting from covid is an adverse variance forecast in the Bailiffs service of £324k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic remain in flux and the service is able to operate more fully.

The Corporate Accountancy service is forecasting a £152k adverse variance which includes agency cost due to long-term sickness and an increase in fee proposed by the Council's external auditors, EY, though confirmation of the fee increase is still outstanding. A further adverse variance of £118k is forecast on insurance. Even though six school moved out of the council cover, the insurance premium did not change significantly. Currently the service is working on the open claims and aim to reduce the annual insurance provision to the insurance fund and this will help to meet the overspend on the insurance premium. They are also doing detailed work on the properties and there is a possibility that a few of the properties can be removed from the insurance cover for next year and this will help to reduce the insurance premium from 2022/23.

The Financial Systems Team is forecasting a £33k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Favourable variances within Resources include £16k on the Director of Corporate Services budget line due to consultants and subscription budgets not required in year. The Support team within Revenues and Benefits has £29k favourable variance mainly against staffing costs. Within the Benefits Administration service a £143k favourable variance is largely due to receipts from DWP and the Local Taxation Service has a £116k favourable variance overall due to additional funding from the GLA and new burdens income from DWP. Additional underspends within resources include £13k against staffing budgets due to vacancies with the Budget Management team.

**Human Resources – £234k adverse variance**

The adverse variance has seen a £10k adverse movement since period 7 (October).

This adverse variance is primarily due to extending the period that agency cover is expected to be in place against the AD budget (£102k variance) and Learning and Development budgets (£52k variance).

Additionally, there is an adverse variance of £127k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. This is reflective of a saving not expected to be achieved in year as new contract negotiations were delayed as a result of covid during 2020/21.

The Payroll service is anticipating a £46k favourable variance across various staffing and running costs as well as overachievement of schools buyback income.

**Corporate Items - £679k adverse variance**

The Corporate Items budget has seen an adverse movement of £69k since period 7. This is primarily due to a £97k adverse movement in corporately funded items resulting from costs in relation to Merantun, increased legal hard charges and consultancy costs. Additionally, there has been a £31k adverse movement in added years pension and £10k adverse movement in Housing Benefits written off debt recovery due to the write back collection rate by Civica dropping.

Offsetting the above is a £79k favourable movement in Housing Benefits due to the monthly variation. However, the forecast remains adverse (£719k).

## Environment & Regeneration

| Environment & Regeneration | 2021/22 Current Budget £000 | Full year Forecast (Nov) £000 | Forecast Variance at year end (Nov) £000 | Forecast Variance at year end (Oct) £000 | 2021/22 Covid-19 Forecast Impact (Nov) £000 | 2020/21 Outturn Variance £000 |
|---|---|---|---|---|---|---|
| Public Protection | (16,031) | (11,742) | 4,289 | 4,628 | 5,762 | 8,973 |
| Public Space | 16,205 | 16,781 | 576 | 608 | 591 | 2,003 |
| Senior Management | 1,043 | 851 | (191) | (177) | 0 | (134) |
| Sustainable Communities | 8,330 | 8,302 | (27) | 264 | 501 | (153) |
| **Total (Controllable)** | **9,546** | **14,193** | **4,646** | **5,324** | **6,854** | **10,689** |

| Description | 2021/22 Current Budget £000 | Forecast Variance at year end (Nov) £000 | Forecast Variance at year end (Oct) £000 | 2020/21 Variance at year end £000 |
|---|---|---|---|---|
| Regulatory Services | 625 | 183 | 223 | 194 |
| Parking Services | (17,675) | 4,107 | 4,382 | 8,804 |
| Safer Merton & CCTV | 1,019 | 0 | 24 | (25) |
| **Total for Public Protection** | **(16,031)** | **4,289** | **4,628** | **8,973** |
| Waste Services | 14,553 | 395 | 486 | 875 |
| Leisure & Culture | 549 | 279 | 242 | 764 |
| Greenspaces | 1,832 | (79) | (48) | 525 |
| Transport Services | (729) | (19) | (71) | (161) |
| **Total for Public Space** | **16,205** | **576** | **608** | **2,003** |
| Senior Management & Support | 1,043 | (191) | (177) | (134) |
| **Total for Senior Management** | **1,043** | **(191)** | **(177)** | **(134)** |
| Property Management | (2,636) | (269) | (177) | (381) |
| Building & Development Control | (15) | 137 | 293 | 281 |
| Future Merton | 10,981 | 105 | 148 | (53) |
| **Total for Sustainable Communities** | **8,330** | **(27)** | **264** | **(152)** |
| | | | | |
| **Total Excluding Overheads** | **9,546** | **4,646** | **5,324** | **10,689** |

### Overview

The department is currently forecasting an adverse variance of £4,646k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

## Public Protection

**Regulatory Services adverse variance of £183k**
The section has cumulative income savings of £210k relating to potential commercial opportunities. However, the focus for the financial year 2020/21 needed to be redirected from income generation to Covid-19 service delivery and service improvement including a major IT project resulting in an adverse income variance of £301k.

The IT transition Project is scheduled for completion in the new year which will then permit some resources to refocus on income generation. Covid-19 continues to impact licensing income due to continually changing business restrictions resulting in a reduction in income from Street Trading Licences and Gambling Licences. Licensing income has improved through an increase in licence applications some resulting from the new Pavement Licencing Regime. Business recovery does show signs of improvement but will be kept under review, however licensing income remains below pre-pandemic levels.

Whilst the loss of income experienced at the start of the financial year is unlikely to be recouped, services are focussing additional resourcing on fee recovery by identifying unlicensed businesses. To date the main focus of this work has been in Richmond. The work in Merton has yielded £7,000 from unlicensed business activities so far, with a view to increasing licensing checks within the borough to further increase income. Current forecasts estimate an adverse variance against budget of £30k.

**Parking Services adverse variance of £4,107k**

The income forecast has moved favourable by £275k since October. However this will continue to be closely monitored to ensure possible impacts of the new virus variant are taken into account.

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

Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off-street charges income. Analysis to better understand the short and longer-term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £2.2m, £1.3m, and £0.8m respectively.

These adverse variances are being partially offset by a favourable variance on parking admin fee of £227k, employee spend of £116k and supplies and services £30k (of which £135k relates to the research and modernisation of SSZs cameras which will not be utilised until next year).

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

## Public Space

**Waste Services adverse variance of £395k**

The section is forecasting an adverse variance on disposal costs of £368k. As a result of changes to our residents working arrangements, we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services. In order to mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

An adverse variance of £223k is being forecast in relation to its waste collection and street cleansing contract, as a result of agreed and necessary services being undertaken on our behalf by the service provider.

An adverse variance of £164k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract during 2020/21, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The service is currently exploring alternative access for residents to neighbouring sites along with implementing improvements to the current booking system which has contributed to the management of waste volumes. To date there are no planned service changes, and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

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

**Leisure & Culture adverse variance of £279k**

Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL and this has resulted in an income shortfall of £493k. Of the £575k loaned to GLL, they have agreed to payback an interest free amount of £400k in the current year. It will keep them in recovery however this is not counting any possible January lockdowns. During this time the Authority has been incurring lower utility costs at these premises, leading to a forecast favourable variance of £58k.

The continuation of Covid-19 related restrictions at the Wimbledon Sailing Base has also led to programmes with less attendees being available, resulting in a net adverse variance of £45k being forecast.

Favourable variances on one-off reimbursement costs of £100k, and employee related spend of £89k is partially mitigating these adverse variances.

**Greenspaces favourable variance of £79k**

The favourable variance in primarily due to an increase in rental income from Wimbledon Tennis Fortnight outdoor events of £152k and over recovery of Phase C income of £62k. This will need to be closely monitored to ensure any changes to outdoor events due to the Omicron variant are reflected in future outturns.

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

**<u>Sustainable Communities</u>**

**Property Management favourable variance of £269k**

The favourable movement has increased by £93k from period 7 (October). This is due to £92k increase in income resulting from rent review and back rent due for 36 Weir Road.

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £573k, which includes £167k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements. There is also a favourable variance on employees of £116k due to underspend being forecast on salaries against a budget of £312k.

This is being partially offset by an adverse variance of £233k on premises related expenditure, for example, building improvements, utilities, repairs & maintenance costs, and £146k on supplies & services related expenditure, for example, on employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations and potential disposals.

**Building and Development Control adverse variance of £137k**

Although still reporting an adverse variance, this has reduced by £156k since period 7. This is due to a £166k favourable movement within the Development Control income resulting from an increase in application numbers and a significant increase in pre-apps being booked.

This favourable movement is being partially reduced by a net £19k adverse movement within the staffing budget.

The adverse variance is primarily due to a £247k under recovery in Building control income partly offset by a £114k anticipated over recovery in Development Control income.

## Children Schools and Families

CMT Summary

| Children, Schools and Families (£000's) | 2021/22 Current Budget | Full Year Forecast | Forecast Variance November | Forecast Variance October | 2021/22 Covid Forecast Impact |
|---|---|---|---|---|---|
| **Education** | | | | | |
| Education Budgets | £ 17,210 | £ 17,258 | £ 148 | £ 257 | £ 274 |
| Depreciation | £ 9,801 | £ 9,801 | | | |
| Other Education Budgets | £ 127 | £ 127 | | | |
| Education Services Grant | -£ (1,062) | -£ (1,062) | | | |
| **Education Sub-total** | **£ 26,076** | **£ 26,124** | **£ 148** | **£ 257** | **£ 274** |
| **Other CSF** | | | | | |
| Child Social Care & Youth Inclusion | £ 21,009 | £ 21,334 | £ 326 | £ 326 | £ 440 |
| Cross Department | £ 858 | £ 883 | £ 25 | £ 25 | |
| PFI Unitary Costs | £ 8,168 | £ 8,168 | £ - | £ 34 | |
| Pension and Redundancy Costs | £ 1,592 | £ 1,592 | | | |
| **Other CSF Sub-total** | **£ 31,627** | **£ 31,977** | **£ 351** | **£ 385** | **£ 440** |
| **Grand Total** | **£ 57,703** | **£ 58,101** | **£ 499** | **£ 642** | **£ 714** |

**Overview**

At the end of November 2021, the Children Schools and Families directorate is forecasting an adverse variance against budget of £0.499m on local authority funded services. This is a favourable movement since period 7 of £143k. Since period 3 we have seen a return to more normal levels of activity, including a spike in high cost placements and this is reflected in the forecast. Alongside this, we have forecast a return to more normal levels of education activity including transport. There has been an increase in the number of pupils being educated at home but overall the number is still small as a proportion of overall pupils. As at period 6 there is the inclusion of £300k costs relating to the DSG "Safety Valve" team..

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

It remains difficult to forecast the patterns of demand across all services as families, communities and services return to normal life, subject to the current Omicron variant. We continue to monitor the situation closely and respond in a timely way to changes.

**Local Authority Funded Services**

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

| Local Authority Funded Services (£000's) | Budget | | November Variance | | October Variance | |
|---|---|---|---|---|---|---|
| **Child Social Care and Youth Inclusion** | | | | | | |
| Adolescent & Family Services | £ | 2,113 | -£ | (359) | -£ | (359) |
| Asylum Seeker Costs (14+) | £ | 137 | £ | 126 | £ | 126 |
| Asylum Seeker Costs (ART) | £ | 306 | £ | 30 | £ | 30 |
| Children Cntrl Social Wrk Serv | £ | 4,285 | -£ | (88) | -£ | (88) |
| Head of ChildSoclCare& YthIncl | £ | 213 | -£ | (45) | -£ | (45) |
| Mash & Child Protection Serv | £ | 2,643 | -£ | (152) | -£ | (152) |
| Safeguarding, Stndrds & Train | £ | 1,210 | -£ | (159) | -£ | (159) |
| Senior Management | £ | 271 | -£ | (4) | -£ | (4) |
| Children In Care and Resources | £ | 9,831 | £ | 976 | £ | 976 |
| **CSC & Youth Incl Total** | | **21,009** | | **325** | | **325** |
| **Education** | | | | | | |
| Contracts, Proc & School Org | £ | 7,455 | £ | 3 | -£ | (9) |
| Early Years & Children Centres | £ | 4,100 | £ | 172 | £ | 172 |
| Education - School Improvement | £ | 20 | -£ | (3) | £ | 17 |
| Education Inclusion | £ | 1,780 | -£ | (102) | -£ | (87) |
| Schools Delegated Budget | £ | - | £ | - | £ | - |
| SEN & Disability Integrat Serv | £ | 2,076 | -£ | (181) | -£ | (96) |
| Senior Management | £ | 864 | £ | 204 | £ | 204 |
| Policy, Planning & Performance | £ | 523 | £ | 92 | £ | 92 |
| Departmental Business Support | £ | 211 | -£ | (37) | -£ | (37) |
| **Education Total** | **£** | **17,029** | **£** | **148** | **£** | **256** |

## Children's Social Care and Youth Inclusion Division

The Children in Care service is recording an adverse forecast of £976k compared with budget the same as the position in period 7. To note, the full £400k Public Health saving which was predicated on recommissioning integrated services, which has not taken place, (referred to in the overview section above) has all been put against this budget.  This savings option is now no-longer achievable. Over the past year there has been an increase in placements of children with complex needs in high cost provision. Additionally, providers have increased the cost of caring for the most complex children.

Work is currently underway with this service to focus on a number of areas:

- ensure that Merton continues to develop the tri-partite process to share planning for vulnerable children.
- ensure that children's plans are reviewed regularly with senior managers offering support and challenge to explore alternative arrangements.
- improve commissioning and procurement activity to ensure best value is obtained through a more systemised purchasing approach;
- a move to more activity based forecasting across the division as a whole.

The impact of these actions will be reflected within future monitoring updates.

- The Division overall is forecasting an adverse variance against budget of £325k at period 8 which is a stable picture since period 7.

## Education Division

The Education forecast for Senior Management includes forecast costs for the agency staff which are part of the DSG Safety Valve team. Expenditure to period 7 is £106k and is expected to be c.£150k for the full year. Expected expansion of this team could increase the full year spend to c. £300k. These costs have been included within the forecast.

The Education Division forecast is based on a spend situation returning to more normal levels. The period 8 budget shows a favourable movement from period 7 related to reduced spend in the SENDIS service. Reduced transport costs remain stable and we will continue to closely monitor.

The Division overall is forecasting an adverse variance against budget of £148k, this is a favourable movement from period 7 of £108k.

***Schools PFI***
Initial work in this area is forecasting an adverse position of £107k to budget. Further work re-modelling this area is being undertaken.

**Dedicated Schools Grant (DSG)**

The Dedicated Schools Grant (DSG) is forecasting an outturn of £12.857m. This is an increase of £200k from last period primarily due to independent placements out of borough placements because of Special Educational Needs and Disabilities (SEND) children requiring specialist education provision and no suitable places within the local area.

| Dedicated Schools Budget (£000's) | Budget | | November Variance | | October Variance | |
|---|---|---|---|---|---|---|
| ***Education*** | | | | | | |
| Contracts, Proc & School Org | £ | 286 | -£ | (4) | -£ | (5) |
| Early Years & Children Centres | £ | 16,335 | -£ | (590) | £ | 1 |
| Education - School Improvement | £ | 1,107 | -£ | (131) | -£ | (98) |
| Education Inclusion | £ | 1,468 | £ | 38 | £ | 55 |
| SEN & Disability Integrat Serv | £ | 17,468 | £ | 11,423 | £ | 10,672 |
| Sub-total | £ | 36,664 | £ | 10,736 | £ | 10,625 |
| ***CSC & Youth Inclusion*** | | | | | | |
| Adolescent & Family Services | £ | 43 | -£ | (2) | -£ | (9) |
| Sub-total | £ | 43 | -£ | (2) | -£ | (9) |
| ***Schools Delegated Budget*** | | | | | | |
| DSG Reserve | £ | - | £ | - | £ | - |
| Retained Schools Budgets | £ | 2,945 | -£ | (946) | -£ | (1,369) |
| Schools Delegated Budget | -£ | (39,784) | £ | 3,069 | £ | 3,406 |
| Sub-total | -£ | (36,839) | £ | 2,123 | £ | 2,037 |
| | | | | | | |
| **DSG Total** | **-£** | **(132)** | **£** | **12,857** | **£** | **12,653** |

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

Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country as at the end of 2020/21. The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit to a positive position. We have provided an updated plan to the DfE which they will present to Ministers. An update will be provided to Cabinet in February as part of the MTFS report, but if successful, we are unlikely to hear about the detail of any financial support and performance targets until late January.

The main reason for the adverse forecast variance from budget relates to a £6.534m adverse variance on Independent Day School provision. The reason for the significant overspend is due to the high number of placements. Last month there was 333 Independent placements and as at November 2021, there was an increase of 44 placements, totalling 377.

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

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect the overall DSG deficit to be in line with current forecast.  The current additional pressure of the DSG is forecast to be £12.857m for 2021/22, with an overall estimated cumulative deficit of £37.838m by year end.

Other adverse variances include £223k on EHCP allocations to Merton primary schools, £2.305m on out of borough maintained primary, secondary and special school payments, post 16 provision is forecasting a pressure of £466k and 1:1 support, Occupational health, Speech and Language therapy (SALT) and other therapies pressure of £2.150m.

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

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

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

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

# Community and Housing

**Overview**
Community and Housing is currently forecasting a favourable variance of £1.3m as at November 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.7m, and an increased unfavourable variance in Housing to £352k, and a reduced unfavourable variance in Libraries of £32k. Public Health and Merton Adult Learning continue to forecast a breakeven position.

## Community and Housing Summary Position

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

| Community & Housing | 2021/22 Current Budget £ | 2021/22 Full Year Forecast £ (Nov) | 2021/22 Full Year Variance £ (Nov) | 2021/22 Full Year Variance £ (Oct) | 2021/22 Covid-19 Forecast £ (Nov) | 2021/22 Outturn Variance £ (Mar'21) |
|---|---|---|---|---|---|---|
| **Adult Social Care** | 58,822 | 57,099 | (1,723) | (1,907) | 1,077 | (2,947) |
| **Libraries and Heritage** | 2,475 | 2,507 | 32 | 45 | 60 | 195 |
| **Merton Adult Learning** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Housing General Fund** | 3,333 | 3,685 | 352 | 305 | 0 | 489 |
| **Public Health** | (163) | (163) | 0 | 0 | 0 | 0 |
| **Total Favourable/ Unfavourable** | 64,467 | 63,128 | (1,339) | (1,557) | 1,137 | (2,263) |

## Adult Social Care

Adult Social Care is forecasting a favourable variance of £1.7m for November 2021. The current position reflects an increase in placements and client contribution between Octobers to November, and an additional £250k estimated costs for provider in year inflationary uplift. It also reflects Hospital Discharge Pathway income to date from the NHS South West London Clinical Commissioning Group.

### Monthly Movements in Packages of Care

| Month | New Customers | Deceased Customers | Customers No Longer Receiving a Service | Net Movement |
|---|---|---|---|---|
| **April'21** | 48 | -9 | -13 | 26 |
| **May'21** | 31 | -16 | -18 | -3 |
| **June'21** | 32 | -17 | -22 | -7 |
| **July'21** | 45 | -13 | -13 | 19 |
| **Aug'21** | 43 | -14 | -25 | 4 |
| **Sept'21** | 53 | -22 | -25 | 6 |
| **Oct'21** | 58 | -16 | -31 | 11 |
| **Nov'21** | 50 | -18 | -16 | 16 |
| **Total to Date** | **360** | **-125** | **-163** | **72** |
| **Average to Date** | **45** | **-16** | **-20** | **9** |
| **Average 2020/21** | **37** | **-27** | **-17** | **-7** |
| **Average 2019/21** | **34** | **-24** | **-24** | **-14** |
| **Average 2018/19** | **36** | **-23** | **-25** | **-11** |

The above table shows that there were 360 new customers since April to November, during 20/21 this was 40. The service is currently undertaking a deep dive into the placement data to ascertain reasons for this increase.

The service is now implementing the winter plan with health partners. The service successfully bid for over £1m from the NHS to support winter resources and those proposals are being implemented. One of the most significant risks to those plans are the difficulties in recruitment both by the Council, buy out partners and providers.  This is true across grades and disciplines in the health and care system.

The Omicron variant will add additional pressures to the system, including demand for care and the push to roll out booster jabs and testing at a scale. The deadline for care home vaccination expired on the 11th of November 2021 and Merton based providers are able to cope with the impact. However, levels of vaccination amongst Home Care staff (not mandated) is much lower which is a concern. There is a risk that if insufficient home care provision is available we will need to use more expensive temporary options such as residential care.

The Discharge to Assess model still continues with health partners. Customers transferred to the borough via the Hospital Discharge Pathway are funded nationally for four weeks, there is evidence that these customers are then transferred to new packages which will become a budget pressure in 2022/23.  Based on numbers as at November the full year estimate annual effect could be £400k assuming all things remain equal.

Pathways:-

**Pathway 0- 50 % of Clients**

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

**Pathway 1- 45% of clients**

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

Pathway 2- 4% of clients

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

**Pathway 3-1% of clients**

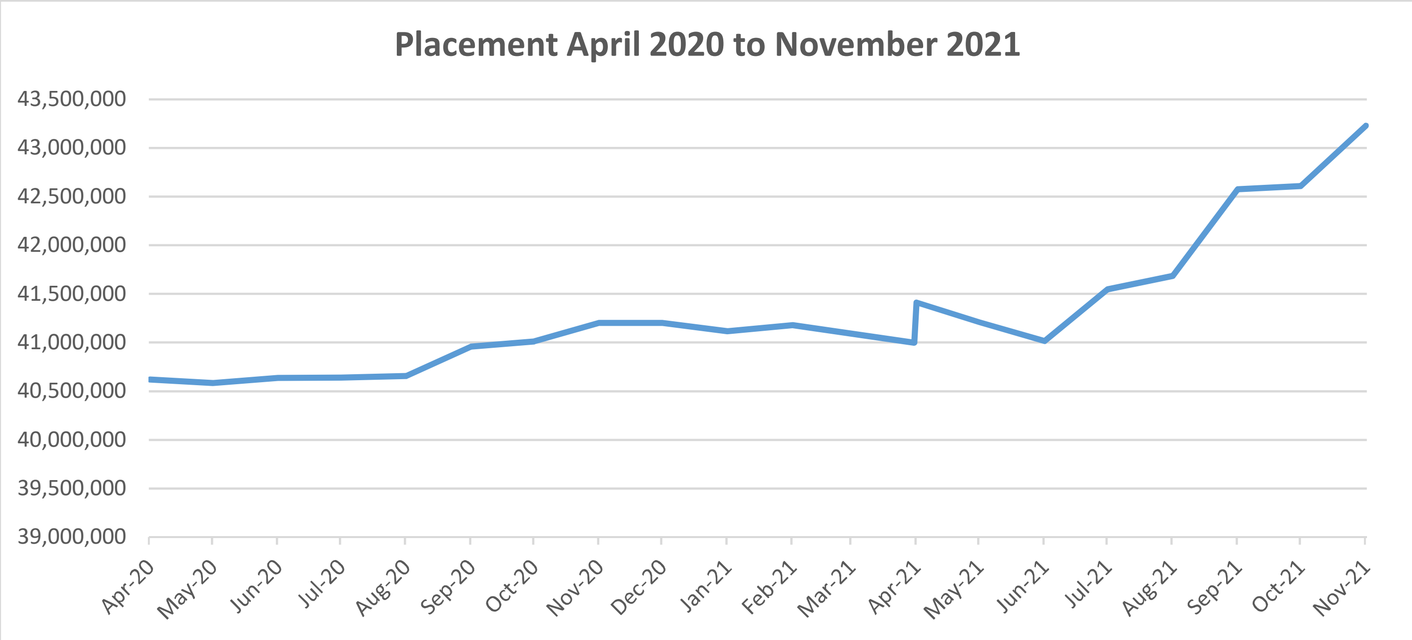
- People who require 24 hours bed based care

| Pathway Discharge Activities | | | |
|---|---|---|---|
| **Date** | **Pathway 1** | **Pathway 2** | **Pathway 3** |
| **Average April to Oct'21** | **34** | **8** | **3** |
| **Average April to Oct'20** | **24** | **5** | **2** |

The above table shows average number of customers discharged to LBM from April to October and based on cost to the Authority to date it means that a number of customers do not go on to receive a package of care after Reablement and/or they refuse Local Authority intervention.

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

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




**Adult Social Care Internal Provision –favourable Variance - £21k**

This service favourable variance is reduced due to IT disaster recovery costs for Mascot Telecare, as well as IT infrastructure costs at Dolliffe Close. There is a temporary increase in Supported Living salaries budget as a Senior Care Officer is taking on additional managerial duties.

Salaries elsewhere are stable although Therapists based at JMC on NHS contracts were given a backdated pay award in November. Transport costs were increased although additional budget was put in to reflect this.

**Library & Heritage Service- Unfavourable Variance - £32k**

This service at the end of November is showing an unfavourable variance of £32k, which is a reduction of £13k since October, and this is the net effect of additional income from on-line printing and lettings.

Due to the impact of the pandemic and the reduced service offering in the first half of the year there is underachieved income from fees, fines and charges. The security services contract and utilities costs also continue to overspend and have been included in forecasts since the start of the year.

Demand for services continues to recover and usage of libraries has recovered to 80% of pre-pandemic usage in November. Online services and new services like Connecting Merton, the services IT equipment loaning and training project, are in particularly high demand. New services are due to launch via libraries in the New Year including a Barclay's community banking offer at 3 libraries and the launch of a business start-up centre at Mitcham Library.

**Adult Learning- Breakeven position**

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

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

**Housing General Fund- Unfavourable variance - £352k**

This service is currently forecasting an unfavourable variance of £352k as at November which is a net increase of £47k since October which is due mainly to an increase in the annual contract costs from November for the services main temporary accommodation contract. This will however result in a £105k budget pressure in 2022/23 which the department will seek to fund from its inflationary increase.

The re-settlement of Afghan families by the Home Office has led to some families presenting at local authorities as homeless even though the Home Office and Department for Levelling Up, Housing and Communities have accepted responsibility for meeting immediate and temporary housing needs. The borough currently have two families in temporary accommodation, a further two applicants and possibly a fifth case.

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

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

The ban on eviction was lifted recently and currently there has not been a significant increase in cases presented as a consequence. However since July 8 clients have approached the service due to domestic violence. The service continues to monitor these developments carefully.

## Analysis of Housing and Temporary Accommodation Expenditure to November 2021

| Housing | Total Budget 2021/22 £000 | Forecast Expenditure (Nov'21) £'000 | Forecast Variances (Nov'21) £'000 | Forecast Variances (Oct'21) £'000 | Outturn Variances (March'21) £000 |
|---|---|---|---|---|---|
| Temporary Accommodation-Expenditure | 2,439 | 3,503 | 1,064 | 914 | 1,286 |
| Temporary Accommodation-Client Contribution | (140) | (331) | (191) | (185) | (253) |
| Temporary Accommodation-Housing Benefit Income | (2,087) | (2,552) | (465) | (382) | (931) |
| Temporary Accommodation-Subsidy Shortfall | 322 | 1,155 | 833 | 812 | 1,029 |
| Temporary Accommodation-Grant | 0 | (985) | (985) | (945) | (851) |
| **Subtotal Temporary Accommodation** | **534** | **790** | **256** | **213** | **280** |
| Housing Other Budgets | 2,799 | 2,895 | 96 | 91 | 209 |
| **Total Controllable (Favourable)/Adverse Variance** | **3,333** | **3,685** | **352** | **305** | **489** |

**Number of households in Temporary Accommodation as at November 2021**

| Temporary Accommodation | Numbers In | Numbers Out | Net Movement | Previous Year |
|---|---|---|---|---|
| Mar’17 | - | - | 186 | Position as at March for previous financial years ← |
| Mar’18 | 16 | 16 | 165 | |
| Mar’19 | 15 | 11 | 174 | |
| Mar’20 | 12 | 6 | 199 | |
| Mar’21 | 11 | 7 | 197 | |
| | | | 2021/22 | 2020/21 |
| Apr’21 | 12 | 10 | 199 | 196 |
| May’21 | 16 | 17 | 198 | 204 |
| June’21 | 9 | 16 | 191 | 213 |
| July’21 | 24 | 8 | 207 | 212 |
| Aug’21 | 12 | 12 | 207 | 210 |
| Sept’21 | 19 | 9 | 217 | 211 |
| Oct’21 | 14 | 16 | 215 | 214 |
| Nov’21 | 13 | 12 | 216 | 208 |

Total numbers in temporary accommodation (TA) as at November were 216 family units which is an increase of one since October. In comparison to November 2020/21 and 2019/20 numbers were 208 and 178 respectively.

## Public Health –Breakeven positions

The service is forecasting a breakeven position as at November 2021.

**Potential Cost pressures**

The service continues to seek a resolution with NHS provider CLCH for both the children’s contract (health visitors and school nurses) and for sexual health. The provider is currently involved in an open-book exercise.

**Covid-19 Related Programmes**

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

LOMP implementation costs will be covered by Control Outbreak Management Fund (COMF), or directly recharged to DHSC (Department of Health & Social Care) where there is a variant of concern.
Future funding of the COMF beyond the 31st March 2022 is uncertain at this time and we await an announcement from the government.

## Corporate Items

The details comparing actual expenditure up to 30 November 2021 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

| Corporate Items | Current Budget 2021/22 £000s | Full Year Forecast (Nov.) £000s | Forecast Variance at year end (Nov.) £000s | Forecast Variance at year end (Oct.) £000s | Outturn Variance 2020/21 £000s |
|---|---|---|---|---|---|
| **Impact of Capital on revenue budget** | **11,157** | **11,012** | **(145)** | **(145)** | **(27)** |
| **Investment Income** | (387) | (470) | (83) | (83) | (141) |
| **Pension Fund** | 86 | 86 | 0 | 0 | 2,646 |
| **Pay and Price Inflation** | 3,338 | 2,813 | (525) | (275) | (250) |
| **Contingencies and provisions** | 24,294 | 19,983 | (4,311) | (4,311) | 331 |
| **Income Items** | (2,223) | (2,223) | 0 | 0 | 7,413 |
| **Appropriations/Transfers** | (7,002) | (1,530) | 5,472 | 5,472 | (7,848) |
| **Central Items** | **18,105** | **18,658** | **553** | **803** | **2,151** |
| **Levies** | 959 | 959 | 0 | 0 | 0 |
| **Depreciation and Impairment** | (25,593) | (25,593) | 0 | 0 | 0 |
| **TOTAL CORPORATE PROVISIONS** | **4,628** | **5,036** | **408** | **658** | **2,124** |
| **COVID-19 Emergency expenditure** | 0 | 833 | 833 | 1,036 | 5,356 |
| **TOTAL CORPORATE EXPENDITURE inc. COVID-19** | **4,628** | **5,869** | **1,241** | **1,694** | **7,480** |

Based on expenditure to 30 November 2021, an adverse variance of £408,000 is forecast for corporate expenditure items. There has been one change since October which is in the provision for pay inflation for the national minimum wage which is expected to be underspent by an additional £0.250m.

It is also proposed to transfer £0.5m from the allocation for internal review to the Corporate Services Reserve.

## 5 Capital Programme 2021-25

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

| Depts | Current Budget 21/22 | Variance | Revised Budget 21/22 | Current Budget 22/23 | Variance | Revised Budget 22/23 | Original Budget 2023-24 | Variance | Revised Budget 23/24 | Original Budget 2024-25 | Variance | Revised Budget 24/25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate Services | 8,364 | 0 | **8,364** | 8,670 | 402 | **9,072** | 5,245 | | **5,245** | 13,071 | | **13,071** |
| Community & Housing | 1,265 | 147 | **1,412** | 2,515 | 15 | **2,530** | 972 | | **972** | 920 | (200) | **720** |
| Children Schools & Families | 7,643 | (406) | **7,237** | 5,223 | 406 | **5,629** | 1,900 | | **1,900** | 1,900 | | **1,900** |
| Environment and Regeneration | 17,701 | (2,648) | **15,053** | 11,926 | 2,430 | **14,357** | 7,918 | | **7,918** | 7,324 | | **7,324** |
| Total | **34,972** | **(2,906)** | **32,066** | **28,335** | **3,253** | **31,588** | **16,035** | **0** | **16,035** | **23,216** | **(200)** | **23,016** |

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

**Capital Budget Monitoring - November 2021**

| Department | Actuals | Budgeted Spend to Date | Variance to Date | Final Budget | Final Forecast 2020/21 | Full Year Variance |
|---|---|---|---|---|---|---|
| Corporate Services | 891,037 | 1,355,570 | (464,533) | 8,363,900 | 4,224,404 | (4,139,496) |
| Community and Housing | 839,521 | 719,898 | 119,623 | 1,412,160 | 1,412,160 | (0) |
| Children Schools & Families | 4,718,740 | 4,815,663 | (96,923) | 7,237,100 | 7,237,100 | 0 |
| Environment and Regeneration | 6,605,261 | 9,226,312 | (2,621,051) | 15,052,780 | 14,675,026 | (377,754) |
| **Total** | **13,054,558** | **16,117,443** | **(3,062,885)** | **32,065,940** | **27,548,690** | **(4,517,250)** |

a) Corporate Services – After the addition of £402k to the budget for the forecast increase in costs from Westminster Coroners Court (detailed in Appendix 5d) all budget managers are forecasting full spend. Despite regular chasing officers do not receive regular updates in relation to Westminster Coroner Court and Clarion CPO schemes, both of these budgets have been changed to reflect no spend at outturn:

b) Community and Housing – After the adjustments to the budgets below budget managers are forecasting a full spend on all their budgets:

| | | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 | Narrative |
|---|---|---|---|---|---|---|
| | | £ | £ | | £ | |
| Telehealth | | (15,000) | 15,000 | | | Re-profiled in accordance with projected spend |
| Disabled Facilities Grant - General | (1) | 200,000 | | | (200,000) | Virement to fund projected outturn |
| Disabled Facilities Grant - Merton Owned Property | | 12,330 | | | | Revenue contribution to fund Merton building |
| Major Projects - Social Care H - Learning Disability Aff Housing | (1) | (50,000) | | | | S106 2021-22 Budget moved to Rev. for Feas Stdies |
| **Total** | | **147,330** | **15,000** | **0** | **(200,000)** | |

**(1) Requires Cabinet approval**

c) Children, Schools and Families – After the virements in the table below budget managers are forecasting a full spend on all their budgets:

| | | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 | Narrative |
|---|---|---|---|---|---|---|
| | | £ | £ | | £ | |
| Haslemere - Capital Maintenance | (1) | (160,000) | 160,000 | | | Re-profiled in accordance with projected spend |
| Harris Morden - Harris Morden Community Sports Pitch | (1) | (70,000) | 70,000 | | | Re-profiled in accordance with projected spend |
| Raynes Park - Capital Maintenance | (1) | (21,000) | 21,000 | | | Re-profiled in accordance with projected spend |
| Ricards Lodge - Capital Maintenance | (1) | (21,610) | 21,610 | | | Re-profiled in accordance with projected spend |
| Rutlish - Capital Maintenance | (1) | (20,000) | 20,000 | | | Re-profiled in accordance with projected spend |
| Melrose Whatley Avenue Expansion | (1) | (150,000) | 150,000 | | | Re-profiled in accordance with projected spend |
| Melrose School Expansion | (1) | 252,020 | | | | Virement to cover expected outturn |
| Unallocated SEN Expansion Budget | (1) | (20,000) | (232,020) | | | Virement to cover expected outturn |
| Childrens Centres - Bond Rd Family Centre | | (35,000) | 35,000 | | | Re-profiled in accordance with projected spend |
| Youth Provision - Pollards Hill Digital Divide | (1) | (160,000) | 160,000 | | | Re-profiled in accordance with projected spend |
| **Total** | | **(405,590)** | **405,590** | | | |

**(1) Requires Cabinet approval**

A detailed quantity surveyor's report has been requested for Melrose School Expansion, it is estimated that this scheme is likely overspend. Further information will be provided within a subsequent monitoring report. The costs of the current projected overspend are being funded by budget vired from unallocated SEN budget

d) Environment and Regeneration – After the adjustments to the programme in the table below budget managers are forecasting the following year end variances:

| | | Budget 2021-22 | Budget 2022-23 | Budget 2023-24 | Budget 2024-25 | Narrative |
|---|---|---|---|---|---|---|
| | | £ | £ | | £ | |
| Off Street Parking - P&D - Car Park Upgrades | (1) | (60,000) | 60,000 | | | Re-profiled in accordance with projected spend |
| CCTV Investment - Rapid Response Cameras | | 25,000 | | | | Virement to cover projected cost of scheme |
| Public Protection and Development | | (25,000) | | | | Virement to Rapid Response Cameras |
| Alley Gating | | (22,000) | 22,000 | | | To progress two schemes in 2022-23 |
| Highways & Footways - Highway Bridges & Structures | (1) | (684,000) | 684,000 | | | Re-profiled in accordance with projected spend |
| Highways & Footways - TfL Principal Roads | (1) | (6,600) | 0 | | | TfL adjustment to funding |
| Highways & Footways - Cycle Lane Rdway Bshfd Bridge | | 25,000 | | | | Tfl Funded |
| Highways & Footways - Culverts | (1) | (488,430) | 488,430 | | | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Cycle Imps. Res. Streets | | (15,000) | 0 | | | Virement of TfL funding to another agreed sch. |
| Cycle Route Improvements - Morden Cycle Path | (1) | (92,220) | 107,220 | | | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Cycle Lane Works Plough Lane | (1) | (90,000) | 90,000 | | | Re-profiled in accordance with projected spend |
| Mitcham Area Regeneration - Elmwood Centre Hub | (1) | (65,000) | 65,000 | | | Re-profiled in accordance with projected spend |
| Wimbledon Area Regeneration - Wimbledon Public Realm | (1) | (100,000) | 0 | | | Virement of SCIL Money to Wimb Hill Scheme |
| Wimbledon Area Regeneration - Wimbledon Hill Rd | (1) | 154,850 | 0 | | | Utilising SCIL & NCIL Funding |
| Wimbledon Area Regeneration - Haydons Rd Public Realm | (1) | (80,000) | 80,000 | | | Re-profiled in accordance with projected spend |
| Morden Area Regeneration - Crown Creative Knowledge Exchange | (1) | (75,000) | 75,000 | | | Re-profiled in accordance with projected spend |
| Borough Regeneration - 42 Graham Rd | | (50,000) | 50,000 | | | Re-profiled in accordance with projected spend |
| Borough Regeneration - Vacant Premises Upgrade | | (17,840) | 17,840 | | | Re-profiled in accordance with projected spend |
| Borough Regeneration - Merton Lost Rivers | | (75,000) | 75,000 | | | Re-profiled in accordance with projected spend |
| Wimbledon Park Lake - Lake Safety | (1) | | 204,440 | | | Environment Agency Funding |
| Parks Investment - Wimb. Park Tennis Courts | (1) | (150,440) | 150,440 | | | Re-profiled in accordance with projected spend |
| Parks Investment - Wimb. Park Water Play | (1) | (226,000) | 226,000 | | | Re-profiled in accordance with projected spend |
| SLWP - Street Cleanse Sub Dep Mitcham | | (35,000) | 35,000 | | | Re-profiled in accordance with projected spend |
| TfL Unallocated Budget | (1) | (495,250) | | | | Removal of unawarded Estimated TfL Allocation |
| **Total** | | **(2,647,930)** | **2,430,370** | **0** | **0** | |

**(1) Requires Cabinet approval**

- Officers are projecting a £2k favourable variance on Public Protection and Development.
- Officers are projecting a £5k favourable variance on Borough Regeneration – Bramcote Parade Improvements
- Rowan Park Community Facility a £150k favourable variance is projected as it not expected that any expenditure is likely to be incurred this financial year

- Wimbledon Park Car Park Resurfacing a £40k favourable variance is currently projected as no expenditure is expected this financial year
- Officers are projecting a £182k favourable variance on the Canons Parks for the People Scheme (split £146k within Mitcham Area Regeneration and £36k within Parks Investment).

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

| Depts. | Original Budget 21/22 | Net Slippage 2021/22 | Adjustments | New External Funding | New Internal Funding | Re-profiling | Revised Budget 21/22 |
|---|---|---|---|---|---|---|---|
| Corporate Services | 11,205 | 1,123 | (200) | (722) | 153 | (3,195) | **8,364** |
| Community & Housing | 1,132 | 135 | (50) | 262 | 12 | (80) | **1,412** |
| Children Schools & Families | 9,050 | 432 | 135 | 1,139 | | (3,519) | **7,237** |
| Environment and Regeneration | 19,408 | 3,141 | (718) | 55 | 1,294 | (8,127) | **15,053** |
| **Total** | **40,795** | **4,831** | **(833)** | **734** | **1,459** | **(14,921)** | **32,066** |

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

| Depts. | Spend To November 2018 | Spend To November 2019 | Spend to November 2020 | Spend to November 2021 | Variance 2018 to 2021 | Variance 2019 to 2021 | Variance 2020 to 2021 |
|---|---|---|---|---|---|---|---|
| **CS** | 3,534 | 1,753 | 1,022 | 891 | (2,643) | (862) | (131) |
| **C&H** | 608 | 557 | 249 | 840 | 231 | 282 | 591 |
| **CSF** | 4,297 | 6,391 | 1,146 | 4,719 | 422 | (1,673) | 3,573 |
| **E&R** | 9,897 | 5,058 | 5,821 | 6,605 | (3,291) | 1,547 | 784 |
| **Total Capital** | **18,336** | **13,760** | **8,238** | **13,055** | **(5,281)** | **(706)** | **4,816** |

| | | | | |
|---|---|---|---|---|
| Outturn £000s | 31,424 | 26,960 | 15,123 | |
| Budget £000s | | | | 32,066 |
| Projected Spend November 2021 £000s | | | | 27,549 |
| Percentage Spend to Budget | | | | 40.71% |
| % Spend to Outturn/Projection | 58.35% | 51.04% | 54.47% | 47.39% |
| Monthly Spend to Achieve Projected Outturn £000s | | | | 3,124 |

5.5 November is two thirds into the financial year and departments have spent just over 40.7% of the budget. Spend to date is higher that two of the last three previous financial years

| Department | Spend To October 2021 £000s | Spend To November 2021 £000s | Increase £000s |
|---|---|---|---|
| CS | 694 | 891 | 198 |
| C&H | 698 | 840 | 142 |
| CSF | 4,173 | 4,719 | 545 |
| E&R | 5,945 | 6,605 | 661 |
| **Total Capital** | **11,509** | **13,055** | **1,545** |

5.6 During October 2021 officers spent just over £1.5 million, to achieve year end spend officers would need to spend approximately £3 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers. Based on previous years spend patterns the estimated outturn is expected to be between £21.2m and £24.4m.

5.7 Appendix 5C summarises the impact of the budgetary changes to the Capital Programme on funding.

## 6 DELIVERY OF SAVINGS FOR 2021/22

Progress on savings 2021/22

| Department | Target Savings 2021/22 | Projected Savings 2021/22 | Period 8 Forecast Shortfall | Period Forecast Shortfall (P8) | 2022/23 Expected Shortfall |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **%** | **£000** |
| Corporate Services | 1,322 | 1,090 | 232 | 17.5% | 80 |
| Children Schools and Families | 1,460 | 410 | 1,050 | 71.9% | 400 |
| Community and Housing | 2,541 | 1,517 | 1,024 | 40.3% | 1,000 |
| Environment and Regeneration | 1,580 | 311 | 1,269 | 80.3% | 750 |
| **Total** | **6,903** | **3,328** | **3,575** | 51.8% | **2,230** |

Appendix 6 details the progress on unachieved savings from 2021/22 by department and the impact on the current year and next year.

Progress on savings 2020/21

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

Appendix 7 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year.

## 7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

## 8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

## 9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

## 10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

## 11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

## 12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

## 13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1- Detailed Corporate Items table
Appendix 2 – Pay and Price Inflation
Appendix 3 – Treasury Management: Outlook

| | |
|---|---|
| Appendix 5A – | Current Capital Programme |
| Appendix 5B - | Detail of Virements |
| Appendix 5C - | Summary of Capital Programme Funding |
| Appendix 5D - | Projected Increase in Westminster Coroners Court from Original Budgeted Costs |
| Appendix 6 – | Progress on savings 2021/22 |
| Appendix 7 – | Progress on savings 2020/21 |

**15. BACKGROUND PAPERS**

15.1 Budgetary Control files held in the Corporate Services department.

**16. REPORT AUTHOR**

– Name: Roger Kershaw

– Tel: 020 8545 3458

- Email: roger.kershaw@merton.gov.uk

**APPENDIX 1**

| 3E.Corporate Items | Council 2021/22 £000s | Current Budget 2021/22 £000s | Year to Date Budget (Nov.) £000s | Year to Date Actual (Nov.) £000s | Full Year Forecast (Nov.) £000s | Forecast Variance at year end (Nov.) £000s | Forecast Variance at year end (Oct.) £000s | Outturn Variance 2020/21 £000s |
|---|---|---|---|---|---|---|---|---|
| Cost of Borrowing | 11,157 | 11,157 | 7,438 | 3,762 | 11,012 | (145) | (145) | (27) |
| **Impact of Capital on revenue budget** | **11,157** | **11,157** | **7,438** | **3,762** | **11,012** | **(145)** | **(145)** | **(27)** |
| **Investment Income** | **(387)** | **(387)** | **(258)** | **(338)** | **(470)** | **(83)** | **(83)** | **(141)** |
| **Pension Fund** | **86** | **86** | **57** | **0** | **86** | **0** | **0** | **2,646** |
| Corporate Provision for Pay Award | 1,588 | 1,588 | 1,058 | 0 | 1,813 | 225 | 225 | (100) |
| Corporate Provision for National Minimum Wage | 1,500 | 1,500 | 1,000 | 0 | 750 | (750) | (500) | 0 |
| Provision for excess inflation | 250 | 250 | 167 | 0 | 250 | 0 | 0 | (150) |
| **Pay and Price Inflation** | **3,338** | **3,338** | **2,225** | **0** | **2,813** | **(525)** | **(275)** | **(250)** |
| Contingency | 1,500 | 500 | 333 | 12 | 500 | 0 | 0 | (365) |
| Bad Debt Provision | 1,500 | 1,500 | 1,000 | 0 | 1,500 | 0 | 0 | 388 |
| Loss of income arising from P3/P4 | 400 | 200 | 133 | 0 | 200 | 0 | 0 | 0 |
| Loss of HB Admin grant | 23 | 23 | 15 | 0 | 23 | 0 | 0 | (23) |
| Apprenticeship Levy | 450 | 450 | 300 | 169 | 450 | 0 | 0 | (80) |
| Revenuisation and miscellaneous | 8,005 | 7,544 | 5,029 | 165 | 3,233 | (4,311) | (4,311) | 411 |
| Growth - Provision against DSG | 14,078 | 14,078 | 9,385 | 0 | 14,078 | 0 | 0 | 0 |
| **Contingencies and provisions** | **25,955** | **24,294** | **16,196** | **346** | **19,983** | **(4,311)** | **(4,311)** | **331** |
| Other income | 0 | 0 | 0 | (5) | 0 | 0 | 0 | 7,413 |
| CHAS IP/Dividend | (2,223) | (2,223) | (1,482) | (1,172) | (2,223) | 0 | 0 | 0 |
| **Income items** | **(2,223)** | **(2,223)** | **(1,482)** | **(1,177)** | **(2,223)** | **0** | **0** | **7,413** |
| Appropriations: CS Reserves | (1,656) | (1,156) | (771) | 500 | (1,156) | 0 | 0 | 0 |
| Appropriations: E&R Reserves | (50) | (337) | (225) | 0 | (337) | 0 | 0 | 0 |
| Appropriations: CSF Reserves | (303) | (200) | (133) | (200) | (200) | 0 | 0 | 0 |
| Appropriations: C&H Reserves | (104) | (104) | (69) | 0 | (104) | 0 | 0 | 0 |
| Appropriations:Public Health Reserves | (93) | (93) | (62) | 0 | (93) | 0 | 0 | 0 |
| Appropriations:Corporate Reserves | (5,472) | (5,112) | (3,408) | 360 | 360 | 5,472 | 5,472 | (7,848) |
| **Appropriations/Transfers** | **(7,678)** | **(7,002)** | **(4,668)** | **661** | **(1,530)** | **5,472** | **5,472** | **(7,848)** |
| **Depreciation and Impairment** | **(25,593)** | **(25,593)** | **0** | **0** | **(25,593)** | **0** | **0** | **0** |
| **Central Items** | **4,654** | **3,669** | **19,508** | **3,254** | **4,077** | **408** | **658** | **2,124** |
| **Levies** | **959** | **959** | **640** | **959** | **959** | **0** | **0** | **0** |
| **TOTAL CORPORATE PROVISIONS** | **5,614** | **4,628** | **20,148** | **4,213** | **5,036** | **408** | **658** | **2,124** |
| **COVID-19 Emergency expenditure** | 0 | 0 | 0 | 795 | 833 | 833 | 1,036 | 5,356 |
| **TOTAL CORPORATE EXPENDITURE inc. COVID-19** | **5,614** | **4,628** | **20,148** | **5,008** | **5,869** | **1,241** | **1,694** | **7,480** |

Pay and Price Inflation as at November 2021
In 2021/22, the budget includes 1,5% for increases in pay and 1.5% for increases in general prices, with an additional amount which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 5.1% and RPI at 7.1% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

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

On 27 July 2021, the National Employers made a "final offer" as follows:
- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group

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

- A national minimum agreement on homeworking policies for all councils

In response the unions UNISON, GMB and Unite are urging local government employers to rethink their revised pay offer of a 1.75% pay rise (with 2.75% for those on the bottom pay point) for 2021/22 by "awarding an increase that will properly and fairly reward council and school support staff". Unite are to ballot its 70,000 members on whether they should take industrial action, including the option to strike. The ballot will run from 1 September 2021 to 4 October 2021. The GMB are also balloting its members and its joint Local Government and Schools Committee representatives have discussed the pay offer and are recommending to reject the offer. UNISON have launched a consultation to ask members to vote whether to accept or reject the final pay offer and strongly recommend that its members vote to reject the offer.

UNISON are mailing ballot papers to its members from 1 December 2021 recommending strike action. The ballot will close on 14 January 2022.

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

Prices:
The Consumer Prices Index (CPI) rose by 5.1% in the 12 months to November 2021, up from 4.2% in October. On a monthly basis, CPI increased by 0.7% in November 2021, compared with a fall of 0.1% in November 2020. The largest upward contribution to the change in the 12-month inflation rate between October and November 2021 were broad based, with the largest coming from transport (particularly motor fuels), and clothing and footwear. These were partially offset by a large downward contribution from restaurants and hotels.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.6% in the 12 months to November 2021, up from 3.8% in the 12 months to October. The largest upward contributions to the November 2021 CPIH 12-month inflation rate came from transport, principally from motor fuels and second-hand cars) and housing and household services.

The RPI rate for November 2021 was 7.1%, which is up from 6.0% in October 2021.

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

At its meeting ending on 15 December 2021, the MPC voted by a majority of 8-1 to increase Bank Rate by 0.15 percentage points, to 0.25%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £875 billion, and so the total target stock of asset purchases at £895 billion.

The MPC state that "In the MPC's central projections in the November Monetary Policy Report, global and UK GDP were expected to recover further from the effects of Covid-19 (Covid) in the near term. Conditioned on the rising path for Bank Rate expected by financial markets at that time, upward pressure on CPI inflation was expected to dissipate over time, as supply disruption eased, global demand rebalanced from goods to services, and energy prices stopped rising. Earnings growth was also expected to fall back from its current rate. As a result, inflation was projected to fall back materially from the second half of next year.."

In terms of the outlook going forward, however, the MPC  believe that "relative to the November Report projection, there has been significant upside news in core goods and, to a lesser extent, services price inflation. Bank staff expect inflation to remain around 5% through the majority of the winter period, and to peak at around 6% in April 2022, with that further increase accounted for predominantly by the lagged impact on utility bills of developments in wholesale gas prices. Indicators of cost and price pressures have remained at historically elevated levels recently, and contacts of the Bank's Agents expect further price increases next year driven in large part by pay and energy costs. CPI inflation is still expected to fall back in the second half of next year….The Committee judges that an increase in Bank Rate of 0.15 percentage points is warranted at this meeting."

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

**Table: Forecasts for the UK Economy**

| Source: HM Treasury - Forecasts for the UK Economy (December 2021) | | | |
|---|---|---|---|
| | | | |
| 2021 (Quarter 4) | Lowest % | Highest % | Average % |
| CPI | 2.2 | 5.1 | 4.2 |
| RPI | 3.6 | 6.5 | 6.1 |
| LFS Unemployment Rate | 4.0 | 5.3 | 4.6 |
| | | | |
| 2022 (Quarter 4) | Lowest % | Highest % | Average % |
| CPI | 1.6 | 5.2 | 3.1 |
| RPI | 3.3 | 6.8 | 4.3 |
| LFS Unemployment Rate | 3.6 | 5.0 | 4.3 |
| | | | |

Independent medium-term projections for the calendar years 2021 to 2025 are summarised in the following table:-

| Source: HM Treasury - Forecasts for the UK Economy (November 2021) | | | | | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | % | % | % | % | % |
| CPI | 2.4 | 4.0 | 2.6 | 2.5 | 2.3 |
| RPI | 3.8 | 5.8 | 4.1 | 3.7 | 3.5 |
| LFS Unemployment Rate | 4.7 | 4.6 | 4.2 | 4.1 | 4.1 |

**Appendix 3**

**Treasury Management: Outlook**

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

The MPC currently uses two main monetary policy tools.

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

The Monetary Policy Committee's (MPC's) core approach is summarised in the minutes as they note that "The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework also recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. In the recent unprecedented circumstances, the economy has been subject to very large shocks. Given the lag between changes in monetary policy and their effects on inflation, the Committee, in judging the appropriate policy stance, will as always focus on the medium term prospects for inflation, rather than factors that are likely to be transient."

The MPC outlined the background behind the decision as "in the United Kingdom, market-implied expectations for the path of Bank Rate had fallen sharply immediately following the MPC's November meeting. Market contacts were expecting Bank Rate to rise in the coming months. In the days running up to the MPC's December meeting, most contacts had expected Bank Rate to remain at 0.1% at this meeting. Following the UK CPI release on 15 December, however, market pricing had become more finely balanced between Bank Rate remaining at 0.1% and an increase of 15 basis points at this meeting. Further out, the market-implied path for Bank Rate reached 1.1% by the end of 2022. Volatility in UK short-term interest rate markets had remained elevated since the Committee's previous meeting, in part reflecting diminished market liquidity, some of which was expected to persist over the year-end period. Medium-term inflation compensation measures in the United Kingdom had remained above their average levels of the past decade. That contrasted with similar measures in the United States and the euro area which had been around their average levels of the past decade. As the Committee had discussed at its previous meeting, interpreting UK medium-term inflation compensation measures was not straightforward. The use of UK inflation markets for hedging large pension liabilities and the uncertain future wedge between consumer price and RPI inflation meant that inflation compensation measures did not provide a direct read of market participants' fundamental views on the inflation outlook. Nevertheless, models that attempted to extract medium-term market expectations for CPI inflation, and intelligence gathered from market contacts, suggested that higher inflation expectations and greater perceived risks to inflation might have in part accounted for the above-average levels of medium-term inflation compensation measures, alongside other factors.

At this meeting, most members of the Committee judged that an immediate, small increase in Bank Rate was warranted. Although the conditions for tightening set out in November had been met, the decision at this meeting was finely balanced because of the uncertainty around Covid developments. There was some value in waiting for further information on the degree to which Omicron was likely to escape the protection of current vaccines and on the initial economic effects of this new wave. There was, however, also a strong case for tightening monetary policy now, given the strength of current underlying inflationary pressures and in order to maintain price stability in the medium term. The economic impact of the new variant could, in some scenarios, increase these inflationary pressures further. Moreover, maintaining the current monetary policy stance when CPI inflation was materially above the 2% target and the output gap appeared to be closed might cause medium-term inflation expectations to drift up further."

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

| | Projections (November 2021) | | | |
|---|---|---|---|---|
| | 2021 Q.4 | 2022 Q.4 | 2023 Q.4 | 2024 Q.4 |
| | | | | |
| GDP | 6.7 | 2.9 | 1.1 | 0.9 |
| CPI Inflation | 4.3 | 3.4 | 2.2 | 1.9 |
| LFS Unemployment Rate | 4.5 | 4.0 | 4.1 | 4.4 |
| Excess Supply/Excess Demand | 0.25 | 0.25 | 0 | -0. 5 |
| Bank Rate | 0.2 | 1.0 | 1.1 | 1.0 |

The conclusions that the MPC reach in the November 2021 Monetary Policy Report are supported by the following Key Judgements:--

Key judgement 1: supply disruption constrains global and UK activity in the near term, and bottlenecks exert upward pressure on prices, but they dissipate over time as demand and supply adjust.

Key judgement 2: UK unemployment does not rise materially over the forecast period, and any frictions in matching workers and jobs are temporary, with underlying wage growth falling back from current rates

Key judgement 3: by the end of the forecast period, supply growth returns to around 1½%; demand growth is somewhat lower.

Key judgement 4: inflation rises further above the target in the near term, largely reflecting the impact of transitory factors; in the medium term, conditioned on the market-implied path for Bank Rate, inflation falls back to just under 2%.

# Capital Budget Monitoring – November 2021

| | Actuals | Budgeted Spend to Date | Variance to Date | Final Budget | Final Year Forecast 2021/22 | Full Year Variance |
|---|---|---|---|---|---|---|
| **Capital** | **13,054,558** | **16,117,443** | **(3,062,885)** | **32,065,940** | **27,548,690** | **(4,517,250)** |
| **Corporate Services** | **891,037** | **1,355,570** | **(464,533)** | **8,363,900** | **4,224,404** | **(4,139,496)** |
| **Customer, Policy and Improvement** | **120** | **0** | **120** | **150,000** | **150,000** | **0** |
| Customer Contact Programme * | 120 | 0 | 120 | 150,000 | 150,000 | 0 |
| **Facilities Management Total** | **296,516** | **887,240** | **(590,724)** | **1,370,130** | **1,370,130** | **0** |
| Works to other buildings | 271,101 | 390,000 | (118,899) | 740,000 | 739,700 | (300) |
| Civic Centre | 0 | 0 | 0 | 60,000 | 60,300 | 300 |
| Invest to Save schemes | 25,415 | 497,240 | (471,825) | 570,130 | 570,130 | 0 |
| **Infrastructure & Transactions** | **394,401** | **268,330** | **126,071** | **2,504,310** | **2,504,274** | **(36)** |
| Business Systems | 115,271 | 102,640 | 12,631 | 868,020 | 867,984 | (36) |
| Social Care IT System | 68,290 | 0 | 68,290 | 157,180 | 157,180 | 0 |
| Disaster recovery site | 0 | 0 | 0 | 332,960 | 332,960 | 0 |
| Planned Replacement Programme | 210,839 | 165,690 | 45,149 | 1,146,150 | 1,146,150 | 0 |
| **Corporate Items** | **200,000** | **200,000** | **0** | **4,339,460** | **200,000** | **(4,139,460)** |
| Acquisitions Budget | 200,000 | 200,000 | 0 | 200,000 | 200,000 | 0 |
| Westminster Coroners Court | 0 | 0 | 0 | 60,000 | 0 | (60,000) |
| Compulsory Purchase Orders | 0 | 0 | 0 | 4,079,460 | 0 | (4,079,460) |
| **Community and Housing** | **839,521** | **719,898** | **119,623** | **1,412,160** | **1,412,160** | **(0)** |
| **Housing** | **718,900** | **600,000** | **118,900** | **1,212,330** | **1,212,330** | **0** |
| Disabled Facilities Grant | 718,900 | 600,000 | 118,900 | 1,212,330 | 1,212,330 | 0 |
| **Libraries** | **120,621** | **119,898** | **723** | **199,830** | **199,830** | **0** |
| Major Library Projects | 120,621 | 105,498 | 15,123 | 175,830 | 175,830 | 0 |
| Libraries IT | 0 | 14,400 | (14,400) | 24,000 | 24,000 | 0 |

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

# Capital Budget Monitoring – November 2021

| | Actuals | Budgeted Spend to Date | Variance to Date | Final Budget | Final Year Forecast 2021/22 | Full Year Variance |
|---|---|---|---|---|---|---|
| **Children Schools & Families** | **4,718,740** | **4,815,663** | **(96,923)** | **7,237,100** | **7,237,100** | **0** |
| **Primary Schools** | **1,834,707** | **1,719,958** | **114,749** | **2,922,910** | **2,922,910** | **0** |
| Hollymount | 33,882 | 50,000 | (16,118) | 60,000 | 60,000 | 0 |
| West Wimbledon | 271,546 | 170,000 | 101,546 | 360,000 | 360,000 | 0 |
| Hatfeild | 44,304 | 65,000 | (20,696) | 135,000 | 135,000 | 0 |
| Hillcross | 153,245 | 93,093 | 60,152 | 195,000 | 195,000 | 0 |
| Joseph Hood | 28,881 | 38,000 | (9,119) | 65,000 | 65,000 | 0 |
| Dundonald | 124,002 | 113,625 | 10,377 | 159,010 | 159,010 | 0 |
| Merton Abbey | 47,886 | 15,000 | 32,886 | 65,000 | 65,000 | 0 |
| Merton Park | 1,482 | 0 | 1,482 | 50,000 | 50,000 | 0 |
| Pelham | 37,375 | 20,000 | 17,375 | 55,000 | 55,000 | 0 |
| Wimbledon Chase | 88,981 | 97,340 | (8,359) | 181,000 | 181,000 | 0 |
| Wimbledon Park | 194,880 | 303,330 | (108,450) | 450,000 | 450,000 | 0 |
| Abbotsbury | 31,367 | 59,200 | (27,833) | 79,000 | 79,000 | 0 |
| Malmesbury | 96,261 | 78,000 | 18,261 | 108,000 | 108,000 | 0 |
| Morden | (2,219) | 0 | (2,219) | 0 | 0 | 0 |
| Bond | 27,900 | 7,000 | 20,900 | 38,000 | 38,000 | 0 |
| Cranmer | 20,986 | 18,000 | 2,986 | 64,000 | 64,000 | 0 |
| Haslemere | 4,725 | 100,000 | (95,275) | 80,000 | 80,000 | 0 |
| Liberty | (487) | 0 | (487) | 0 | 0 | 0 |
| Links | 121,678 | 120,000 | 1,678 | 160,000 | 160,000 | 0 |
| St Marks | 96,854 | 60,900 | 35,954 | 125,900 | 125,900 | 0 |
| Lonesome | (1,875) | 0 | (1,875) | 5,000 | 5,000 | 0 |
| Sherwood | 281,545 | 248,520 | 33,025 | 330,000 | 330,000 | 0 |
| William Morris | 131,509 | 75,950 | 55,559 | 158,000 | 158,000 | 0 |
| Unallocated Primary School Projects | 0 | (13,000) | 13,000 | 0 | 0 | 0 |

## Capital Budget Monitoring – November 2021

| | Actuals | Budgeted Spend to Date | Variance to Date | Final Budget | Final Year Forecast 2021/22 | Full Year Variance |
|---|---|---|---|---|---|---|
| **Secondary School** | **345,007** | **403,875** | **(58,868)** | **411,430** | **411,430** | **0** |
| Harris Academy Merton | 0 | 25,628 | (25,628) | 34,170 | 34,170 | 0 |
| Raynes Park | 0 | 21,000 | (21,000) | 0 | 0 | 0 |
| Ricards Lodge | 0 | 21,610 | (21,610) | 0 | 0 | 0 |
| Rutlish | 27,408 | 32,295 | (4,887) | 40,000 | 40,000 | 0 |
| Harris Academy Wimbledon | 317,599 | 303,342 | 14,257 | 337,260 | 337,260 | 0 |
| **SEN** | **2,298,970** | **2,277,948** | **21,022** | **3,506,310** | **3,506,310** | **0** |
| Perseid | 258,327 | 245,425 | 12,902 | 369,130 | 369,130 | 0 |
| Cricket Green | 131,503 | 195,480 | (63,977) | 195,480 | 195,480 | 0 |
| Melrose | 1,891,376 | 1,777,878 | 113,498 | 2,590,000 | 2,590,000 | 0 |
| Melrose Whatley Ave SEN | 0 | 45,000 | (45,000) | 100,000 | 100,000 | 0 |
| Unallocated SEN | 19,620 | 10,000 | 9,620 | 20,000 | 20,000 | 0 |
| Melbury College - Smart Centre | (1,857) | 4,165 | (6,022) | 7,500 | 7,500 | 0 |
| Medical PRU | 0 | 0 | 0 | 200,000 | 200,000 | 0 |
| Mainstream SEN (ARP) | 0 | 0 | 0 | 24,200 | 24,200 | 0 |
| **CSF Schemes** | **240,056** | **413,882** | **(173,826)** | **396,450** | **396,450** | **0** |
| Devolved Formula Capital | 237,656 | 237,632 | 24 | 356,450 | 356,450 | 0 |
| Children's Centres | 0 | 41,250 | (41,250) | 20,000 | 20,000 | 0 |
| Youth Provision | 2,400 | 135,000 | (132,600) | 20,000 | 20,000 | 0 |

Appendix 5a

## Capital Budget Monitoring – November 2021

| | Actuals | Budgeted Spend to Date | Variance to Date | Final Budget | Final Year Forecast 2021/22 | Full Year Variance |
|---|---|---|---|---|---|---|
| **Environment and Regeneration** | **6,605,261** | **9,226,312** | **(2,621,051)** | **15,052,780** | **14,675,026** | **(377,754)** |
| **Public Protection and Developm** | **130,630** | **273,010** | **(142,380)** | **882,110** | **880,430** | **(1,680)** |
| On Street Parking - P&D | 0 | 195,000 | (195,000) | 530,000 | 530,000 | 0 |
| Off Street Parking - P&D | 76,336 | 17,100 | 59,236 | 120,000 | 120,000 | 0 |
| CCTV Investment | 45,974 | 60,910 | (14,936) | 222,110 | 222,110 | 0 |
| Public Protection and Developm | 8,320 | 0 | 8,320 | 10,000 | 8,320 | (1,680) |
| **Street Scene & Waste** | **180,008** | **313,190** | **(133,182)** | **747,000** | **747,000** | **0** |
| Fleet Vehicles | 298,792 | 298,790 | 2 | 673,000 | 673,000 | 0 |
| Alley Gating Scheme | 389 | 14,400 | (14,012) | 2,000 | 2,000 | 0 |
| Waste SLWP | (119,173) | 0 | (119,173) | 72,000 | 72,000 | 0 |
| **Sustainable Communities** | **6,294,623** | **8,640,112** | **(2,345,489)** | **13,423,670** | **13,047,596** | **(376,074)** |
| Street Trees | 20,328 | 0 | 20,328 | 134,590 | 134,590 | 0 |
| Raynes Park Area Roads | 2,188 | 0 | 2,188 | 2,970 | 2,970 | 0 |
| Highways & Footways | 4,138,952 | 5,319,582 | (1,180,630) | 7,335,690 | 7,335,541 | (149) |
| Cycle Route Improvements | 109,596 | 278,538 | (168,942) | 217,650 | 217,650 | 0 |
| Unallocated Tfl | 0 | 84,262 | (84,262) | 0 | 0 | 0 |
| Mitcham Area Regeneration | 952,981 | 1,198,890 | (245,909) | 1,840,230 | 1,544,480 | (295,750) |
| Wimbledon Area Regeneration | 94,377 | 69,878 | 24,499 | 378,160 | 378,160 | 0 |
| Morden Area Regeneration | 0 | 90,000 | (90,000) | 75,000 | 75,000 | 0 |
| Borough Regeneration | 159,754 | 161,462 | (1,708) | 673,180 | 668,525 | (4,655) |
| Property Management Enhancemen | 0 | 0 | 0 | 0 | 0 | 0 |
| Morden Leisure Centre | 15,846 | 0 | 15,846 | 15,850 | 15,850 | 0 |
| Wimbledon Park Lake and Waters | 186,560 | 706,776 | (520,216) | 1,177,960 | 1,177,960 | 0 |
| Sports Facilities | 123,799 | 241,970 | (118,171) | 410,470 | 410,470 | 0 |
| Parks | 490,242 | 488,754 | 1,488 | 1,161,920 | 1,086,400 | (75,520) |

Appendix 5b

# Virement, Re-profiling and New Funding - November 2021

| | | 2021/22 Budget | Virements | Funding Adjustments | Reprofiling | Revised 2021/22 Budget | 2022/23 Budget | Movement | Revised 2022/23 Budget | Narrative |
|---|---|---|---|---|---|---|---|---|---|---|
| - | | £ | £ | | £ | £ | £ | | £ | |
| **Corporate Services** | | | | | | | | | | |
| Westminster Coroners Court | (1) | **60,000** | | | | **60,000** | **400,000** | 402,000 | **802,000** | Increse in estimate orig. estimate 5 years old |
| **Community and Housing** | | | | | | | | | | |
| Telehealth | | **15,000** | | | (15,000) | **0** | **15,400** | 15,000 | **30,400** | Re-profiled in accordance with projected spend |
| Disabled Facilities Grant - General | (1) | **1,000,000** | | | 200,000 | **1,200,000** | **827,000** | 0 | **827,000** | Virement to fund projected outturn |
| Disabled Facilities Grant - Merton Owned Property | | **0** | | 12,330 | | **12,330** | **0** | 0 | **0** | Revenue contribution to fund Merton building |
| Major Projects - Social Care H - Learning Dsbility Aff Housing | (1) | **50,000** | | (50,000) | | **0** | **1,533,000** | 0 | **1,533,000** | S106 2021-22 Budget moved to Rev. for Feas Stdies |
| **Children, Schools and Families** | | | | | | | | | | |
| Haslemere - Capital Maintenance | (1) | **249,000** | | | (160,000) | **89,000** | **0** | 160,000 | **160,000** | Re-profiled in accordance with projected spend |
| Harris Morden - Harris Morden Community Sports Pitch | (1) | **70,000** | | | (70,000) | **0** | **65,000** | 70,000 | **135,000** | Re-profiled in accordance with projected spend |
| Raynes Park - Capital Maintenance | (1) | **21,000** | | | (21,000) | **0** | **0** | 21,000 | **21,000** | Re-profiled in accordance with projected spend |
| Ricards Lodge - Capital Maintenance | (1) | **21,610** | | | (21,610) | **0** | **0** | 21,610 | **21,610** | Re-profiled in accordance with projected spend |
| Rutlish - Capital Maintenance | (1) | **60,000** | | | (20,000) | **40,000** | **0** | 20,000 | **20,000** | Re-profiled in accordance with projected spend |
| Melrose Whatley Avenue Expansion | (1) | **250,000** | | | (150,000) | **100,000** | **750,000** | 150,000 | **900,000** | Re-profiled in accordance with projected spend |
| Melrose School Expansion | (1) | **2,197,980** | | 252,020 | | **2,450,000** | **0** | 0 | **0** | Virement to cover expected outturn |
| Unallocated SEN Expansion Budget | (1) | **20,000** | | (252,020) | 232,020 | **0** | **1,340,000** | (232,020) | **1,107,980** | Virement to cover expected outturn |
| Childrens Centres - Bond Rd Family Centre | | **55,000** | | | (35,000) | **20,000** | **0** | 35,000 | **35,000** | Re-profiled in accordance with projected spend |
| Youth Provision - Pollards Hill Digital Divide | (1) | **180,000** | | | (160,000) | **20,000** | **0** | 160,000 | **160,000** | Re-profiled in accordance with projected spend |

Appendix 5b

# Virement, Re-profiling and New Funding - November 2021 continued……

| | | 2021/22 Budget | Virements | Funding Adjustments | Reprofiling | Revised 2021/22 Budget | 2022/23 Budget | Movement | Revised 2022/23 Budget | Narrative |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £ | £ | | £ | £ | £ | | £ | |
| **Environment and Regeneration** | | | | | | | | | | |
| Off Street Parking - P&D - Car Park Upgrades | (1) | **180,000** | | | (60,000) | **120,000** | **465,530** | 60,000 | **525,530** | Re-profiled in accordance with projected spend |
| CCTV Investment - Rapid Response Cameras | | **41,000** | 25,000 | | | **66,000** | **0** | | **0** | Virement to cover projected cost of scheme |
| Public Protection and Development | | **35,000** | (25,000) | | | **10,000** | **0** | | **0** | Virement to Rapid Response Cameras |
| Alley Gating | | **24,000** | | | (22,000) | **2,000** | **24,000** | 22,000 | **46,000** | To progress two schemes in 2022-23 |
| Highways & Footways - Highway Bridges & Structures | (1) | **884,000** | | | (684,000) | **200,000** | **260,000** | 684,000 | **944,000** | Re-profiled in accordance with projected spend |
| Highways & Footways - TfL Principal Roads | (1) | **27,530** | | (6,600) | | **20,930** | **0** | 0 | **0** | TfL adjustment to funding |
| Highways & Footways - Cycle Lane Rdway Bshfd Bridge | | **150,000** | | 25,000 | | **175,000** | **0** | 0 | **0** | TfL Funding |
| Highways & Footways - Culverts | (1) | **508,430** | | | (488,430) | **20,000** | **0** | 488,430 | **488,430** | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Cycle Imps. Res. Streets | | **68,010** | (15,000) | | | **53,010** | **0** | 0 | **0** | Virement of TfL funding to another agreed sch. |
| Cycle Route Improvements - Morden Cycle Path | (1) | **227,220** | 15,000 | | (107,220) | **135,000** | **0** | 107,220 | **107,220** | Re-profiled in accordance with projected spend |
| Cycle Route Improvements - Cycle Lane Works Plough Lane | (1) | **100,000** | | | (90,000) | **10,000** | **120,000** | 90,000 | **210,000** | Re-profiled in accordance with projected spend |
| Mitcham Area Regeneration - Elmwood Centre Hub | (1) | **65,000** | | | (65,000) | **0** | **0** | 65,000 | **65,000** | Re-profiled in accordance with projected spend |
| Wimbledon Area Regeneration - Wimbledon Public Realm | (1) | **200,000** | (100,000) | | | **100,000** | **901,190** | 0 | **901,190** | Virement of SCIL Money to Wimb Hill Scheme |
| Wimbledon Area Regeneration - Wimbledon Hill Rd | (1) | **0** | 100,000 | 54,850 | | **154,850** | **0** | 0 | **0** | Utilising SCIL & NCIL Funding |
| Wimbledon Area Regeneration - Haydons Rd Public Realm | (1) | **100,000** | | | (80,000) | **20,000** | **300,000** | 80,000 | **380,000** | Re-profiled in accordance with projected spend |
| Morden Area Regeneration - Crown Creative Knowledge Exchange | (1) | **150,000** | | | (75,000) | **75,000** | **0** | 75,000 | **75,000** | Re-profiled in accordance with projected spend |
| Borough Regeneration - 42 Graham Road | | **50,000** | | | (50,000) | **0** | **0** | 50,000 | **50,000** | Re-profiled in accordance with projected spend |
| Borough Regeneration - Vacant Premises Upgrade | | **23,270** | | | (17,840) | **5,430** | **0** | 17,840 | **17,840** | Re-profiled in accordance with projected spend |
| Borough Regeneration - Merton Lost Rivers | | **100,000** | | | (75,000) | **25,000** | **100,000** | 75,000 | **175,000** | Re-profiled in accordance with projected spend |
| Wimbledon Park Lake - Lake Safety | (1) | **1,177,960** | | | | **1,177,960** | **0** | 204,440 | **204,440** | Emvironment Agency Funding |
| Parks Investment - Wimb. Park Tennis Courts | (1) | **150,440** | | | (150,440) | **0** | **0** | 150,440 | **150,440** | Re-profiled in accordance with projected spend |
| Parks Investment - Wimb. Park Water Play | (1) | **226,000** | | | (226,000) | **0** | **0** | 226,000 | **226,000** | Re-profiled in accordance with projected spend |
| SLWP - Street Cleanse Sub Dep Mitcham | | **55,000** | | | (35,000) | **20,000** | **0** | 35,000 | **35,000** | Re-profiled in accordance with projected spend |
| TfL Unallocated Budget | (1) | **495,250** | | | (495,250) | **0** | **1,300,000** | | **1,300,000** | Removal of unawarded Estimated TfL Allocation |
| **Total** | | 9,278,700 | 0 | 35,580 | (2,941,770) | 6,372,510 | 8,401,120 | 3,252,960 | 11,654,080 | |

**(1) Requires Cabinet approval** **(2) Requires Council Approval**

**Appendix 5b**

# Virement, Re-profiling and New Funding - November 2021 continued…….

| | | 2023/24 Budget | Movement | Revised 2023/24 Budget | 2024/25 Budget | Movement | Revised 2024/25 Budget | Narrative |
|---|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | | £ | |
| **Community and Housing** | | | | | | | | |
| Disabled Facilities Grant - General | (1) | 827,000 | | 827,000 | 720,410 | (200,000) | 520,410 | Re-profiled in accordance with projected spend |
| **Total** | | **827,000** | **0** | **827,000** | **720,410** | **(200,000)** | **520,410** | |

**(1) Requires Cabinet approval** **(2) Requires Council Approval**

# Capital Programme Funding Summary 2021/22

| | Funded from Merton's Resources | Funded by Grant & Capital Contributions | Total |
|---|---|---|---|
| | £000s | £000s | £000s |
| **Proposed October Monitoring** | **18,888** | **16,084** | **34,972** |
| **Corporate Services** | | | |
| Westminster Coroners Court | 0 | 0 | 0 |
| **Community and Housing** | | | |
| Telehealth | (15) | 0 | (15) |
| Disabled Facilities Grant - General | 0 | 200 | 200 |
| Disabled Facilities Grant - Merton Owned Property | 12 | 0 | 12 |
| Major Projects - Social Care H - Learning Dsbility Aff Housing | (50) | 0 | (50) |
| **Children, Schools and Families** | | | |
| Haslemere - Capital Maintenance | 0 | (160) | (160) |
| Harris Morden - Harris Morden Community Sports Pitch | (70) | 0 | (70) |
| Raynes Park - Capital Maintenance | 0 | (21) | (21) |
| Ricards Lodge - Capital Maintenance | 0 | (22) | (22) |
| Rutlish - Capital Maintenance | 0 | (20) | (20) |
| Melrose Whatley Avenue Expansion | (150) | 0 | (150) |
| Melrose School Expansion | 232 | 0 | 232 |
| Childrens Centres - Bond Rd Family Centre | (35) | 0 | (35) |
| Youth Provision - Pollards Hill Digital Divide | (160) | 0 | (160) |
| **Environment and Regeneration** | | | |
| Off Street Parking - P&D - Car Park Upgrades | (60) | 0 | (60) |
| Alley Gating | (22) | 0 | (22) |
| Highways & Footways - Highway Bridges & Structures | (684) | 0 | (684) |
| Highways & Footways - TfL Principal Roads | 0 | (7) | (7) |
| Highways & Footways - Cycle Lane Rdway Bshfd Bridge | 0 | 25 | 25 |
| Highways & Footways - Culverts | (488) | 0 | (488) |
| Cycle Route Improvements - Cycle Imps. Res. Streets | 0 | 0 | 0 |
| Cycle Route Improvements - Morden Cycle Path | 0 | (107) | (107) |
| Cycle Route Improvements - Cycle Lane Works Plough Lane | (90) | 0 | (90) |
| Mitcham Area Regeneration - Elmwood Centre Hub | (65) | 0 | (65) |
| Wimbledon Area Regeneration - Wimbledon Public Realm | 0 | 0 | 0 |
| Wimbledon Area Regeneration - Wimbledon Hill Rd | 55 | 0 | 55 |
| Wimbledon Area Regeneration - Haydons Rd Public Realm | (80) | 0 | (80) |
| Morden Area Regeneration - Crown Creative Knowledge Exchange | (75) | 0 | (75) |
| Borough Regeneration - 42 Graham Rd | (50) | 0 | (50) |
| Borough Regeneration - Vacant Premises Upgrade | (18) | 0 | (18) |
| Borough Regeneration - Merton Lost Rivers | (75) | 0 | (75) |
| Parks Investment - Wimb. Park Tennis Courts | (150) | 0 | (150) |
| Parks Investment - Wimb. Park Water Play | (226) | 0 | (226) |
| SLWP - Street Cleanse Sub Dep Mitcham | (35) | 0 | (35) |
| TfL Unallocated Budget | 0 | (495) | (495) |
| **Proposed November Monitoring** | **16,589** | **15,477** | **32,066** |

# Capital Programme Funding Summary 2022/23

| | Funded from Merton's Resources | Funded by Grant & Capital Contributions | Total |
|---|---|---|---|
| | £000s | £000s | £000s |
| **October Monitoring** | **21,409** | **6,927** | **28,335** |
| **Corporate Services** | | | |
| Westminster Coroners Court | **402** | **0** | **402** |
| **Community and Housing** | | | |
| Telehealth | **15** | **0** | **15** |
| **Children, Schools and Families** | | | |
| Haslemere - Capital Maintenance | **0** | **160** | **160** |
| Harris Morden - Harris Morden Community Sports Pitch | **70** | **0** | **70** |
| Raynes Park - Capital Maintenance | **0** | **21** | **21** |
| Ricards Lodge - Capital Maintenance | **0** | **22** | **22** |
| Rutlish - Capital Maintenance | **0** | **20** | **20** |
| Melrose Whatley Avenue Expansion | **150** | **0** | **150** |
| Melrose School Expansion | **0** | **0** | **0** |
| Unallocated SEN Expansion Budget | **(232)** | **0** | **(232)** |
| Childrens Centres - Bond Rd Family Centre | **35** | **0** | **35** |
| Youth Provision - Pollards Hill Digital Divide | **160** | **0** | **160** |
| **Environment and Regeneration** | | | |
| Off Street Parking - P&D - Car Park Upgrades | **60** | **0** | **60** |
| Alley Gating | **22** | **0** | **22** |
| Highways & Footways - Highway Bridges & Structures | **684** | **0** | **684** |
| Highways & Footways - Culverts | **488** | **0** | **488** |
| Cycle Route Improvements - Cycle Imps. Res. Streets | **0** | **0** | **0** |
| Cycle Route Improvements - Morden Cycle Path | **0** | **107** | **107** |
| Cycle Route Improvements - Cycle Lane Works Plough Lane | **90** | **0** | **90** |
| Mitcham Area Regeneration - Elmwood Centre Hub | **65** | **0** | **65** |
| Wimbledon Area Regeneration - Haydons Rd Public Realm | **80** | **0** | **80** |
| Morden Area Regeneration - Crown Creative Knowledge Exchange | **75** | **0** | **75** |
| Borough Regeneration - 42 Graham Rd | **50** | **0** | **50** |
| Borough Regeneration - Vacant Premises Upgrade | **18** | **0** | **18** |
| Borough Regeneration - Merton Lost Rivers | **75** | **0** | **75** |
| Wimbledon Park Lake - Lake Safety | **0** | **204** | **204** |
| Parks Investment - Wimb. Park Tennis Courts | **150** | **0** | **150** |
| Parks Investment - Wimb. Park Water Play | **226** | **0** | **226** |
| SLWP - Street Cleanse Sub Dep Mitcham | **35** | **0** | **35** |
| **Proposed November Monitoring** | **24,127** | **7,461** | **31,588** |

# Capital Programme Funding Summary 2024/25

| | Funded from Merton's Resources | Funded by Grant & Capital Contributions | Total |
|---|---|---|---|
| | **£000s** | **£000s** | **£000s** |
| **Approved Programme** | **19,295** | **3,920** | **23,216** |
| **Community and Housing** | | | |
| Disabled Facilities Grant | **0** | **(200)** | **(200)** |
| **Proposed November 21 Monitoring** | **19,295** | **3,720** | **23,016** |

# Appendix 5D

## Subject: **Additional Capital for Coroners Court Extension**

## 1 Purpose of report and executive summary

1.1. Give background to the funding arrangements for the Inner London West Coroners Court and the Consortium Agreement in place.

1.2. Advise Cabinet of previously agreed funding arrangements and the reasons for increase.

1.3. Seek Cabinet approval for the requested increase in capital to complete the extension of the Inner London West Coroners Court.

## 2 BACKGROUND

2.1. Following the cessation of the Greater London Council the Home Secretary asked Westminster City Council (WCC) to lead and administer the Inner West London Coroners service. The four consortium Boroughs are Westminster, Royal Borough of Kensington and Chelsea, LB Wandsworth and ourselves.

2.2. Costs were agreed to be apportioned according to population density (Merton are charged 22.5% of the total costs).

2.3. The agreement specifies that all expenditure above £250,000 is subject to prior consultation with the participating Councils and to their prior agreement in writing.

2.4. In 2016 the four Chief Executives met with the Coroner and discussed the potential for an extension to the current Coroners Court in Horseferry Road. The new extension was to provide much needed office space for the Coroner and her staff, as well as improved facilities for the jurors and attendees at hearings (especially grieving families). The original proposal amounted to a contribution by Merton of £460k capital and nearly £90k revenue.

2.5. Both Merton and Wandsworth challenged the original business case as it failed to fully justify the fait accompli that the extension was the only option.

2.6. WCC undertook a further consultation exercise that stated;-

a) No alternative sites were suitable from other consortium partners,

b) There was a restrictive covenant on the use of the current site in Horseferry Road, from the Grosvenor family, purely as a Court. This meant there was no resale value for us.

c) Both Merton and Wandsworth undertook a review of the proposal (Wandsworth took the lead on the technical and design process) and concluded that, although we were highly sceptical of WCC's approach, the design was a reasonable solution in the circumstances.

2.7. The project became stalled by some high profile matters for the Coroner **such as** Westminster and London Bridge terrorist attacks and the Grenfell disaster in 2017.

2.8. In late 2017 the Chief Executive of WCC wrote to his opposites numbers in the other 3 consortium Boroughs seeking approval to move forward. Merton's Chief Executive gave the Lead Officer the go ahead to proceed.

2.9. Cabinet approved capital funding of £460k on 15 January 2018 as part of the November Monitoring Report. To date there has been no capital expenditure on this project.

2.10. In 2018, after a request from Wandsworth to re-evaluate due to increase in construction costs at that time, and inclusion of a contingency, the total had increased resulting in Merton's contribution rising to £647,374. Officers were unaware of this and therefore did not make a request to Cabinet to increase capital funding.

## 3 CURRENT POSITION

3.1. Throughout 2020 and 2021 Merton have continually asked when the project would commence.

3.2. WCC have undertaken a comprehensive tender process from late May 2021. The reasons given for the delay were the pandemic and an inability to get contractors to undertake the work.

3.3. A preferred bidder has been identified to undertake the works, CBRE managed Services Ltd.

3.4. The reasons given for the increased costs are the Pre-Tender Estimate (PTE) was produced before the pandemic and Brexit. Both of these instances have proved challenging for the market with regards to materials and labour. It is widely recognised that both of these instances have increased construction risk and cost.

3.5. The PTE did not include finalised consultant costs who are linked to the final cost of the construction as a fee %.

3.6. The PTE was an estimate based upon the best information at the time, with the inclusion of a basic 10% contingency as well as a market tendered rate, this leads to the final scheme cost.

3.7. Chandler KBS, the project cost managers, provided a comprehensive report reviewing the commercial submissions of the tenderers. They provided in-depth analysis of the four commercial submissions. CKBS commercially recommended CBRE for the works as they have provided the best and most comprehensive commercial submission at the normalised and arithmetically corrected cost. The Chandler KBS report is available if required.

3.8. A value engineering exercise will be carried out upon appointment and if the contingency is not expended then it will be not payable.

3.9. The revised costings are shown in the tables below and highlight a near 100% increase from the original request for capital funding. It does not include any element of revenue costs and clarification has been sought from WCC that there is still an expectation for these to decant while works are undertaken.

| Item | Costs £ |
|---|---|
| Main Contractor - CBRE | 2,900,820 |
| Contract Administrator /Designer - Lynch | 116,824 |
| Structural – BPM | 112,135 |
| Mechanical and Electrical – Max Fordham | 60,125 |
| Quantity Surveyor – Chandler KBS | 56,500 |
| AIA Consulting | 30,300 |
| Ross Laminated Timber Frame | 117,100 |
| Limestone Cladding | 112,000 |
| Legal | 5,000 |
| Planning/Building Control (provisional sum) | 20,000 |
| **Sub Total** | **3,530,804** |
| Contingency - 10% of construction | 300,000 |
| **Overall Budget Total** | **3,830,804** |

| Description | Agreed % | 2018/19 indicative cost | Estimated costs | Variance |
|---|---|---|---|---|
| RBKC | 17.20% | 494,881 | 658,898 | 164,017 |
| LB Merton | 22.50% | 647,374 | 861,931 | 214,557 |
| LB WCC | 25.80% | 742,322 | 988,347 | 246,025 |
| LB Wandsworth | 34.50% | 992,640 | 1,321,627 | 328,987 |
| **Total estimated project costs** | **100%** | **2,877,217** | **3,830,804** | **953,587** |

## 4 NEXT STEPS

4.1. Under details of the consortium agreement we could refuse to approve the capital expenditure. Although no cashable savings are identified as part of this project the Coroner has, in the past, had to use the Royal Courts of Justice for high profile inquests at a significant cost.

4.2. Recent high profile cases such as Grenfell and the terrorist attacks have demonstrated a poor customer experience for those attending Horseferry Road.

4.3. Analysis would suggest that LBM are paying a disproportionate % based on actual usage compared with WCC and RBKC. This is based on the number of inquests historically undertaken as opposed to the size of the population. Attempts to realign LBM with the South London Coronial District, consisting of the London Boroughs of Croydon, Sutton, Bromley and Bexley, with the Chief Coroner for England and Wales proved fruitless

## 5 Financial implications

5.1. The approved capital programme includes £460,000 for this scheme, Appendix A to this report provides further detail of the increased projected costs of the scheme. To meet these expected additional costs an additional £402,000 is being added to the approved programme

5.2. A detailed forecasting of expenditure has been requested from WCC if the project finally commences, following approval.

## 6 Legal and statutory implications

6.1. The Council is statutorily required to fund the appointment and payment of and the provision of staff services and premises for the Coroner for Inner London West in respect of their duties in accordance with S.13 of the Local Government Act 1985.

6.2. There is no break clause within the agreement and any change would have to be made through to the Home Secretary by way of Order under the relevant legislation.

## 7 Human rights, equalities and community cohesion implications

7.1. None for the purpose of this report.

## 8 Crime and Disorder implications

8.1. None for the purposes of this report.

## 9 Risk management and health and safety implications

9.1. Part of the original process was that Horseferry Road failed to provide enough space for staff, visitors and users. This alleviates these concerns and improves the customer experience.

## 10 Background papers (available upon request)

10.1. Consortium agreement

10.2. Consultants tender report on Coroner's Court

**Westminster City Council's Coroners Court**

Appendix A

| No | Description | Total | Merton's Costs | Estimated Total Costs 2021 | Merton's Estimated Costs 2021 | Merton's Estmated Capital Costs 2021 | Merton's Capital Costs | Increase in Capital Budget | Commentary |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Construction costs | 1,469,600 | 330,660.00 | 2,900,820.00 | 652,684.50 | 652,684.50 | 330,660.00 | 322,024.50 | |
| 2 | Design team @ 14% | 262,600 | 59,085.00 | 116,824.00 | 26,285.40 | 26,285.40 | 59,085.00 | (32,799.60) | |
| 2a | Feasibility study for updated costs in 2015. | 8,250 | 1,856.25 | | 0.00 | | 1,856.25 | (1,856.25) | Not separately Identified in new information |
| | Structural BPM | | | 112,135.00 | 25,230.38 | 25,230.38 | | 25,230.38 | |
| | Mechanical and Electrical | | | 60,125.00 | 13,528.13 | 13,528.13 | | 13,528.13 | |
| | Quantity Surveyor | | | 56,500.00 | 12,712.50 | 12,712.50 | | 12,712.50 | |
| | AIA Consulting | | | 30,300.00 | 6,817.50 | 6,817.50 | | 6,817.50 | Not sure what this for but expected capital |
| | Ross Laminated Timber Frame | | | 117,100.00 | 26,347.50 | 26,347.50 | | 26,347.50 | |
| | Limestone Cladding | | | 112,000.00 | 25,200.00 | 25,200.00 | | 25,200.00 | |
| 3 | Site investigation surveys | 15,000 | 3,375.00 | | 0.00 | | 3,375.00 | (3,375.00) | Not separately Identified in new information |
| 4 | Planning and building regulation fees | 10,000 | 2,250.00 | 20,000.00 | 4,500.00 | 4,500.00 | 2,250.00 | 2,250.00 | |
| 5 | Client decant | 15,000 | 3,375.00 | | 0.00 | | | 0.00 | Does not appear to be in revised information |
| 6 | Temporary accommodation and rental of RCJ | 275,000 | 61,875.00 | | 0.00 | | | 0.00 | Does not appear to be in revised information |
| 7 | Legal and insurance costs | 15,000 | 3,375.00 | 5,000.00 | 1,125.00 | 1,125.00 | | 1,125.00 | Does not appear to allow for Insurance |
| 8 | Additional temporary furniture | 10,000 | 2,250.00 | | 0.00 | | | 0.00 | Does not appear to be in revised information |
| 9 | Client recant * | 15,000 | 3,375.00 | | 0.00 | | | 0.00 | Does not appear to be in revised information |
| 10 | Loose furniture | 42,000 | 9,450.00 | | 0.00 | | 9,450.00 | (9,450.00) | Does not appear to be in revised information |
| 11 | IT Enabling works | 50,000 | 11,250.00 | | 0.00 | | | 0.00 | Does not appear to be in revised information |
| 12 | PM reserve @ 2.5% | 54,000 | 12,150.00 | | 0.00 | | 9,112.50 | (9,112.50) | Does not appear to be in revised information |
| 13 | WCC IT Equipment | 50,000 | 11,250.00 | | 0.00 | | 11,250.00 | (11,250.00) | Does not appear to be in revised information |
| 14 | Programme Contingency (approx. 8.5%) *NB: not decl* | 192,550 | 43,323.75 | 300,000.00 | 67,500.00 | 67,500.00 | 32,492.81 | 35,007.19 | |
| **15** | **Total project costs** | **2,484,000** | **558,900** | **3,830,804** | **861,931** | **861,931** | **459,532** | **402,399** | |

**Estimated Additional Rounded Capital Costs** **402,000**

APPENDIX 6

| Department | Target Savings 2021/22 | Projected Savings 2021/22 | Period 8 Forecast Shortfall | Period Forecast Shortfall (P8) | 2022/23 Expected Shortfall |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **%** | **£000** |
| Corporate Services | 1,322 | 1,090 | 232 | 17.5% | 80 |
| Children Schools and Families | 1,460 | 410 | 1,050 | 71.9% | 400 |
| Community and Housing | 2,541 | 1,517 | 1,024 | 40.3% | 1,000 |
| Environment and Regeneration | 1,580 | 311 | 1,269 | 80.3% | 750 |
| **Total** | **6,903** | **3,328** | **3,575** | 51.8% | **2,230** |

G | A | R

APPENDIX 6

**DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22**

| Ref | Description of Saving | 2021/22 Savings Required £000 | 2021/22 Savings Achieved £000 | Shortfall | RAG | | 2022/23 Savings Expected £000 | 2022/23 Expected Shortfall £000 | 2022/23 RAG | Responsible Officer | Comments | R /A Included in Forecast Over/Underspend? Y/N |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | SUSTAINABLE COMMUNITIES | | | | | | | | | | | |
| ENV2021-01 | Future Merton: Street works team income (increase in income) | 100 | 100 | 0 | G | | 100 | 0 | G | James McGinlay | | |
| ENV1920-06 | Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway. | 70 | 0 | 70 | R | | 70 | 0 | G | James McGinlay | Covid-19 estimated to impact on saving. Should be achieved from 2022/23. | Y |
| ENV2021-10 | D&BC: Savings as a result of the 'Assure' M3 upgrade . Reduce BC/DC admin by 1 FTE | 15 | 15 | 0 | A | | 15 | 0 | G | James McGinlay | Staff issue with the admin manager being off sick has delayed progress. | Y |
| ENV2021-02 | D&BC: Increase PPA's income (increased income) through a dedicated Majors team | 80 | 0 | 80 | R | | 80 | 0 | G | James McGinlay | Staff issue with the admin manager being off sick has delayed progress. | Y |
| ENV2021-05 | D&BC: Reduction is various minor budget spends | 12 | 12 | 0 | G | | 12 | 0 | G | James McGinlay | | |
| | | | | | | | | | | | | |
| | PUBLIC PROTECTION | | | | | | | | | | | |
| ENV1819 - 04 | Parking: Reduction in the number of pay & display machines required. | 26 | 26 | 0 | G | | 26 | 0 | G | Cathryn James | Please refer to Item ENV 2021-04 below where the modernisation project is due to be rolled out in October 2021 and will deliver the reduction targets. | |
| ENV1920-01 | Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.<br><br>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives. | 340 | 56 | 284 | R | | 340 | 0 | G | Cathryn James | Following the consultation process and approval by Merton, approved is required by the follong: London Councils, GLA, Mayor for London and Secretary of State. Applications are now with Secretary of state for final sign off. Possible implementation date Q4 2022.<br><br>Process was delayed due to London Mayoral Election, officers working with GLA to progress the application. Additional questions raised by GLA have now been responded to and approved. Estimated operational date Feb 2022 resulting in 2 months (£56k) pro rata of this saving being achieved. to be sent by GLA to Mayor for London. | Y |
| ENV2021-04 | Parking: EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25. | 750 | 0 | 750 | R | | 0 | 750 | R | Cathryn James | EBC no longer going ahead - saving to be removed from next financial year. In th current year this has been met from the corporate contingency. | Y |
| ENV2021-08 | Parking: Activity to improve On Street parking compliance. | 100 | 50 | 50 | R | | 100 | 0 | A | Cathryn James | Due to Coved and current on street activity this saving has not been met in Q1-3 2021. Operational consideration now being worked through for implementation in Q4. Possible Risk £50k will be achieved next year rather than this financial year. | Y |
| ENV2021-06 | Service restructure across Safer Merton and CCTV | 35 | 0 | 35 | R | | 35 | 0 | A | Cathryn James | Cost pressures within the CCTV budget present a challenge to meeting this savings target. The CCTV upgrade programme will reduce the CCTV revenue costs (e.g. the upgrades to the network will lower data transmission costs), therefore the delivery of these savings is contingent on the timely implantation of the upgrade programme. | Y |
| | | | | | | | | | | | | |
| | PUBLIC SPACE | | | | | | | | | | | |

G | A | R

APPENDIX 6

**DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22**

| Ref | Description of Saving | 2021/22 Savings Required £000 | 2021/22 Savings Achieved £000 | Shortfall | RAG | | 2022/23 Savings Expected £000 | 2022/23 Expected Shortfall £000 | 2022/23 RAG | Responsible Officer | Comments | R /A Included in Forecast Over/Underspend? Y/N |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ENV2021-09** | Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued. | 52 | 52 | 0 | G | | 52 | 0 | G | John Bosley | | |
| | | | | | | | | | | | | |
| | **Total Environment and Regeneration Savings 2021/22** | **1,580** | **311** | **1,269** | | | **830** | **750** | | | | |

APPENDIX 6

## DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

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

| | Updated Nov'21 | | | | | | | | | | APPENDIX 6 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2021/22 | | | | | | | | | | | | |
| Ref | Description of Saving | 2021/22 Savings Required £000 | 2021/22 Savings Expected £000 | Shortfall | RAG | | 2022/23 Savings Expected £000 | 2022/23 Expected Shortfall £000 | 22/23RAG | Responsible Officer | Comments | R /A Included in Forecast Over/Underspend? Y/N |
| | Adult Social Care | | | | | | | | | | | |
| CH93 | LD Offer- Proposal to review the LD offer to adults with learning disabilities | 500 | 500 | 0 | G | | 500 | 0 | G | Gill Moore | The programme is underway and additional resources are being put in place to ensure delivery | |
| CH94 | Integration- Merton Health & Care Together Partnership Programme | 500 | 0 | 500 | R | | 0 | 500 | R | Phil Howell | Changes in the health landscape make savings through integrated working more difficult to deliver at this time. This will be kept under review as the new ICS arrangements emerge | |
| CH95 | Public Health | 500 | 100 | 400 | R | | 0 | 500 | R | Dagmar Zeuner | the impact of COVID and provider issues make this undeliverable at this time. | |
| CH96 | Home care monitoring | 110 | 110 | 0 | G | | 110 | 0 | G | Keith Burns | Project to broaden number of providers using ECM solution is in progress. | |
| CH98 | Transport | 200 | 200 | 0 | A | | 200 | 0 | G | Phil Howell | The transport review has been delayed by COVID but this is offset in year by reduced concessionary fares costs (one off) | |
| CH99 | Promoting Independence | 500 | 500 | 0 | G | | 500 | 0 | G | Phil Howell | | |
| CH102 | Dementia Hub Recommissioning | 55 | 55 | 0 | G | | 55 | 0 | G | Richard Ellis | The savings has been delivered for 2021/22 by achievement of additional contribution from health | |
| CH103 | HRS Decommissiong Floating Support | 176 | 52 | 124 | A | | 176 | 0 | G | Steve Langley | The work was delayed by COVID but is now on track to be delivered by end Dec 2021 with fye 2022/23 | |
| | | | | | | | | | | | | |
| | Subtotal Adult Social Care | 2,541 | 1,517 | 1,024 | | 0 | 1,541 | 1,000 | | | | |
| | Total C & H Savings for 2021/22 | 2,541 | 1,517 | 1,024 | | | 1,541 | 1,000 | | | | |

APPENDIX 6

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

| Ref | Description of Saving | 2021/22 Savings Required £000 | 2021/22 Savings Expected £000 | Shortfall | 21/22 RAG | | 2022/23 Savings Expected £000 | 2022/23 Expected Shortfall £000 | 22/23 RAG | Responsible Officer | Comments | R /A Included in Forecast Over/Undersp end? Y/N |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |
| CSF2019-12 | Review of public health commissioned services | 400 | 0 | 400 | R | | 0 | 400 | R | Sue Myers | This saving is unachievable as it is related to a saving in Public Health related to recommisioning integrated service that didn't occur | |
| CSF2019-16 | National Minimum rate for Fostering/Guardianship/Adoption | 20 | 20 | 0 | G | | 20 | 0 | G | Sue Myers | Review in progress full upddate to be provided in Period 9 | |
| CSF2019-17 | Increased use of in-house foster care | 40 | 40 | 0 | G | | 40 | 0 | G | Sue Myers | Review in progress full upddate to be provided in Period 9 | |
| CSF2019-18 | Review and reshape shortbreaks provision | 200 | 0 | 200 | R | | 200 | 0 | G | Elizabeth Fitzpatrick | Shortbreaks review was delayed by Covid and the saving is therefore also delayed | |
| CSF2019-19 | SEND travel assistance | 150 | 150 | 0 | G | | 150 | 0 | G | Elizabeth Fitzpatrick | Review in progress full upddate to be provided in Period 9 | |
| 2021-22 CSF01 | Education & Early Help -Reduction made in provision for PFI Unitary Charges | 450 | 0 | 450 | R | | 450 | 0 | G | Elizabeth Fitzpatrick | Finance review of the PFI Unitary charge model needed | |
| 2021-22 CSF03 | CSF - Ongoing underspend | 200 | 200 | 0 | A | | 200 | 0 | G | Sue Myers/Elizabeth Fitzpatrick | Currently CSF forecasting overspend so this saving is at risk to be reveiwed in Period 9 | |
| | | | | | | | | | | | | |
| | **Total Children, Schools and Families Department Savings for 2021/22** | 1,460 | 410 | 1,050 | 0 | | 1,060 | 400 | 0 | | | |

**APPENDIX 7**

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

G | A | R

**APPENDIX 7**

**DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21**

| Ref | Description of Saving | 2020/21 Savings Required £000 | 2020/21 Savings Achieved £000 | Shortfall | RAG | | 2021/22 Savings Expected £000 | 2021/22 Expected Shortfall £000 | 2021/22 RAG | 2022/23 Savings Expected £000 | 2022/23 Expected Shortfall £000 | 22/23 RAG | Responsible Officer | Comments | R /A Included in Forecast Over/Underspend? Y/N |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ENV1920-06 | Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway. | 40 | 0 | 40 | R | | 0 | 40 | R | 40 | 0 | G | James McGinlay | Covid-19 estimated to impact on saving. Should be achieved from 2022/23. | Y |
| ENV1819-03 | Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles**The above will be subject to the outcome of the consultation process in 2019.** | 1,900 | 0 | 1,900 | R | | 0 | 1900 | R | 1900 | 0 | A | Cathryn James | PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales for 20/21 were estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving will not be fully met in 2020/21. Lockdown continued in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed.<br><br>ON STREET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection very difficult. For the period June through to October20/21 data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity Lockdown 3 had a further significant detrimental effect in 'on and off street parking' activity. Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to affect income levels. As at October 2021 savings continue to be monitored but lockdown and change in driver behaviour continues to result in this saving not being achieved. | Y |
| ENV1819 - 04 | Parking: Reduction in the number of pay & display machines required. | 13 | 0 | 13 | R | | 13 | 0 | G | 13 | 0 | G | Cathryn James | Expected to be achieved in 2021/22. | |
| ENV1920-01 | Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.<br><br>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives. | 340 | 0 | 340 | R | | 340 | 0 | A | 340 | 0 | G | Cathryn James | Following the consultation process and approval by Merton, the proposal was put before London Council, GLA, Mayor for London and Secretary of State to approve.<br><br>Process was delayed due to London Mayoral Election, officers are working with GLA to progress the application. GLA now approved application and Sec of State has 3 weeks to comment. Earliest implementation will be in January 2022. | N |
| ENV1920-02 | Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase.<br><br>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives. | 300 | 0 | 300 | R | | 0 | 300 | R | 300 | 0 | A | Cathryn James | Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22. | Y |
| ALT1920-02 | Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates. | 337 | 0 | 337 | R | | 0 | 337 | R | 337 | 0 | A | Cathryn James | Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achiving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22. | Y |
| ENV1920-04 | Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to. | 250 | 0 | 250 | R | | 0 | 250 | R | 250 | 0 | A | John Bosley | The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities a becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. CONFIDENTIAL The current national shortage of drivers impacting the collection schedule, the service has been required to combine rounds and co collect waste streams. This is being monitored through our BCP and the financial impact amended through our budget forecasting. | Y |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ALT1920-03** | Leisure: Increased income from Leisure Centres Management Contract | 10 | 0 | 10 | R | 0 | 10 | R | 10 | 0 | G | John Bosley | This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year | **Y** |
| **ALT1920-04** | Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral | 150 | 31 | 119 | R | 150 | 0 | G | 150 | 0 | G | John Bosley | The commisioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 21/22 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams. | |
| **ALT1920-07** | Greenspaces: Realign budgets to better reflect current levels of income from outdoor events. | 64 | 0 | 64 | R | 64 | 0 | G | 64 | 0 | G | John Bosley | | |
| | **Total Environment and Regeneration Savings 2020/21** | **3,404** | **31** | **3,373** | | **567** | **2,837** | | **3,404** | **0** | | | | |

APPENDIX 7

**DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21**

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

APPENDIX 7

## DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

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

APPENDIX 7

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

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

APPENDIX 7

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

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