

Merton Council Cabinet

14 November 2016

Supplementary agenda

7	Emissions levy	1 - 40
8	Estates Local Plan - Submission to Secretary of State	41 - 74
	<i>Hard copies of the appendices have been circulated to Members, and are available on Merton's website:</i>	
	http://www.merton.gov.uk/environment/planning/planningpolicy/localplan/estatesplan.htm	
9	Council Tax Support Scheme	75 - 84
10	Financial Monitoring September 2016	85 - 156

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Committee: Leader's Strategy Group

Date: 07 November 2016

Wards: All

Subject: The introduction of a diesel surcharge for all types of resident and business parking permits

Lead officer: John Hill

Lead member: Councillor Ross Garrod (Cabinet Member for Street Cleanliness and Parking)

Contact officers: John Hill, Paul Walshe and Jason Andrews.

Recommendations:

1. That Cabinet consider the introduction of a levy charge for all diesel vehicles that have a Resident, Business or Trade parking permit with the introduction phased over a period of 3 year period based on one of the following two options:
 - a) £150 surcharge with a phased introduction in 2017/18/19/20 as follows; £100 in 2017/18, £125 in 2018/19 and £150 2019/20.
 - or
 - b) £150 surcharge with a phased introduction in 2017/18/19/20 as follows; £90 in 2017/18, £115 in 2018/19 and £150 in 2019/20.
 2. That Cabinet considers setting the parking permit charge for electric vehicles at a discounted rate of £25 per annum.
 3. That the Council reviews the impact of the diesel surcharge for a period of 2 years, with a view to the introduction of comprehensive emissions based parking scheme.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To consider the introduction of a diesel surcharge to highlight the disproportionate impact these vehicles have upon local air quality and poor health.

2 DETAILS

- 2.1. Air pollution is increasingly recognised as a major cause of ill health and premature death. The most recent report by The Royal College of Physicians 'Every breath we take: the lifelong impact of air pollution' says that each year in the UK, around 40,000 deaths are attributable to exposure to outdoor air pollution.
- 2.2. Air pollution plays a role in many of the major health challenges of our day, and has been linked to cancer, asthma, stroke and heart disease, diabetes, obesity, and changes linked to dementia.
- 2.3. Neither the concentration limits set by government, nor the World Health Organisation's air quality guidelines, define levels of exposure that are entirely safe for the whole population.

- 2.4. Research by King's College London has estimated that air pollution was responsible for up to 141,000 life years lost, or the equivalent of up to 9,400 deaths in London in 2010, as well as over 3,400 hospital admissions. The total economic cost associated with this was estimated at £3.7 billion.
- 2.5. In recognition of this impact, local authorities are considering what steps it can take challenge poor air quality.
- 2.6. One of the few direct controls that a local authority has to influence change in vehicle choice is through its parking permit system. Many local authorities have been running emissions based parking schemes for a number of years; however these have mainly focused on CO₂ (carbon dioxide) emissions rather than local health based pollutants like nitrogen dioxide and particulate matter. Therefore, some have placed an additional surcharge upon diesel vehicles in recognition of the impact of these particular vehicles.
- 2.7. The overall aim of the scheme is to influence residents and business users to consider changing to lower or zero emission vehicles with any revenue derived from the scheme reinvested to support local sustainable transport initiatives and necessary infrastructure. Successful introduction of this type of scheme demonstrates the local authority's commitment to reducing emissions and improving air quality towards national objectives.
- 2.8. It is very difficult to define at what level a surcharge will directly influence a motorists behaviour as this decision is based upon a number of personal factors including, but not limited to; age of the vehicle, time of renewal, personal preference, family makeup and fuel economy.
- 2.9. The proposed low emissions parking levy, if adopted, would provide the Council with an opportunity to raise resident's awareness of the impact of emissions from their vehicles on local air quality and could provide an effective prompt to those considering changing their vehicle. It also adopts the long standing principle that the Polluter Pays' something that is not recognised in our current scheme.
- 2.10. Merton's parking permit fees have remained relatively unchanged and does not currently represent the specific impact of certain types of vehicle, or the impact of local pollutants that are of concern to health.
- 2.11. The Councils Pollution Team in conjunction with a leading transport research consultant has looked at the vehicle make-up in the borough, and concluded that in Merton, as with many other Boroughs, diesel vehicles contribute disproportionately to local air quality emissions. Crucially, the Merton study was based on data associated with actual on-road emissions as opposed to the manufacturers' specification.
- 2.12. It is true that diesel owners have, in the past, been given conflicting information as to the emissions from their vehicles and this has not helped by the recent manufacturers' vehicle testing scandals. Nonetheless, there is now conclusive evidence to show that diesel vehicles produce a disproportionate amount of harmful pollutants that pose a risk to health. To minimise this risk it is recommended that the Council introduces an emissions levy to encourage owners to switch to less polluting vehicles.

- 2.13. Officers recommend that the Council review its parking permit charges and include a levy for those vehicles that disproportionately contribute to poor air quality and health.
- 2.14. Officers recommend a levy charge for all diesel vehicles that have a Resident, Business or Trade parking permit are phased over a period of 3 years under one of the following two options:
- a) £150 surcharge with a phased introduction in 2017/18/19/20 as follows; £90 in 2017/18, £115 in 2018/19 and £150 2019/20.
 - b) £150 surcharge with a phased introduction in 2017/18/19/20 as follows; £100 in 2017/18, £125 in 2018/19 and £150 in 2019/20

3 ALTERNATIVE OPTIONS

- 3.1. Parking permit scheme to remain unchanged.
- 3.2. Adoption of a more thorough and complete emissions system taking into consideration petrol vehicles.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Depending on the accepted recommendation, a full consultation with residents and partners to seek views and opinions is proposed
- 4.2. The report was presented to the Sustainable Communities Overview & Scrutiny Panel meeting on the 7th September as an item for pre-decision scrutiny. At that meeting Members were asked to comment on the principle of imposing a levy on the most polluting vehicles through a differentiated cost for resident parking permits for diesel vehicles. Additionally, they were asked to comment on the level of the levy to be applied.
- 4.3. There was consensus amongst members of the O&S Panel in supporting the principle of a diesel levy in recognition of the seriousness of the air quality issue in Merton and diesel vehicles being the most polluting. Members also agreed that there is need for officers to give further consideration to how the diesel levy is going to be communicated; members expressed their concern about residents not being given sufficient notice (of at least a year) so they have a chance to change their behaviour before the levy is imposed. Members asked that more should be understood about the imposition of similar policies by other London boroughs, the variation and the extent to which these have and haven't been successful.
- 4.4. The precise value of the levy to be imposed was not discussed in detail. However, there was disagreement amongst members about the recommendation that parking permits should be free for electric cars. Some thought that given the costs of setting up Controlled Parking Zones, especially where these feature charging points for electric cars, then there should be a charge for parking permits for electric cars. However, others thought more should be done to promote the use of electric cars for which making parking permits free would be one option. It was explained to members that differentiated charging based on engine type is not considered appropriate given it isn't possible to rely on manufacturer specifications. It

was suggested that officers consider a differentiated cost for parking permits where households have more than one vehicle. Members also requested that officers to consider other options to address pollution from diesel vehicles that currently aren't parked within Controlled Parking Zones.

5 TIMETABLE

- 5.1. Consideration of report at E&R Departmental Management Team – August 24th 2016.
- 5.2. Consideration of report at Overview & Scrutiny Panel – September 7th 2016 (see 4.2 - 4.4 above).
- 5.3. Consideration of report at Leader's Strategy Group – 7th November 2016
- 5.4. Consideration of report at Cabinet – 14th November 2016

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Attached appendix 2 provides information on the financial implications of the levy charge.
- 6.2. The Council, subject to the outcome of any consultation process, can introduce a change to the borough wide permit traffic management order. The purpose of the surcharge is to reduce the demand for resident and business permits for diesel vehicles.

Three London Councils have successfully introduced a surcharge for parking permits issued to diesel powered vehicles which is in addition to the existing parking permit charges.

LB of Islington	£96 per parking permit
LB of Kensington and Chelsea	£19 per parking permit
LB of Camden	£10 per parking permit

It's important to note that the charges of £10 & £19 levied by Camden and K&C is only an addition to an existing wider charging system emissions based levy which recognises the impact of diesels.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The key legal framework for allowing for parking operation and enforcement duties comes under the road traffic regulation act 1984 and road traffic act 1991. Designation of parking is achieved through traffic regulation orders.

- 7.2 The road traffic act 1991 provides local authorities with the power to enforce parking activities themselves rather than the police (i.e. decriminalising parking enforcement). Under these powers, local authorities can issue fines or parking tickets. Under sections 45 and 46 of the Road Traffic Regulation Act 1984, councils can designate parking places on the highway, to charge for parking in these places and to make a charge for parking permits for their use. Local Authorities can also introduce differential permit charges between vehicles of different classes based on factors including their level and type of emissions.
- 7.3 In London, local authorities must also have regard to the Mayor of London's Transport Strategy (sections 142 and 144(1)(a) Greater London Authority Act 1999) which emphasises the importance of reducing emissions and improving air quality.
- 7.4 When setting parking charges Local Authorities are entitled to use the tariff or an increase in charges as a legitimate tool in managing demand for all types of resident and business parking permits for diesel powered vehicles. This is particularly relevant as it is the Councils aim to reduce residents and businesses reliance on diesel powered vehicles leading to a reduction in pollution as part of the Councils aim to reduce congestion and associated pollution. This in turn will contribute to the Councils 2020 aims.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. None

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None

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

- Appendix 1: Introduction of an emissions based parking levy: Prepared by Transport & Travel Research Ltd., in partnership with LB Merton.
- Appendix 2: Schedule of options for proposed levy charges.

12 BACKGROUND PAPERS

- 12.1. None

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London Borough Merton:

Introduction of an Emissions Based Parking Levy – Diesel Vehicles

Proposal

Prepared in partnership with
London Borough of Merton

By:



Author(s)	Lisa Hawtin, Kevin Turpin, Anna Savage & Jason Andrews
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Version	v.10
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This proposal has been prepared in partnership with London Borough of Merton. Transport & Travel Research Ltd cannot accept any responsibility for any use of or reliance on the contents of the report by any third party.



1 EXECUTIVE SUMMARY

Air pollution is increasingly recognised as a major cause of ill health and premature death. The most recent report by The Royal College of Physicians 'Every breath we take: the lifelong impact of air pollution' (February 2016)¹ says that:

- Each year in the UK, around 40,000 deaths are attributable to exposure to outdoor air pollution.
- Air pollution plays a role in many of the major health challenges of our day, and has been linked to cancer, asthma, stroke and heart disease, diabetes, obesity, and changes linked to dementia.
- Neither the concentration limits set by government, nor the World Health Organisation's air quality guidelines, define levels of exposure that are entirely safe for the whole population.

Research by King's College London has estimated that air pollution was responsible for up to 141,000 life years lost, or the equivalent of up to 9,400 deaths in London in 2010, as well as over 3,400 hospital admissions. The total economic cost associated with this was estimated at £3.7 billion.

It is therefore the responsibility for Government, both locally and nationally to take steps to tackle the issue of air quality as well as highlight the impact of pollution.

Along with other Boroughs such as Islington, Camden, Kensington & Chelsea. Merton are considering introducing a residential parking scheme that takes into account vehicle emissions and will place additional charges on those vehicles that contribute disproportionately to poor air quality.

As part the Council's commitment to Air Quality, this study has been commissioned to consider the impacts of introducing an emissions based parking levy for both residential and business parking permits. This scheme would aim to encourage residents and businesses to consider changing to low or zero emission vehicles with revenue derived from the scheme invested to support local sustainable transport initiatives and necessary infrastructure.

The approach for a low emission based parking scheme considered in this study takes into account on-road emissions, rather than simply the manufacturing specification. As this report will show, diesel cars may have low fuel consumption and low CO₂ emissions but produce disproportionately high emissions of local air quality pollutants, such as nitrogen oxides (NO_x) and particulates (PM's).

The study has proposed implementation of an annual parking permit surcharge for all diesel vehicles; no surcharge for petrol vehicles and a free parking arrangement for all 'plug-in' electric and petrol hybrid vehicles.

The objective of imposing a diesel surcharge for parking within the Borough is to make resident's aware of the impact of diesel vehicles on local air quality, and to incentivise those changing their vehicles to consider adopting lower or zero emission technologies. The exemption for petrol vehicles is a recognition that the emissions of Particulate Matter (PM₁₀/PM_{2.5}) and nitrogen dioxide (NO₂) are generally less significant when compared to diesel, and provide a readily available, low cost option for those resident's that are currently unable to make the transition straight to zero emissions technologies.

The rate of the surcharge for diesel vehicles will need to be considered very carefully; this must provide a sufficient incentive to promote long term change as well as come into line with other boroughs, whilst not be seen as punitive to diesel drivers that have been given conflicting advice over the years around diesel emissions.

¹ Royal College of Physicians – Working Party Report (February 2016) <https://www.rcplondon.ac.uk/projects/outputs/every-breath-we-take-lifelong-impact-air-pollution>

CONTENTS

1	EXECUTIVE SUMMARY	
2	BACKGROUND TO THE MERTON AIR QUALITY PARKING PROJECT	2
3	THE CASE FOR RESIDENTIAL EMISSIONS BASED PARKING LEVIES	3
4	BUSINESS EMISSION BASED PARKING LEVIES	14
5	CONCLUSION - MAXIMISING OPPORTUNITIES AND RECOMMENDATIONS	18
	GLOSSARY	19
	APPENDIX A - AIR QUALITY OVERVIEW	20
	APPENDIX B - LONDON AIR QUALITY	22
	APPENDIX C - MERTON AIR QUALITY	23
	APPENDIX D - LOCAL POLICY DRIVERS	25
	APPENDIX E - LEGAL FRAMEWORK FOR PARKING LEVY	25

2 BACKGROUND TO THE MERTON AIR QUALITY PARKING PROJECT

Air quality in the London Borough of Merton remains an important public health issue. In 2013, 6.4% of deaths within the borough are considered 'likely' to be attributable to air pollution under the Public Health Outcomes Framework 3.01⁶. The Air Quality Action Plan (AQAP)⁷ developed by the Council as part of their Local Air Quality Management (LAQM) responsibilities has been in place since 2003, but despite half of the 32 action plan measures having been implemented, pollution concentrations in parts of the borough remain in exceedance of the UK air quality objectives for nitrogen dioxide (NO₂). The whole borough of Merton has been declared an Air Quality Management Borough (AQMA) for NO₂ and particulates (PM₁₀).

In London, and other urban areas, attempts to address air pollution have been counteracted by continued growth in traffic, the increase in the proportion of diesel in the passenger vehicle fleet and the poor performance of vehicle emission reduction measures under real world driving conditions. The combination of these factors has meant that reducing pollution levels within AQMAs remains a challenge for many local authorities.

The revised Defra UK Air Quality Plan (2015) details the Government's plan for achieving the European Union (EU) air quality limit values for NO₂ in the UK. It was produced largely in response to the EU infringement proceedings for non-compliance with limit values and sets out targeted local, regional and national measures for reducing NO₂ in towns and cities across the UK. Defra's Air Quality Plan reinforces the requirement for local authorities to focus strongly on local actions to address the problem not only to comply with the UK's legal obligations but fundamentally to protect the health of its residents.

The measures necessary to improve air quality are multifaceted requiring a combination of improvements in vehicle technology and testing regimes but also the means to encourage individuals and businesses to make long term changes to their transport choices. To generate further improvements in air quality the focus needs to be on reducing vehicle miles, improving individual vehicle emissions and incentivising modal shift to public transport and active travel options. To instigate these changes it is generally accepted that there needs to be a combination of incentives and penalties to encourage movement away from higher pollution transport options to more sustainable/ low emission options.

In Merton a range of measures to influence transport choices have been initiated through the AQAP. This study considers whether the introduction of an emissions based parking levy for residential and business permit holders would be an effective means of incentivising the uptake of low or zero emission vehicles and stimulating more residents to switch to public/shared transport and active travel, such as walking and cycling, as an alternative to private car ownership. To do this, charging level of the permits would be based on vehicle emissions with the most polluting vehicles being charged at a higher rate, following the 'polluter pays' principle. Vehicle owners with zero emission cars would benefit by being exempt.

The overall aim of the scheme is to influence residents and business users to consider changing to low or zero emission cars with any revenue derived from the scheme reinvested to support local sustainable transport initiatives and necessary infrastructure. Successful introduction of this type of scheme demonstrates the local authority's commitment to reducing emissions and improving air quality towards national objectives.

⁶ Public Health England – Public Health Outcomes Framework – Merton data <http://www.nepho.org.uk/pdfs/public-health-outcomes-framework/E09000024.pdf>

⁷ London Borough of Merton AQ Action Plan Progress Report 2014 http://www.merton.gov.uk/merton_2014_progress_draft.pdf³ Defra 'Improving air quality in the UK Tackling nitrogen dioxide in our towns and cities' UK overview document December 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486636/air-quality-plan-2015-overview-document.pdf

3 THE CASE FOR RESIDENTIAL EMISSIONS BASED PARKING LEVIES

3.1 Scope of the project

Exhaust emissions from vehicles are dependent on many factors including the age (and Euro emission standard), type of vehicle, size of engine and fuel type. Emissions will vary according to the speed that the vehicle is driven at and these can be represented by average speed emission factors to compare emissions from the vehicle fleet. In the UK, the recognised emission factors are from the European Environment Agency from their COPERT 4 model (v10).

Error! Reference source not found., Figure 2 and Figure 3 show annualised NO_x, PM₁₀ and CO₂ emissions respectively, from a fleet of vehicles made entirely of diesel cars versus one made entirely of petrol cars (the age of the fleet and Euro standards are from the NAEI - National Atmospheric Emissions Inventory for London in 2016). These graphs show that NO_x emissions from diesel cars are much higher than from petrol cars, particularly at very low or very high speeds. PM₁₀ emissions are less speed dependent but are also higher from diesels, whereas CO₂ emissions show a similar relationship with speed for both fuel type although are slightly higher from petrol cars.

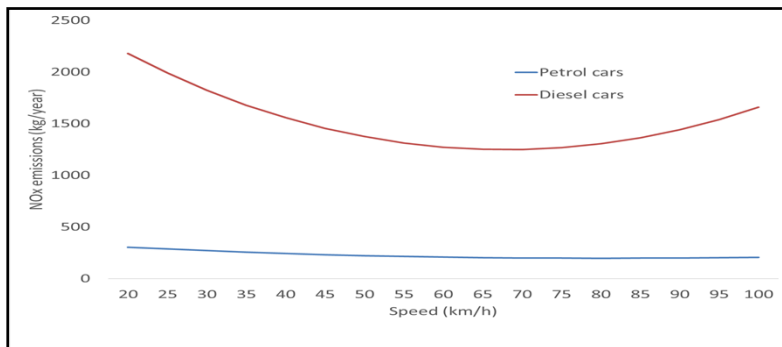


Figure 1: Speed related NO_x emissions, petrol Vs diesel cars in London, 2016

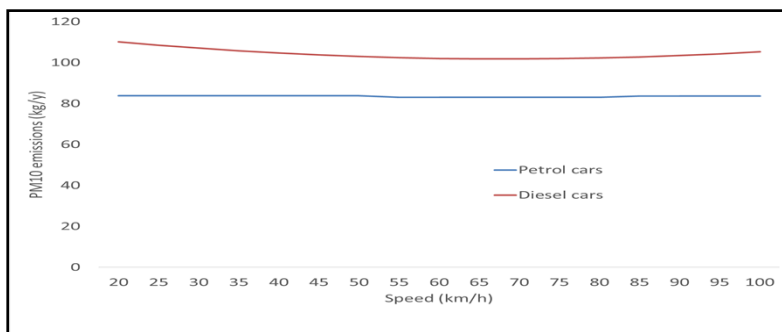


Figure 2: Speed related PM₁₀ emissions, petrol Vs diesel cars in London, 2016

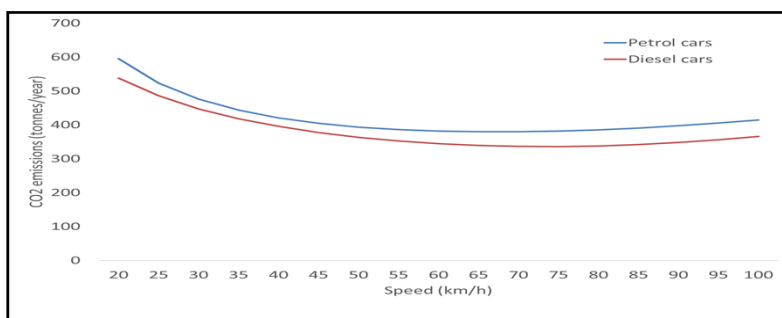


Figure 3: Speed related CO₂ emissions, petrol Vs diesel cars in London, 2016

London Borough of Merton: Air Quality & Parking Project

By comparing more localised and refined data from the London Atmospheric Emissions Inventory (LAEI), the contribution by vehicle type to emissions is illustrated for Merton in Table 1.

Table 1: Annualised emissions for 2015 from the LAEI in Merton in tonnes per year

Vehicle type	Emissions (t/y)		
	CO2	NOx	PM10 exhaust
Motorcycle	1395.7	1.4	0.1
Taxi	1976.6	7.4	0.3
Petrol Car	48566.8	30.1	0.6
Diesel Car	42063.4	141.2	3.3
Petrol LGV	522.9	0.8	0.0
Diesel LGV	13971.1	49.0	1.6
London Bus	8745.4	49.6	0.3
Coach	3100.4	21.7	0.2
Rigid HGV	11484.7	63.6	0.4
Articulated HGV	3396.4	13.8	0.1

This data shows that the highest emissions are from cars which reflect their dominance in the vehicle fleet. For CO₂ emissions, there is a similar contribution from both petrol and diesel cars (around 30-35% each). The next highest contribution is from diesel light goods vans (LGVs) and diesel rigid Heavy Goods Vehicles (HGVs). **For NO_x and PM₁₀ exhaust emissions, it is the diesel cars that dominate emissions.**

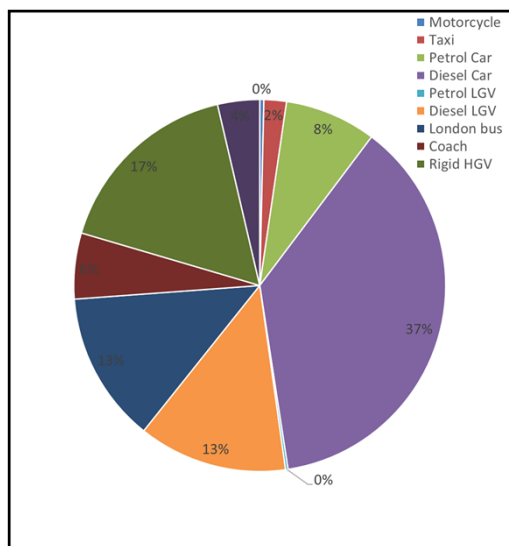


Figure 4: Annual NO_x emissions by vehicle type in Merton, 2015

Based on the findings from this data, the study focuses on a way to use parking controls as a mechanism to reduce the contribution of cars on local emissions. The scope of this study is therefore to primarily investigate introducing an emissions based parking levy for residential parking permits within Merton with an additional consideration of changing the levies for business parking permits.

The study models the effect of introducing a parking levy on residential permits for all diesel vehicles whilst offering free parking permits for all 'plug-in' or other zero emission technologies. The parking charge for petrol vehicles has been held level in the first phase to acknowledge that there is currently insufficient infrastructure to support a mass transition to electric vehicles and that petrol vehicles are generally less polluting in terms of NO₂, PM₁₀ and PM_{2.5} than diesel-fuelled vehicles.

There is scope to consider further differentiation of petrol vehicle emissions by applying different banding systems based on emissions and to consider their likely impacts on local air quality pollutants and CO₂ emissions. This method could be applied to future scenarios to encourage further transition to zero emission vehicles and as the local infrastructure expands to meet future demand. There is a

growing body of evidence suggesting that parking management in regulated car parks and on-street can be applied to create more balanced choices between alternative modes of transport⁸. The RAC has recognised the impact of inefficient parking on congestion and vehicle emissions and has called for better provision of information to ensure efficient vehicle parking, and a more consistent approach to pricing, both to cover the direct costs of parking and as a tool to manage congestion⁹. Parking management can also be used to encourage less-polluting vehicles, by means of establishing priority or dedicated parking, or reduced charges for zero or low emission vehicles. Examples of such policies already implemented in the UK include designated parking for electric vehicles, car-club vehicles and car-share vehicles, or lower parking charges for vehicles that meet a specific emission standard. This kind of scheme represents an alternative to a formal LEZ, and can potentially be enforced more easily through existing parking enforcement powers.

There a number of local authorities that have introduced emissions based charging structure for residential parking, based on CO₂ emissions. Some of these are used to encourage owners to purchase a low or zero emission vehicle by offering a discount to these only (e.g. Milton Keynes, Richmond, Westminster and York), whilst others have introduced a banding system where charges vary based on engine size and/or emissions. The aim of all these schemes are to encourage residents to consider the effect their vehicle has on emissions and effect a behavioural change, i.e. by moving to lower emission vehicles or those with smaller engine sizes.

In London, there are a large number of boroughs that have already introduced differential charges based on emissions, including;

Islington – In 2010, the Council introduced 13 bands based on engine size for older vehicles or CO₂ emissions (based on the Driver Vehicle Licensing Agency, DVLA’s vehicle excise duty, VED bands) for newer vehicles. From 2015, a £96 surcharge was added to diesel vehicles with various exemptions applied. The maximum annual residential parking charge is currently £540 (see summary of annual charges in

Band	Pre-2011 (engine size)	vehiclePost (CO2 g/km)	2011Petrol alternative fuelled cars	orDiesel cars
A	Electric	0-100	Free	N/A
B	1-900	101-110	£15.90	£111.90
C	901-110	111-120	£28.70	£124.70
D	1101-1200	121-130	£75.80	£171.80
E	1201-1300	131-140	£92.15	£188.15
F	1301-1399	141-150	£99.30	£195.30
G	1400-1500	151-165	£123.90	£219.90
H	1501-1650	166-175	£142.50	£238.50
I	1651-1850	176-185	£167.00	£263.00
J	1851-2100	186-200	£211.00	£307.00
K	2101-2500	501-225	£246.00	£342.00
L	2501-2750	226-255	£344.00	£440.00
M	>2751	<256	£444.00	£540.00

Table 2).
- **Camden** – Camden was one of the first boroughs

to introduce this type of scheme in 2007. There are 4 charging bands for older vehicles (before 2001) based on engine size and 4 bands for newer vehicles (after 2001) based on CO₂ emissions with a maximum annual charge of around £270. There is also a diesel surcharge of £10 per vehicle and an additional charge for second or

third car.

- **Kensington and Chelsea** – From 2014, there have been 9 charging bands with a £19 annual surcharge for diesel vehicles. The maximum annual charge for a single owned vehicle is £231. Higher charges are applied for multiple vehicles.

Band	Pre-2011 vehicle (engine size)	Post 2011 (CO ₂ g/km)	Petrol or alternative fuelled cars	Diesel cars
A	Electric	0-100	Free	N/A
B	1-900	101-110	£15.90	£111.90
C	901-110	111-120	£28.70	£124.70
D	1101-1200	121-130	£75.80	£171.80
E	1201-1300	131-140	£92.15	£188.15
F	1301-1399	141-150	£99.30	£195.30
G	1400-1500	151-165	£123.90	£219.90
H	1501-1650	166-175	£142.50	£238.50
I	1651-1850	176-185	£167.00	£263.00
J	1851-2100	186-200	£211.00	£307.00
K	2101-2500	501-225	£246.00	£342.00
L	2501-2750	226-255	£344.00	£440.00
M	>2751	<256	£444.00	£540.00

Table 2: Example of an emissions banding residential permit system in Islington (annual charges)

Information from Islington has showed that there has been an increase in the number of lower emission vehicles (Bands A and B) from 6.3% to 13.5% and a decline in the highest banded vehicles (Bands L and M) from 9.2% to 6.7% in the last 7 years (see Figure 5).

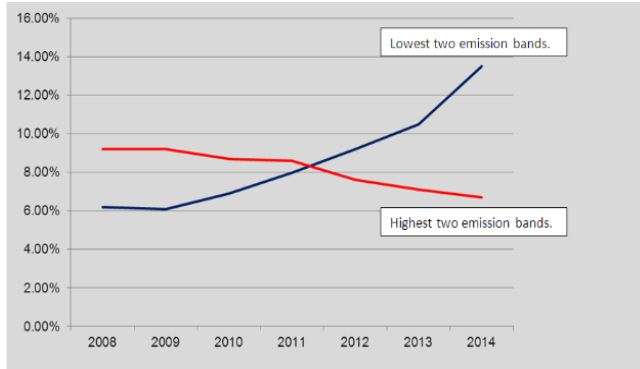


Figure 5: Change in proportion of lowest and highest banded vehicles with residential parking permits in Islington¹⁰

3.2 Current Permit Charges

Vehicle type	Diesel	Electric diesel	Electricity	Gas fuel	Duel	Hybrid electric	Petrol	Grand Total
Motorcycle							5	5
Car	4,731	12	5	14		237	9,274	14,273
Car Van	132						6	138
Van	264			2			20	286
HDV	1							1
Grand Total	5,128	12	5	16		237	9,305	14,703

In Merton, currently an annual residential parking permit costs £65 for the first car, £110 for the second car and £140 for a third car to renew (or half the cost for 6 months). Households can also purchase a single permit for more than one car as long as only one is on the road at one time. Parking permits are provided for specific zones, with some permits applicable to more than one parking zone. There is currently a one off £25 administration fee to purchase a new permit. The Council provided a list of the vehicle registration plates of these vehicles with information on whether the vehicle is the first, second or third or more car.

There are 15,074 unique residential parking permits in Merton. The vehicle registration numbers of these vehicles were sent to the Department for Transport (DfT) to obtain details from the DVLA database on vehicle make and model, fuel type, engine size or gross weight and date of first registration. 371 vehicles could not be matched to the DVLA database. It is likely that these were foreign or diplomatic vehicles, or perhaps that the registration had been recorded incorrectly or an error had been made.

A summary of the matched vehicles by vehicle type is given in Table 3. It can be seen that as expected, the vast majority of residential permits are allocated to cars (97%). Additional information on these vehicles in terms of fuel type is given in Table 4. This data showed that of these vehicles, 63% are petrol and 35% diesel fuelled as illustrated in Figure .

Table 3: Residents parking permits: Vehicles identified from number plate details in Merton, 2015

Vehicle type	Number
Motorcycle	5
Car	14,273
Car Van	138
Van	286
Heavy duty vehicle	1
Grand Total	14,703

Table 4: Residents parking permits: Vehicle split by fuel type

¹⁰ <http://democracy.islington.gov.uk/documents/s3051/Diesel%20Surcharge%20on%20Permits%20Executive%20January%202015.pdf>

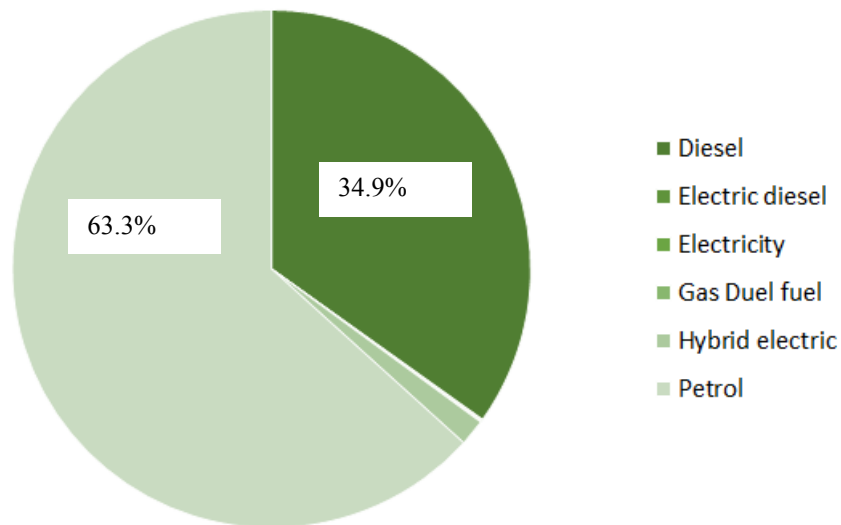


Figure 6: Residents parking permits: The percentage split of fuel use

The study further analysed this data to derive the vehicle’s Euro emission standard. This was determined based on a number of parameters including vehicle type, engine size and date of first registration. This information is presented in Figure 7 for petrol vehicles and Figure 8 for diesel vehicles. The data shows that the majority of petrol vehicles are made up of cars, and these are mainly of Euro 4 standard (i.e approximately 10 years old), with also a high number of Euro 3 (>15 years old) and Euro 5 vehicles (around 5 years old). There are fewer older petrol vehicles (ie. Pre-Euro 2 more than 20 years old) and few of the newest Euro 6 vehicles (vehicles registered after 2014). The diesel fleet was generally newer, with the highest number of Euro 5 vehicles (from 2011) which reflects the recent shift to purchase diesels. The reasons for this may be due to the fact that diesel vehicles have lower CO₂ emissions and have been incentivised by the government through schemes such as discounted car tax to reflect this.

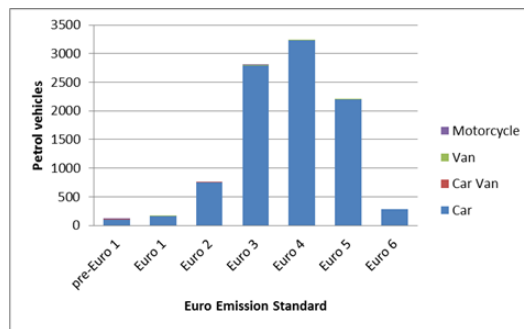


Figure 7: Residents parking permits: Number of petrol vehicles by Euro Standard

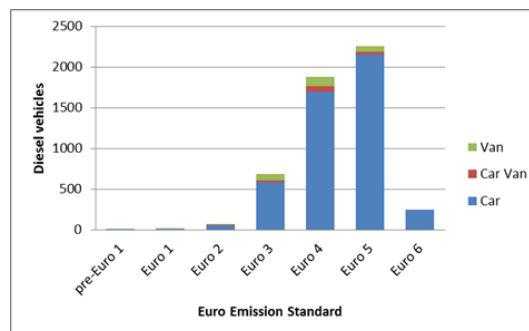


Figure 8: Residents parking permits: Number of diesel vehicles by Euro Standard

3.3 Parking levy options

Based on this data, this study has considered the impact of vehicle emissions in Merton that accounts for both direct and indirect air pollution impacts resulting from vehicle use, i.e. the direct local exposure to NO₂ and particulates and the indirect climatic effects caused by CO₂. This is in contrast to the majority of existing low emission parking schemes which are primarily based on CO₂ emissions or fuel consumption alone.

Recent evidence has shown that some diesel vehicles have very low fuel consumption and hence low CO₂ emissions for a given journey but they produce disproportional emissions such as NO_x and particulates. More so recent evidence is emerging that regulated emissions from certain vehicles on the road are possibly higher than vehicle manufactured specifications suggest. For example, findings from the International Council on Clean Transportation (ICCT) showed that modern diesel cars have low on-road emissions of carbon monoxide and hydrocarbons but unsatisfactory emissions of real world NO_x and PM emissions. Their report showed that the average on-road emissions of NO_x were 7 times the certified emission limit for Euro 6 diesel vehicles and that there was a significant range between the vehicles tested (ICCT, 2014). The reasons for this are partly due to the configuration of engine management systems and also the general performance of devices fitted to vehicles to regulate emissions which degrade over time. Clearly, vehicle emissions are annually tested as part of the MOT but there is currently no test for NO_x.

The low emission vehicle parking levy system ideally should therefore be associated with on road performance rather than manufactured specifications. On this basis this study is recommending an approach which links all vehicles to an acceptable emissions factor database published by the NAEI. The problem is that emissions factors are generally based on a prescribed driving cycle which incorporates changes in speed. Emission factors such as COPERT 4 are then published for a given average speed as described in Section 4.1. In order to derive emissions it was assumed that all vehicles in the Merton parking scheme would be driven at some stage and that 25 km/h is the average speed in most cases. By combining the NO_x and CO₂ emission rates (g/km) at 25 km/h it is possible to derive total vehicle emissions.

3.3.1 Impact of Diesel Surcharge - and exemption for all electric vehicles

The principle of adopting a parking levy has been tested for the purposes of the study by considering the impact of a surcharge on diesel cars and zero charge for electric vehicles. This test does not take into consideration any changes which would occur, sensitivities around this are outlined in tests 1, 2 and 3. Table 4 shows there are 4,731 diesel cars and 132 diesel car derived vans under 3.5 tonnes with residential permits in Merton. The surcharge charge would only apply to these vehicles. There are 264 light goods vehicle vans (over 3.5 tonnes) that have residential parking permits. Under this test, electric vehicles would have zero charge.

3.3.2 Impact of Diesel Parking Levy on emissions

The following three sensitivity tests were considered to look at the change in annualised emissions compared to the base case fleet. For this part of the study vehicles holding an existing parking permit were divided into the following 5 bandings, based on emissions:

- Band 1 (Zero emission vehicles) Electric
- Band 2 (<10 g/km combined NO_x/CO₂)
- Band 3 (<90 g/km combined NO_x/CO₂)
- Band 4 (<170 g/km combined NO_x/CO₂)
- Band 5 (>170 g/km combined NO_x/CO₂)

The vehicle bandings were applied to the existing vehicle base case fleet.

Table 5: Division of current Merton residential permit vehicles into emission bandings.

Vehicle	Engine Size or Gross Vehicle Weight (GVW)	Low emissions			High emissions	
		Band 1	Band 2	Band 3	Band 4	Band 5
Petrol car	<1400 cc	0	1,316	2,449	55	26
Petrol car	1400-2000 cc	0	1,005	3,417	76	48
Petrol car	>2000 cc	0	0	940	127	69
Diesel car	<1400 cc	0	0	1	108	0
Diesel car	1400-2000 cc	0	0	168	2,811	0
Diesel car	>2000 cc	0	0	81	664	959
Petrol car derived van	1400-2000 cc	0	0	1	0	2
Diesel car derived van	<2000 cc	0	0	0	83	0
Petrol Van	<3.5t	0	4	9	0	9
Diesel van	<3.5t	0	0	0	0	264
Electric	Electric	5	0	0	0	0
Grand total						14,697*

Three tests have been applied to the base case to evaluate the impact on emissions of applying a parking levy to diesel vehicles.

- **Test 1.** All diesel cars are removed from the fleet
- **Test 2.** 10% of diesel cars in base year are switched to a minimum Euro 5 petrol variant. It is assumed that this effect is random. To do this, the first 10% vehicles in the database are modified which amounted to 474 vehicles.
- **Test 3.** 30% of diesel cars in base year are switched to a minimum Euro 5 petrol variant. It is assumed that this effect is random. The first 30% vehicles in the database are modified.

It was considered more appropriate to evaluate the impact of these options with respect to the change in annualised NO_x emissions from the base case rather than in terms of the impact on NO₂ concentrations at the roadside (which was originally proposed).

Base case

Annualised NO_x emissions were determined by each emission band for the base case. These results are given in Figure 9.

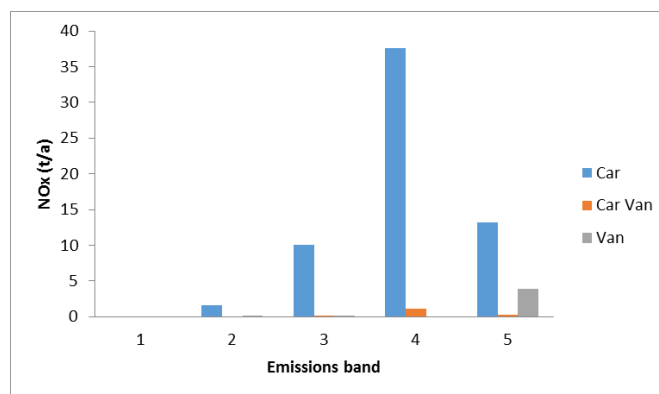


Figure 9 1: Base case annualised NO_x emissions from vehicles with parking permits by emission band (1=cleaner vehicles)

Test 1: Removal of diesel cars

Test 1 involves analysing the effect on emissions if all diesel cars were replaced by petrol variants. The results are shown for NO_x emissions in Figure 9. The reduction in NO_x emissions is quite dramatic, particularly in band 4. Overall, this would result in a reduction of annualised NO_x emissions by approximately 63%.

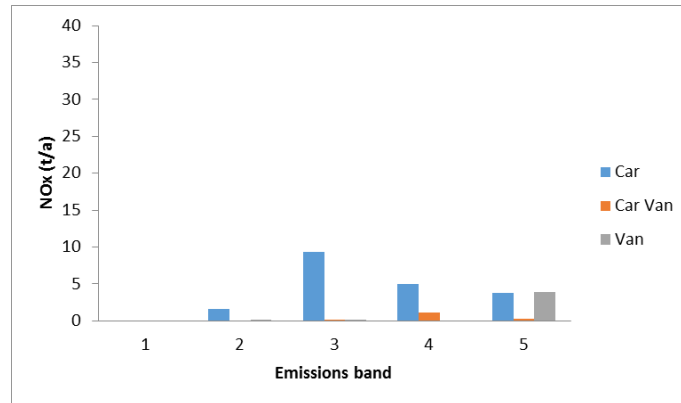


Figure 10: Test 1 - Annualised NO_x emissions with zero diesel cars in the parking permit fleet

Test 2 – 10% diesel cars switched to Euro 5 petrol equivalent

Test 2 analyses the effect on NO_x emissions if 10% of residential permit holders could be persuaded to switch their diesel car to a Euro 5 petrol equivalent. The impact on NO_x emissions are shown in Figure 11.

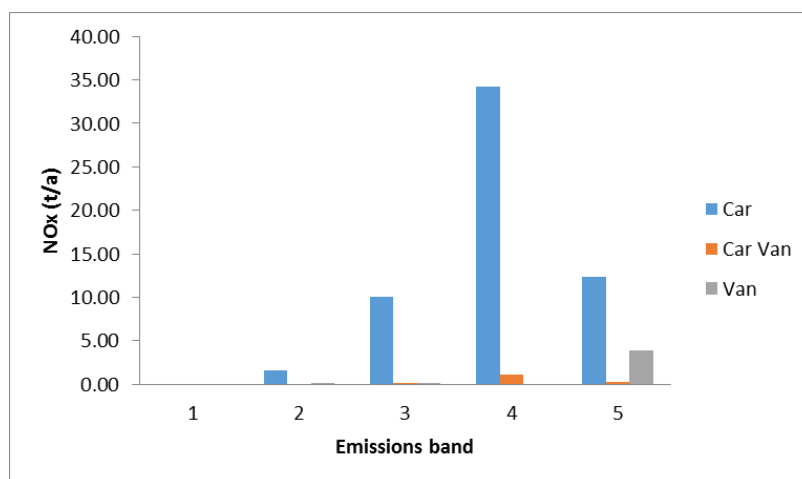


Figure 21: Test 2 - Annualised NO_x emissions with 10% diesel cars switching to petrol equivalent

Test 3 – 30% diesel cars switched to Euro 5 petrol equivalent

Test 3 is similar in principle to Test 2. This analyses the effect on NO_x emissions if 30% of residential permit holders could be persuaded to switch their diesel car to a Euro 5 petrol equivalent. The impact on NO_x emissions are shown in Figure 12.

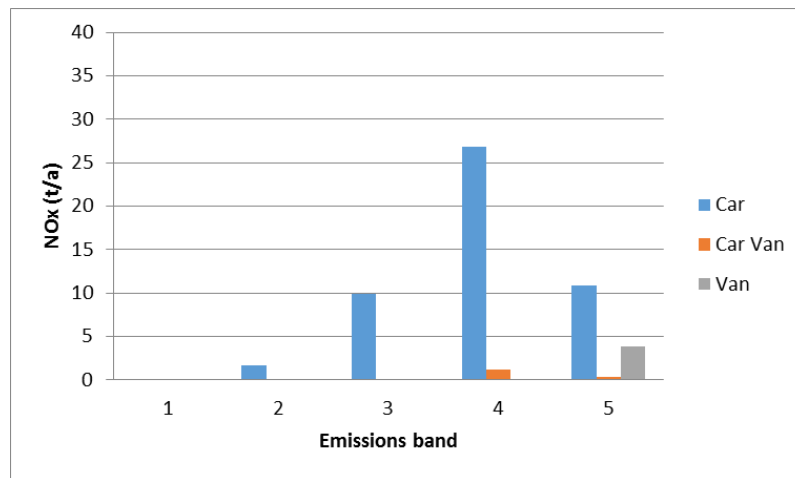


Figure 12: Test 3 - Annualised NO_x emissions with 30% diesel cars switching to Euro 5 petrol equivalent

Figure 11 shows that this test could reduce NO_x emissions from diesel vehicles in bands 4 and 5 as expected. The switch appears to have a negligible effect on bands 2 and 3 where the majority of petrol vehicles are due to the fact that the test assumes a shift to Euro 5 petrol. Overall the test estimates a 20% reduction in NO_x emissions.

3.3.3 Transition to Low/Zero Emission Vehicles

It is difficult to evaluate the impact of implementing a diesel parking levy on the uptake of zero/low emission vehicles. People that decide to purchase an electric vehicle are probably less influenced by preferential parking charges and more so by the way their vehicle is used on a daily basis and are likely to have an element of altruism in terms of their buying behaviour. There is also the need to consider the capacity of existing infrastructure, which may limit the opportunity for residents to adopt low emission vehicle technology in the short term.

Introducing a low emission parking permit scheme for residential parking provides an incentive to discourage the most polluting vehicles. This can be an effective means of promoting behaviour change but can also be accompanied by complementary measures and incentives to encourage residents to choose other sustainable transport options. These may include purchasing Ultra Low Emission vehicles (ULEV) and reducing car use by switching to other modes of transport.

The rate of adoption of ULEVs is determined by a number of factors but primarily comes down to cost and convenience for the motorist. Government subsidies for the purchase of ULEVs has increased uptake of electric vehicles across the UK with registrations rising from 500 per month at the start of 2014 to an average of around 2,400 per month during 2015. As a percentage of new car registrations, electric cars now represent just over 1% of the total new car market in the UK (Society of Motor Manufacturers and Traders 2016). However, it is acknowledged that the cost of purchasing a new vehicle is still prohibitively expensive for a large section of society.

In terms of convenience, the accessibility of charging facilities also has a bearing on the attractiveness of adopting ULEVs. TfL has produced a fact sheet detailing charging facilities by London Borough and there are currently 1,400 charging points across London. There is currently a

London Borough of Merton: Air Quality & Parking Project

lack of charging infrastructure in south London, for example Merton currently only has 6 public charging points, Richmond has 10, Sutton has 19 and Wandsworth has 24. This lack of local charging points could be seen as barrier to increasing the uptake of electric and hybrid vehicles in the short term and therefore improvements to the necessary infrastructure should be provided.

Other sustainable transport options have been promoted through the Merton AQAP including two public car clubs, the London Cycle Network, Walk-it scheme and development of green travel plans for businesses and schools. Merton is also committed to improving access to public transport and has used planning agreements to generate new car free developments as part of their overall plan to improve air quality.

The proposed low emissions parking levy, if adopted, would provide the Council with an opportunity to raise resident's awareness of the impact of emissions from their vehicles on local air quality and could provide an effective prompt to those considering changing their vehicle.

The scheme would benefit from additional public engagement prior to implementation to ensure that permit holders understand the justification for changes in the permit costs and are fully aware of the available opportunities for reducing emissions and minimising the personal impact of the levy.

3.4 Summary

This analysis was conducted to understand what effect the implementation of a resident's parking permit levy on diesel cars would have on reducing direct and indirect emissions. Emissions were calculated as a function of NO_x s over a limited number of vehicle types driven at a constant average speed and over a distance each year.

The idea behind this approach was to provide a parking levy system that reflects road emissions rather than the manufacturing specification.

To test the impact of implementing a diesel parking levy on revenue, a surcharge was applied to the existing residential parking permit fleet. Three further tests were undertaken to investigate the sensitivity on emissions for certain shifts in vehicle ownership due to the proposed parking levy.

The change in annual emissions was not estimated for the surcharge option as there is no real understanding as to people's preference to pay versus the preference to change vehicle types.

This could only realistically be achieved via public consultation to understand these preferences. For example, if the surcharge of £100 for diesel parking permits was found to be sufficient for everyone to switch to petrol variants (i.e. eliminating diesel cars and car vans), then an estimated reduction in annualised NO_x emissions of 60% (Test 3) would be possible.

4 BUSINESS EMISSION BASED PARKING LEVIES

4.1 Introduction

Business parking permits are only issued in Merton for vehicles that are essential for business and there is a limit of two permits per business. The business parking permits are issued for six months at a cost of £331 for all zones except for Wimbledon town centre where permits cost £376. There is a £25 administration fee for new permits, as for the residential permit system. The London Borough of Merton provided a list of the number plates and tariffs paid for all vehicles registered in the scheme, of which there were 324 unique vehicles. These number plates were sent to the DfT for analysis against the 2015 DVLA database whereby 311 vehicles were able to be matched and 13 unmatched. Nine of the 13 unmatched vehicles were registered in 2016 so vehicle details of these had to be determined manually the remaining four were discounted as having misread plate details. Of these matched vehicles, 90% of the vehicles were cars. A summary of the vehicle statistics are given in Table 6.

Table 6: Business parking permits – summary of vehicle types

Vehicle type	Number
Motorcycle	1
Car	288
Car derived van	14
Van	17
Heavy duty vehicle	0
Grand Total	320

The split of petrol and diesel vehicles was relatively even with 51% petrol and 49% diesels. This was in contrast to the residential permits where 64% of vehicles were petrol. This higher number of diesel vehicles for business use is likely to be due to company tax incentives and the higher mileage driven by businesses. The breakdown of these vehicles by Euro emission standard is shown for petrol and diesel vehicles in **Error! Reference source not found.3**. The analysis shows that petrol vehicles are dominated by cars of which there are mainly Euro 4 and Euro 5 vehicles. As for the residential permits, there are a higher number of newer diesel vehicles in the fleet with primarily Euro 5 vehicles but a lower number of the newest Euro 6 vehicles which may be reflecting a recent switch away from diesels.

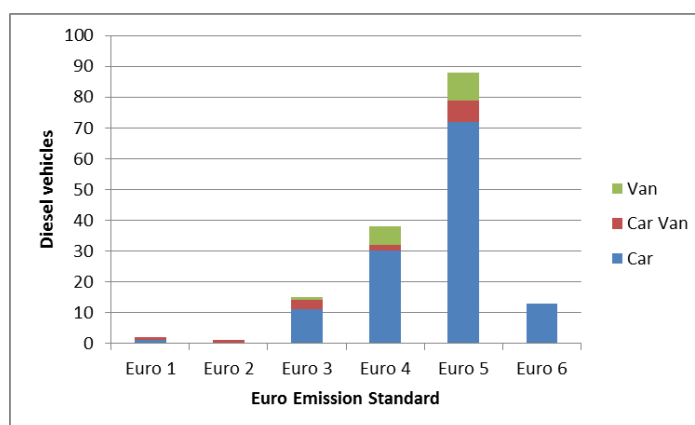


Figure 13: Business parking permits: Number of diesel vehicles by Euro Standard

*Excluding the motorbike from analysis

Impact –of surcharge for diesel cars and exemption for all electric vehicles

The impact of an annual surcharge on diesel cars was modelled. It is noted that car derived vans and LGVs are excluded because there currently no practical alternative variants for owners to procure. In the case of business permits, as these are paid every six months it is assumed that this surcharge equates to each six months. It is noted that at present there are no electric vehicles with business permits.

4.2 Impacts of options on emissions

In the same manner as for the residential parking permits, the following five sensitivity tests were considered to examine the change in annualised emissions compared to the base case fleet.

- **Test 1.** All diesel cars are removed from the fleet
- **Test 2.** 10% of diesel cars in base year are switched to a minimum Euro 5 petrol variant. It is assumed that this effect is random. To do this, the first 10% vehicles in the database are modified which amounted to 474 vehicles.
- **Test 3.** 30% of diesel cars in base year are switched to a minimum Euro 5 petrol variant. It is assumed that this effect is random. The first 30% vehicles in the database are modified.

To determine annualised emissions it was assumed that each vehicle travelled an average distance each year of (~32,000 kilometres) for business usage at an average speed (25 km/h) to be able to compare the impacts of each option.

Base case

Annualised NO_x emissions were determined by each emission band for the base case. These results are given in Figure 14.

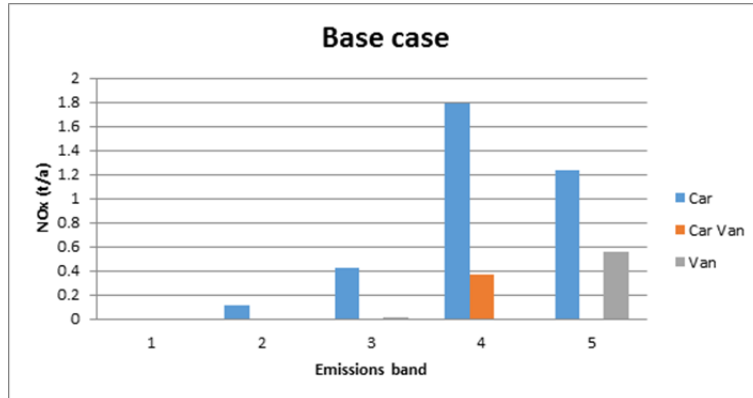


Figure 14: Base case annualised NO_x emissions from vehicles with parking permits by emission band (1=cleaner vehicles)

Test 1: Removal of diesel cars

Test 1 involves analysing the effect on emissions if all diesel cars were converted to petrol variants. The results are shown for NO_x Figure 15. Overall, this policy would result in a reduction of annualised NO_x emissions by approximately 63%.

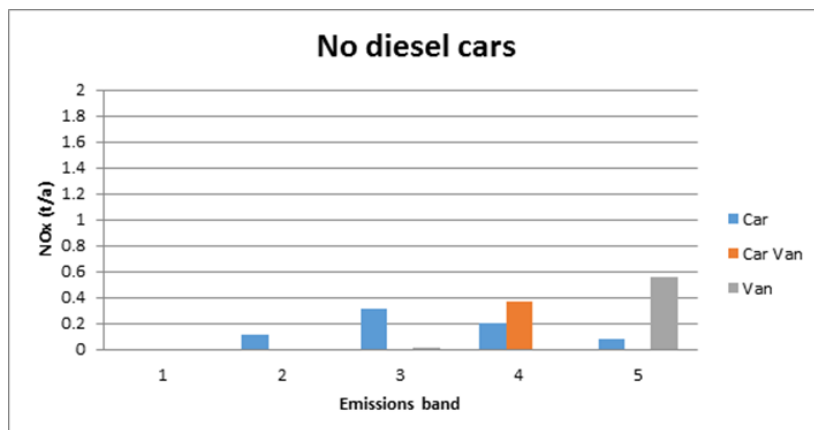


Figure 15: Test 1 - Annualised NO_x emissions with zero diesel cars in the parking permit fleet

Test 2 – 10% diesel cars switched to Euro 5 petrol equivalent

London Borough of Merton: Air Quality & Parking Project

Test 2 analyses the effect on NO_x if 10% of business permit holders could be persuaded to switch their diesel car to a Euro 5 petrol equivalent. The impact on NO_x emissions are shown in Figure 16.

The change in the profile of emissions from the base case is not immediately obvious from the figures compared to the baseline. However, there would be an overall reduction in NO_x emissions by 6% compared to the base case.

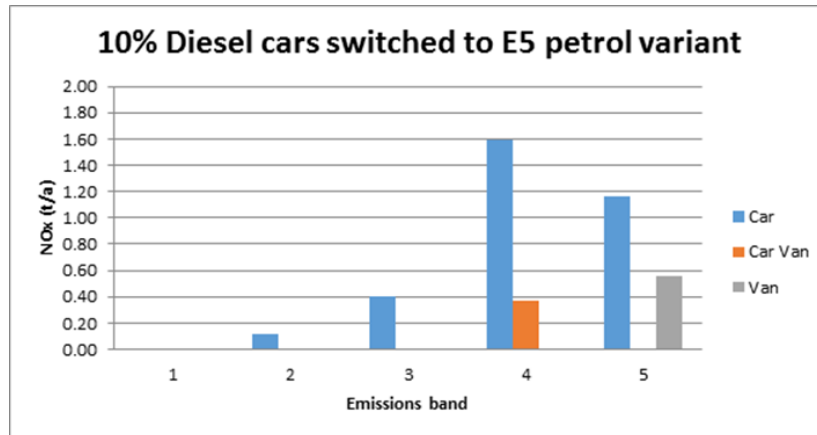


Figure 16: Test 2 - Annualised NO_x emissions with 10% diesel cars switching to petrol equivalent

Test 3 – 30% diesel cars switched to Euro 5 petrol equivalent

Test 3 is similar in principle to Test 2. This analyses the effect on NO_x emissions if 30% of business permit holders could be persuaded to switch their diesel car to a Euro 5 petrol equivalent. The impact on NO_x emissions are shown in Figure 17.

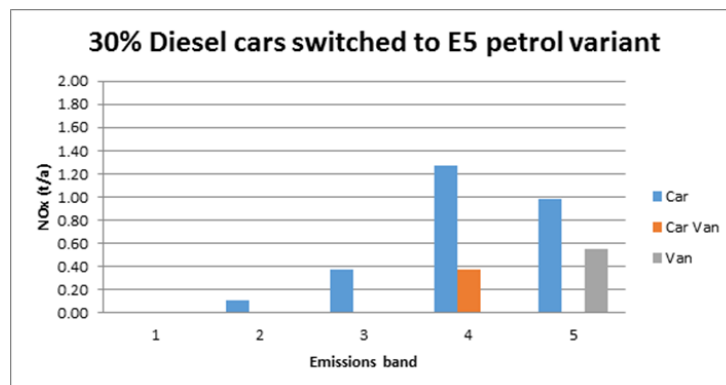


Figure 173: Test 3 - Annualised NO_x emissions with 30% diesel cars switching to Euro 5 petrol equivalent

This shows that this test could reduce NO_x emissions from diesel vehicles in bands 4 and 5 as expected. The switch appears to have a negligible effect on bands 2 and 3 compared to Test 4 where the majority of petrol vehicles are due to the fact that the test assumes a shift to Euro 5 petrol. Overall the test estimates that there would be an 18% reduction in NO_x emissions compared to the base.

5 CONCLUSION - MAXIMISING OPPORTUNITIES AND RECOMMENDATIONS

The whole of the London Borough of Merton is declared an Air Quality Management Area for nitrogen dioxide (NO₂) and PM₁₀ which demonstrates that local air quality is therefore a key public health issue. The local authority has an Air Quality Action Plan that sets out a number of measures to reduce emissions and pollutant concentrations in the borough and to work with the local community and neighbouring or wider authorities to achieve this.

This study has demonstrated an approach for a low emission based residential and business parking permit system in Merton that considers on-road emissions rather than the manufacturing specification. Recent evidence has shown that although modern diesel vehicles (primarily cars) have very low fuel consumption and hence low CO₂ emissions they produce high emissions of local air quality pollutants such as NO_x. The approach taken in this study therefore takes into account the impacts of these pollutants and is considered to be more thorough and rational to many of the low emission parking schemes which are being used by local authorities as these are primarily based on CO₂ emissions or fuel consumption.

The study has considered the impact of implementing a surcharge on all diesel vehicles in the residential and business parking permit fleet. This together with a zero fee for all plug-in electric or hybrid vehicles is designed to encourage local residents to make a transition from diesel to zero/low emission vehicles. A surcharge is not proposed in the early stages of the scheme for petrol vehicles as it is acknowledged that a mass transition to electric/hybrid vehicles is unlikely to be achieved in the short term and petrol provides a viable alternative to diesel given generally lower emissions of air quality pollutants such as NO_x and particulates.

The approach adopted for calculating the impact of applying the diesel surcharge is based on dividing the fleet into 5 emission bands based on a combined emission rates for local air quality pollutants and carbon dioxide. The proposed surcharge scheme means that Merton can continue to charge differing amounts for second and third cars and different amounts for resident and business permits if they wish. It is also clear that the approach also needs to provide a fair system that benefits the environment but that isn't too detrimental to vehicle users. Although there may be an increase in revenue in the first year of a surcharge being applied, it is anticipated that over time this revenue will decline as the diesel fleet decreases, but this has not been tested.

The study has provided a number of recommendations which are summarised below.

1. Further analysis to consider the impact on revenue over a five year period as the fleet improves over time.
2. Consider impact of introducing different parking levies for petrol vehicles based on emission banding to encourage transition of higher emission petrol vehicles to zero/low emission alternatives in the medium to long term.
3. Consider the impact of different surcharge rates on revenue to take into account increased administrative burden to introduce this system and to provide additional investment in infrastructure to meet the needs of residents adopting zero/low emission vehicle technologies.
4. Consider preference surveys or behavioural analysis of residents and businesses to understand the preference of owners to either pay a higher permit charge versus the preference to change their vehicle to pay a lower charge. This could help identify what percentage change to charges may be needed to result in the desired change and improvement in emissions.

GLOSSARY

AQAP	Air Quality Action Plan
AQMA	Air Quality Management Area
CAZ	Clean Air Zone
CO ₂	Carbon dioxide
COPERT	Computer Programme to Calculate Emissions from Road Transport
Defra	Department of Environment, Food and Rural Affairs
DfT	Department for Transport
DVLA	Driver Vehicle Licensing Agency
EU	European Union
GLA	Greater London Authority
GVW	Gross Vehicle Weight
HGV	Heavy Goods Vehicle
LAEI	London Atmospheric Emissions Inventory
LAQM	Local Air Quality Management
LEZ	Low Emission Zone
LGV	Light Goods Vehicle
LIP	Local Implementation Plan
NAEI	National Atmospheric Emissions Inventory
NHS	National Health Service
NO ₂	Nitrogen Dioxide
NO _x	Nitrogen Oxides
PM ₁₀	Fine particles with a diameter of less than 10 µm
PM _{2.5}	Fine particles with a diameter of less than 2.5 µm
TfL	Transport for London
ULEV	Ultra Low Emission Vehicle
ULEZ	Ultra Low Emission Zone

APPENDIX A - AIR QUALITY OVERVIEW

National Air Pollution and Public Health Evidence

Air pollution is increasingly recognised as a major cause of ill health and premature death. The most recent report by The Royal College of Physicians 'Every breath we take: the lifelong impact of air pollution' (February 2016)¹¹ says that:

- Each year in the UK, around 40,000 deaths are attributable to exposure to outdoor air pollution, with more linked to exposure to indoor pollutants
- Air pollution plays a role in many of the major health challenges of our day, and has been linked to cancer, asthma, stroke and heart disease, diabetes, obesity, and changes linked to dementia.
- Neither the concentration limits set by government, nor the World Health Organisation's air quality guidelines, define levels of exposure that are entirely safe for the whole population.

Ongoing research provides evidence that the impact of poor air quality on an individual's health can start in the womb and continue through childhood affecting the development of the lungs and other major organs. These effects can have a lasting effect into adulthood, compromising a person's health further as the individual ages and becomes increasingly vulnerable to the effects of air pollution.

The financial cost of air pollution to the United Kingdom has been valued at more than £20 billion per year. This cost is related to the annual mortality burden in the UK from exposure to outdoor air pollution (equivalent to around 40,000 deaths per year) together with the additional impacts of exposure to indoor air pollution such as radon and passive smoking. Poor health caused by air pollution has wide impacts on society, business, and the health service and on individuals who suffer from illness and premature death.

There is no doubt that air pollution has improved significantly in the UK since the smogs of the 1940s & 50s, mainly as a result of the Clean Air Act 1956. However, whilst there has been a reduction in smoke and sulphur dioxide emissions in line with the decrease in coal burning, the change in our lifestyles and the increase in road transport means that many people are now more exposed to NO₂ and particulate matter arising primarily from the transport sector.

In 2012, road traffic in the UK was ten times higher than in 1949 and the total average distance walked each year decreased by 30% between 1995 and 2013. (RCP 2016)⁴

Previous fuel regulations have been effective in reducing sulphur and lead in diesel and petrol but NO₂ and particulates from diesel engines have been poorly controlled and these remain a problem. In the UK today nearly all buses, vans, lorries and approximately 50% of passenger cars run on diesel.

The Environment Act 1995 and associated regulations established the LAQM system, under which all local authorities in England, Wales and Scotland are required to regularly review and assess air quality in their areas against objectives for several pollutants of particular concern for human health.

Where a local authority has identified areas with pollution concentrations in excess of the objectives it is required to designate an AQMA and produce an Air Quality Action Plan (AQAP) detailing the remedial measures to be adopted to tackle the problem within the AQMA. Currently there are more than **700 AQMAs** in UK mostly related to exceedances of NO₂ as illustrated in **Error! Reference source not found.**

In addition to the LAQM process, the European Union, through the 2008 [ambient Air Quality Directive](#), sets legally binding limits for concentrations in outdoor air of major air pollutants that impact public health such as particulate matter (PM₁₀ and PM_{2.5}) and NO₂. The EU Air Quality Directive divides the UK into 43 zones and agglomerations with the UK failing to meet the annual mean limit

¹¹ Royal College of Physicians – Working Party Report (February 2016) <https://www.rcplondon.ac.uk/projects/outputs/every-breath-we-take-lifelong-impact-air-pollution>

London Borough of Merton: Air Quality & Parking Project

value for NO₂ in 38 of the 43 zones. In addition some parts of London also breached the European hourly NO₂ limit with the maximum limit for more than 18 hours per year being breached within the first few weeks of 2016.

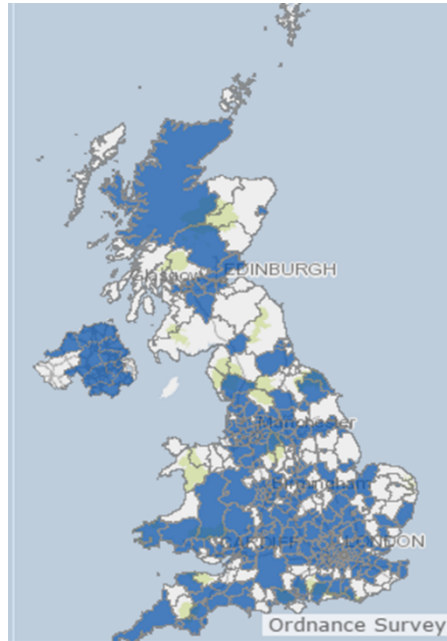


Figure 4: Map of UK Local Authorities with AQMAs (Source: Defra)

As a consequence of the failure to comply with the limit values the UK is currently subject to EU infringement proceedings which may result in the imposition of substantial fines. The UK government have indicated that any fines imposed by the EU may be passed down to local authorities through the discretionary powers under Part 2 of the Localism Act.

In April 2015, the UK Supreme Court ordered the Government to redraft the national action plan to ensure compliance with legal NO₂ limits as soon as possible. Defra's Air Quality Plan aims to try and achieve compliance with the limit values in the shortest time possible. The plan includes the introduction of a national framework for the introduction of Clean Air Zones (CAZs), together with a range of other measures to deliver effective vehicle emission standards and to accelerate the uptake of ultra-low emission vehicles.

APPENDIX B – LONDON AIR QUALITY

Research by King's College London has estimated that air pollution was responsible for up to 141,000 life years lost or the equivalent of up to 9,400 deaths in London in 2010, as well as over 3,400 hospital admissions. The total economic cost associated with this was estimated at £3.7 billion¹² In addition, analysis by Policy Exchange¹³ has established that 328,000 children attend schools in London where annual mean NO₂ concentrations exceed the health based objective. This number represents nearly 25% of all pupils in London.

Much has already been done across London to address the air quality problem both at a strategic level and within local boroughs but the magnitude of the problem means that significant improvements still need to be made. The Mayor's first Air Quality Strategy in 2001 instigated the London Congestion Charge Zone, provided investment in public transport and introduced measures to reduce emissions from buses, taxis and HGVs. It also paved the way for introduction of the Low Emission Zone (LEZ) in 2008.

The Mayor's Air Quality Strategy was updated in 2010 introducing additional measures including imposing an age limit for black cabs and private hire vehicles; investment in cleaner hybrid and hydrogen buses; retrofitting/replacing older buses, and investment in public transport. The Mayor's Clean Air Fund also provided £5m to promote innovative pollution reduction measures, such as dust suppressants, green walls and other green infrastructure, and a no engine idling campaign across Central London.

In 2013 the Mayor further extended the Strategy to introduce the London Ultra Low Emission Zone (ULEZ). The ULEZ comes into force in 2020 and will increase restrictions on vehicles travelling in the congestion charge zone. The ULEZ charge will be dependent on vehicle emission standards with only diesel vehicles meeting Euro 6 standards, and petrol vehicles meeting Euro 4 standard being exempt from the additional charge.

In July 2016 the new Mayor of London started consultation on a number of air quality initiatives including the potential extension of and earlier start to the implementation of the ULEZ.

¹² 3.8 million people work in parts of London which are above legal limits for NO₂ pollution, representing 44% of London's workday population (policy exchange)⁵

¹³ Policy Exchange – Capital City Foundation 'UP IN THE AIR: How to Solve London's Air Quality Crisis: Part 1' Richard Howard (2015) <http://www.policyexchange.org.uk/publications/category/item/up-in-the-air-how-to-solve-london-s-air-quality-crisis-part-1>

APPENDIX C – MERTON AIR QUALITY

The London Borough of Merton is a south London borough covering an area of 15 square miles and a population of 203 200 (Office of National Statistics 2014). It is a predominantly residential area with the main commercial areas centred in Mitcham, Morden and Wimbledon. Merton declared a borough-wide AQMA in 2003, based on exceedance of the annual mean objectives for both NO₂ and PM₁₀. The Detailed Assessment report¹⁴ produced by Merton identified the main source of pollution as being from road traffic particularly on busy and congested routes within the borough together with elevated background levels generated from the wider surrounding urban areas. The pollution contour map reproduced in **Error! Reference source not found.**1 provides the predicted annual mean NO₂ concentrations for 2015 from this report and clearly identifies elevated concentrations on the principal roads through the Borough including the A3 trunk road, the A24, the A217, A236, A237 and A296.

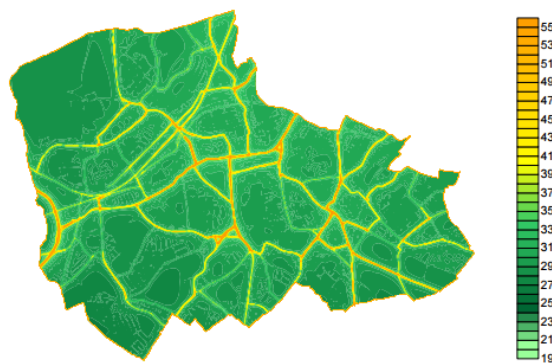


Figure 1: Modelled annual mean NO₂ concentrations (µg/m³) in Merton, 2015

Figure 2 shows that the number of days exceeding the daily mean PM₁₀ objective (of no more than 35 days) is only likely to be exceeded on a small section of the London Road (A236) on the south east boundary of the borough.

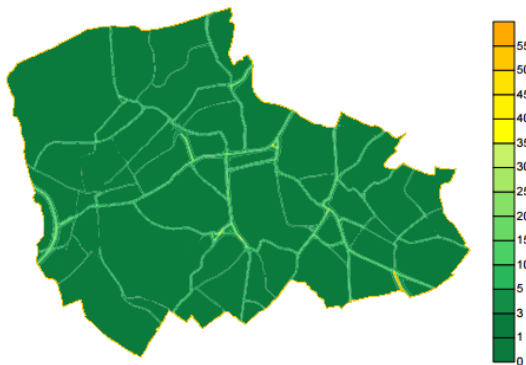


Figure 2: Modelled daily mean PM₁₀ (number of days exceeding 50 µg/m³) in Merton, 2015.

Merton produced their AQAP in 2003 setting out measures to improve air quality across the borough and ultimately to achieve compliance with the UK air quality objectives. Sixteen of the 32 original action plan measures have been completed, are ongoing as statutory functions undertaken by the Council, or have become redundant due to changes implemented by others. Completed actions include improving the Council's vehicle fleet; establishing two public car clubs; the introduction of a number of 20mph 'Home zones'; the adoption of supplementary planning guidance on air quality and the use of Section 106 planning agreements to bring forward 6 car free developments. Other

¹⁴ London Borough of Merton Air Quality Detailed Assessment, 2003

London Borough of Merton: Air Quality & Parking Project

measures have promoted active travel campaigns and supported the development of sustainable school and business travel plans.

Ongoing and current action plan measures include the introduction of controlled parking zones; improving access to sustainable travel modes and development of Freight Quality Partnerships through work with the local business community. Merton have tracked the progress of individual action plan measures since inception and continue to monitor air pollution across the borough through the monitoring network based on two long term automatic stations and a series of diffusion tube sites.

The latest available monitoring data is available from the 2015 Updating and Screening Assessment, which indicates that the annual mean NO₂ objective was exceeded at six monitoring sites during 2014, these were all roadside sites at various locations across the borough including Morden, Wimbledon, Merton High Street, Colliers Wood and Raynes Park. There were no measured exceedances of either the short or long term PM₁₀ objectives in 2014.¹⁵

¹⁵ London Borough of Merton Air Quality Updating and Screening Assessment in fulfilment of Part IV of the Environment Act 1995 LAQM (June 2015).

APPENDIX D – LOCAL POLICY DRIVERS

In addition to the AQAP there are additional local policy drivers linking transport and health. This includes the Merton Annual Public Health Report 2015 entitled, '*The Time for Prevention is Now - Keeping People Healthy Reduces Health Inequalities*'¹⁶. This is the second annual public health report for Merton which makes the case for prevention and recognises the work of the Public Health team and its partners since the transition of public health from the NHS to local government.

Within the report, Theme 5: 'A good natural and built environment' encourages the transition to more sustainable transport initiatives within the borough by, 'Promoting and enabling sustainable 'active' travel modes such as walking, cycling and using public transport, enables people to integrate increased physical activity levels into their everyday lives'.

By coordinating efforts to increase active travel and reduce dependence on car travel there are clear benefits to health, both in terms of increasing physical activity but also in reducing harmful emissions to air.

¹⁶ Merton Annual Public Health Report 2015 entitled, '*The Time for Prevention is Now - Keeping People Healthy Reduces Health Inequalities*'. <http://www.merton.gov.uk/annualpublichealthreport2015-web.pdf>

APPENDIX E - LEGAL FRAMEWORK FOR EMISSIONS BASED PARKING LEVIES

The key legal framework for allowing for parking operation and enforcement duties comes under the Road Traffic Regulation Act 1984 and Road Traffic Act 1991. Designation of parking is achieved through traffic regulation orders.

The Road Traffic Act 1991 provides local authorities with the power to enforce parking activities themselves rather than the police (i.e. decriminalising parking enforcement). Under these powers, local authorities can issue fines or parking tickets. Under Sections 45 and 46 of the Road Traffic Regulation Act 1984, Councils can designate parking places on the highway, to charge for parking in these places and to make a charge for parking permits for their use. Local authorities can also introduce differential permit charges between vehicles of different classes based on factors including their level and type of emissions. Exemptions to these charges may be granted, for example for disabled drivers, carers, tradespeople including taxis.

Under this act, the function of setting charges for permits and vouchers must, be exercised to "*secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking on and off the highway...*" so far as practicable having regard to:

- a) the desirability of securing and maintaining reasonable access to premises;
- b) The effect on the amenities of any locality affected and the strategy prepared under section 80 of the Environment Act 1995 (national air quality strategy);
- c) the importance of facilitating the passage of public service vehicles and of securing the safety and convenience of persons using or desiring to use such vehicles; and
- d) any other matters appearing to the local authority to be relevant (section 122 of the 1984 Act)

In London, local authorities must also have regard to the Mayor of London's Transport Strategy (sections 142 and 144(1)(a) Greater London Authority Act 1999) which emphasises the importance of reducing emissions and improving air quality.

Other relevant guidance for consideration include the Secretary of State's non statutory Operational Guidance on Parking that recommends that authorities set charges which are consistent with the aims of their transport strategy including road safety and traffic management strategies. For example, Merton's Sustainable Transport Strategy and Local Implementation Plan (LIP) for 2011-2026 states that they will review, introduce or enhance existing parking controls subject to consultation. The LIP also has an important role in supporting Merton's Air Quality Action Plan in working to reduce emissions associated with transport¹⁷.

It is unlawful for a Council to set or increase charges for parking permits for the purpose of generating additional income to fund its traffic management functions. In the event that the impact of the proposed new charges generates a surplus over and above the cost of the on street parking scheme and its administration and enforcement, the Road Traffic Regulation Act 1984 requires that surpluses are used for specific transport purposes as listed in section 55(4) of this act and amended by more recent regulations including the Greater London Authority Act 1999, the London Local Authorities and TfL Act 2003 and the Traffic Management Act 2004. These schemes include:

- Provision and maintenance of off-street parking facilities
- Provision and operation of (or facilities for) public transport services
- Highway improvements
- Other schemes that facilitate the implementation of the Mayor's Transport Strategy
- Roads maintenance
- Environmental improvements

Any shortfall or deficient as a result of the emission based parking scheme is required to be made good from the general rate fund (i.e. the Council tax).

¹⁷ <http://www.merton.gov.uk/merton-lip2-only-web.pdf>

London Borough of Merton: Air Quality & Parking Project

There is already precedent set for introducing emissions based parking permits or providing discounts for low emission vehicles under provisions given in the Road Traffic Regulation Act 1984. Currently at least ten London Boroughs have successfully introduced or are considering such schemes as part of measures to reduce road vehicle related emissions set out in their Air Quality Action Plans and LIPs.

Appendix 2

Listed below in table 1 are a range of surcharges for consideration

Permit Type	Number of permits currently issued	Number of Diesel vehicles	Current first permit charges PA	Phased Introduction at £100			Phased Introduction at £90		
				Surcharge 2017/18 £100	Surcharge 2018/19 £125	Surcharge 2019/20 £150	Surcharge 2017/18 £90	Surcharge 2018/19 £115	Surcharge 2019/20 £150
Resident Parking Permit	16,136	5,486	£65	£548,600	£685,750	£822,900	£493,740	£630,890	£822,900
Business Parking Permit	523	182	£752 inner zones £662 outer zones	£18,200	£22,750	£27,300	£16,380	£20,930	£27,300
Trades Permit	211	73	£900 (Full Year) £600 (6mnths) £375 (3mnths) £150 (1mnth) £50 (1 wk)	£7,300	£9,125	£10,950	£6,570	£8,395	£10,950
Total	16,870	5,741		£574,100	£717,625	£861,150	£516,690	£660,215	£861,150

Permit charges for 1st residents and 1st Business permits for all London Boroughs

	Residents	Business	
Havering	£25	£200	
Enfield	£40	£660	Emissions based
Redbridge	£45	£265	
Hounslow	£80	£753.75	
Barking & Dagenham	£36	£261	Emissions based band D (1601 - 1800 CC)
Barnet	£40	£525	Emissions based
Bexley	£100	£150	
Barnet	£111	£366	Emissions based band 4 (1551 - 1800 CC)
Bromley	£80	£100	
Camden	£124.27	£328.45	Emissions based band 2 (1300 - 1849 CC)
Croydon	£80	£382	
Ealing	£98	£800	
Greenwich	£57	£216	
Hackney	£112	£540	Emissions based (1200 - 2000 CC)
Hammersmith & Fulham	£119	£791	
Haringey	£114.20	£309	Emissions based (1550 - 3000 CC)
Harrow	£70		NO info online RE business permits
Hillingdon	£0	£480	
Islington	£144	£1,150	Emissions based (1501 - 1650

			CC)
Kensington & Chelsea	£135	not offered	Emissions based (151-165g/km)
Kingston upon Thames	£90	£340	
Lambeth	£175.50	£600	Emissions based (1550 - 3000 CC)
Lewisham	£120	£500	
Merton	£65	£662	
Newham	£0	£600	
Richmond	£99	£554	
Southwark	£125	£577.50	
Sutton	£51	not offered	
Tower Hamlets	£103	£726	Emissions Based (1601 - 1800 CC)
Waltham Forest	£35	£405	Emissions Based (up to 1549 CC)
Wandsworth	£160	£895	
Westminster	£141	not offered	

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Committee: Cabinet

Date: 14 November 2016

Wards: Abbey, Figges Marsh, Ravensbury.

Subject: Estates Local Plan – submission to the Secretary of State

Lead officer: Chris Lee, Director of Environment & Regeneration; Simon Williams, Director of Community and Housing; James McGinley, Head of Sustainable Communities; Steve Langley, Head of Housing Needs and Strategy

Lead member: Councillor Martin Whelton, Cabinet Member for Regeneration, Environment & Housing.

Contact officer: Paul McGarry, Head of futureMerton; Steve Webb Housing business support and relationship manager; Tara Butler, Programme Manager, futureMerton. Valerie Mowah, Principal Spatial Planner, futureMerton.

Recommendations:

That Cabinet recommend that Council resolve:

- A. to publish the Estates Local Plan and associated sustainability appraisal for comments followed by submission to the Secretary of State for Communities and Local Government
- B. To delegate authority to the Director of Environment and Regeneration in consultation with the Cabinet Member for Regeneration, Environment and Housing to approve any amendments to the Estates Local Plan and sustainability appraisal that may arise from 24 November 2016 until the receipt of the Planning Inspector's final report, to approve consultation documents or officer's responses to comments received at the pre-submission consultation and during the examination process.
- C. To note the continued progress in the delivery of the borough's regeneration by this decision which moves forward the renewal of three of the borough's estates as a comprehensive programme to build new homes and enhance the housing available to residents
- D. To note the progress of financial negotiations regarding the Stock Transfer Agreement and associated documents with Circle Merton Priory Homes or any successor organisation
- E: To delegate variations to the Stock Transfer Agreement to the Directors of Environment & Regeneration, Community & Housing and Corporate Services in consultation with the Cabinet Member, and
- F. To note that there will be a further report to councillors in March 2017 confirming the anticipated viability of the overall project prior to the final submission to the Secretary of State.
- G. As resolved by the Borough Plan Advisory Committee, that the council has had regard to the Self Build Register when developing the Estates Local Plan and that the council should not allocate specific sites for self build and custom

housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The primary purpose of this report is to seek members' agreement to the publication of the Estates Local Plan prior to its submission to the Secretary of State. Once submitted it will be subject to an Inquiry in public; should it pass the examination, Council will be asked to consider the final version for adoption, a process which is expected to take approximately twelve months.
- 1.2 This Plan is the framework policy for the regeneration of three large estates: High Path, Ravensbury and Eastfields. A well-planned and comprehensive regeneration of these estates is considered to be a better option than continued piecemeal renovations to maintain the Decent Homes Standard: such an approach both delivers over 1400 much needed new homes in the borough and secures long-term better quality housing for existing residents. The planning Inquiry will need to be satisfied that the plan is sound, financially viable and technically deliverable.
- 1.3 Approximately 60% of the properties on each estate are owned by Circle Housing Merton Priory (CHMP) since the Stock Transfer of March 2010 which also closed the Council's previous Housing Revenue Account. Regeneration is therefore delivered by CHMP, The financial deliverability of the programme is a key area of concern as the Council must ensure it does not incur costs through the programme, and must be able to assure the Planning Inspector that the proposals are viable and deliverable.
- 1.4 The submission of the Estates Local Plan and ongoing negotiations with CHMP are necessary conditions for the progress of regeneration but not themselves sufficient. In particularly there will be further decisions which members will need to consider over the progress of this fifteen year programme.
- 1.5 At their meeting on 8th November 2016, the Borough Plan Advisory Committee considered the Estates Local Plan with recommendations A, B and F above, which they endorsed. At the same meeting, the Borough Plan Advisory Committee also made the following recommendations:
- To ensure it is made clear that a key reason that regeneration on Ravensbury is being supported, despite local opposition, as a method of providing a viable, comprehensive replacement of all of the Orlit homes to modern Decent Homes standards.
 - To ensure that it is clear that estates regeneration is only supported where all three estates go forward to benefit from full regeneration, and not otherwise
 - *(included as recommendation G above)* To recommend that the council has had regard to the Self Build Register when developing

the Estates Local Plan and that the council should not allocate specific sites for self build and custom housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project

- To recommend that officers ask Circle Housing Merton Priory if CHMP would consider their sites, particularly smaller sites scattered across the borough, for self-build and custom housebuilding.

2. DETAILS

This section of the report covers:

- The regeneration context
- Planning policy
- The Estates Local Plan
- The ten commitments and residents offer
- The Circle Board and Resurgence.
- The formal relationship and agreements with CHMP
- The process for negotiating that relationship
- Governance and oversight

Regeneration context

- 2.1. Large scale regeneration of parts of the borough, including its larger housing estates, has been pursued over many years and through many policy evolutions. The ambitions for more and improved housing, enhancements to the quality of people's homes and environment, better transport and employment across the borough have been reflected in numerous strategies for planning, housing and the economy.
- 2.2. The broader regeneration objectives of the Council's Economic Development Strategy include enhancing district centres at Mitcham, and Morden and Colliers Wood, maximising use of existing public transport links, improving the urban fabric and environmental quality for residents and rebalancing investment and prosperity between the east and west of the borough. A key element of the Council's Core and Housing Strategies is to increase stock and improve access to appropriate sized homes and develop access to affordable and intermediate housing. The Estates Local Plan policies directly reflect these objectives and will be an important consideration for the Planning Applications Committee (PAC) in considering specific applications at the appropriate time.
- 2.3. The Council has also been committed to ensuring its residents live in good quality housing, in particular ensuring that ex-Council housing is

brought to and maintained at the Merton Standard, which is an enhanced version of the Decent Homes standard set by government. This commitment was enshrined in the Stock Transfer Agreement when the authority's stock passed to Circle Merton Priory Homes (CHMP). That Stock Transfer Agreement also recognised the ambitions for regeneration, and it contains clauses designed to enable large scale renewal.

- 2.4 Regeneration objectives represent long-term programmes extending over many years with multiple areas of work. The development of new housing and sustained improvement in the affordable housing stock are no exception. Establishing a robust policy framework in planning and legal agreements, upholding commitments to services and transparency with residents and delivering a very large construction programme is expected to take some 15 years. This report is an important milestone in that journey addressing primarily planning, legal and consultation issues.
- 2.5 Many elements of regeneration depend on or are led by other agencies and partners, including private sector developers, Transport for London or neighbouring boroughs. The Council is putting significant effort into these relationships. In this case the main partner is of course CHMP who own approximately 60% of the homes on each of the estates and most of the relevant land. The Council's financial interest in the regeneration programme is largely managed through the Stock Transfer Agreement and associated agreements which are therefore a fundamentally important part of the framework set out in this report.
- 2.6 This programme, like other regeneration initiatives, is complex financially. In particular, as the financial paragraphs set out, regeneration of these three estates is interconnected through the long-term effect on CHMP revenue. Members are therefore reminded that this is one project, emphasised by the proposed Estates Local Plan covering areas united by common strategic objectives.
- 2.7 In July 2014, the Council considered the work underway between CHMP and the authority to regenerate the three estates at High Path, Ravensbury and Eastfields. That meeting recognised the importance of this regeneration programme and authorised officers to proceed. That authorisation, including concluding financial negotiations, was confirmed by Cabinet in January 2016.
- 2.8 A range of options have been considered in the light of the objectives to improve residents' homes and delivering new housing stock. These are considered in more detail at paragraph 3 below, in the context of the Council's decision-making role in the programme. The review of CHMP arguments for comprehensive regeneration (as opposed to piecemeal repair) indicates that this is much the stronger option. The proposed approach delivers on housing and regeneration objectives in a way which is simply not possible by pursuing 'business as usual.'

Planning Policy

- 2.9 Members will be aware that the borough's planning policies sit within a complex framework of strategy, some set by the Council and others at London-wide and national level. All these policies and objectives are considered within the draft Estates Local Plan.
- 2.10 There are five documents which make up the borough's Development Plan:
- The Mayor's London Plan 2015 (and any subsequent amendments)
 - Merton's Core Planning Strategy 2011
 - The South London Waste Plan 2012
 - The Sites and Policies Plan 2014
 - Policies Map 2014.

The Draft Estates Local Plan, once adopted, will sit alongside these documents and form part of Merton's Local Plan.

- 2.11 The National Planning Policy Framework 2012 (NPPF) sets out the Government's policy on planning matters in England. All local plans should be in conformity with this national policy. The NPPF contains a presumption in favour of sustainable development.
- 2.12 The Mayor's London Plan March 2015 contains planning policies which guide all London boroughs on issues which benefit the whole of London, such as the number of new homes to be built, the size of town centres and transport issues. All other planning documents, including this Estates Local Plan must generally conform to the London Plan. The new Mayor has not yet begun formal consultation on amendments to the Plan, but has strongly signalled that any changes will both tighten the definition of 'affordability' and emphasise the proportion of affordable homes required in any new development...
- 2.13 The Merton Sites and Policies Plan and the Policies Map contain the detailed planning policies which guide planning applications for development in Merton and implement the more strategic principles set out in Merton's Core Planning Strategy and the London Plan. These documents also set out site allocations for new uses and illustrate where certain planning policies apply, such as town centre boundaries and neighbourhood shopping parades.
- 2.14 The core role of the Estates Local Plan is to guide development in the relevant areas, both for applicants bringing forward proposals and for members sitting on the Planning Applications Committee (PAC) when they consider those proposals. Without adopting such a document, it will be harder for developers (in this case CHMP) to have confidence that the Committee will support their proposals and they may therefore be less willing to commit to the investment needed. The Local Plan also helps the PAC to ensure that proposals meet the Council's broader regeneration and community objectives.

[Estates Local Plan executive summary](#)

- 2.15 The Estates Local Plan has been prepared by the council to help guide what could be built and assess planning applications for three estates in Merton. Eastfields (Mitcham), High Path (South Wimbledon) and Ravensbury (Mitcham / Morden). If adopted, it would become part of the statutory Development Plan for the council and it has been prepared under the relevant government regulations and guidance associated with development plan-making.
- 2.16 Part 2 outlines the background to the document. It sets out its relationship to other plans and policies, the key drivers for the Plan, the case for regeneration, the overall design principles and the council's vision for each of these new neighbourhoods. It also defines the three geographic areas where the Plan applies, known as the Policies Map.
- 2.17 The Estates Local Plan will help shape significant investment in the borough and is a rare opportunity to support substantial improvements to the building fabric, pavements and roads, drains, street lighting, parks and landscaping of each area, to create neighbourhoods that will last. It will help provide new homes for existing residents at the same time as creating an attractive, well-connected neighbourhood and providing new homes to help address the needs of future residents.
- 2.18 The creation of new paths and streets within each estate and between the estates and the wider area will support walkable neighbourhoods, make it easier for people to find their way around, enhance the feeling of safety and security, and integrate the estates into the wider community.
- 2.19 It is important to note that the Estates Plan is based on deliverability evidence that shows that the three estates must come forward together to achieve regeneration. The estates regeneration programme presents a particular opportunity for the smaller estates at Eastfields and Ravensbury for which regeneration is only financially viable when connected with High Path.
- 2.20 The Estates Local Plan guides how new homes will be delivered via a co-ordinated strategy, considering the social, economic and environmental opportunities and impacts of growth and provides the framework for sustainable development of these areas.
- 2.21 The regeneration of all three estates as part of a single comprehensive programme has been presented to the council as the basis for being able to viably deliver regeneration and it is on this basis that the council is considering the deliverability of the Estates Local Plan. The delivery of attractive viable regeneration proposals on Eastfields and Ravensbury would not otherwise go ahead, were the smaller estates expected to be viably regenerated to a high standard as stand-alone developments.
- 2.22 Part 3, the main part of the document, looks at each of the three estate neighbourhood in turn. It proposes a set of detailed policies to guide development. This is based on a detailed site analysis of the current neighbourhoods and a study of the historical context of the three estates.
- 2.23 The approach to Eastfields set out throughout the vision and policies in Part 2 of the plan is to plan for a "contemporary compact neighbourhood": a new neighbourhood created with a distinctive architectural style in

recognition of the existing estate's experimental design with new traditional streets and paths through the estate improving links and views to the surrounding area. The creation of some landscaped streets and paths running through the estate will open up the estate improving access and views from the surrounding greener areas while retaining trees and green spaces within the neighbourhood. Improvements to the pavements, streets and drainage will also benefit the area.

- 2.24 The vision for High Path is to create a new neighbourhood, with taller brick-clad buildings set along a traditional street pattern which improves links to the surrounding areas. Buildings will be laid out as modern mansion blocks, a recognisable building type successful in other parts of London, which have a consistent height with good internal design and access to quality amenity space.
- 2.25 The approach to Ravensbury is to retain the character of its suburban parkland setting, retaining the attractive four-storey maisonettes in Ravensbury Court and creating a neighbourhood to the west. The townscape will be characterised by buildings arranged as traditional streets and spaces set in the wider parkland, improving links to the surrounding area, helping to manage flood risk and which protects and enhances landscape quality.
- 2.26 Part 4 sets out detailed design parameters to ensure design consistency across each estate. The plan ends by outlining how the plan will be delivered and implemented.
- 2.27 The Sustainability Appraisal / Strategic Environmental Assessment published alongside the Estates Local Plan demonstrates how the Plan has been informed by social, environmental and economic criteria as it has been created. This ensures that the final plan will facilitate sustainable development. Health impacts and equalities impacts have also been considered in the creation of the plan; the Health Impact Assessment and the Equalities Impact Assessment are available on Merton Council's website via www.merton.gov.uk/estatesplan and available on request to future.merton@merton.gov.uk or 020 8545 3837.

Self Build and Custom Housebuilding Act

- 2.28 The council has a number of duties under the Self Build and Custom Housebuilding Act 2015. One of these is to have regard to the entries on Merton's Self-Build register when carrying out functions relating to planning, housing, the disposal of land owned by the authority and regeneration.
- 2.29 To date (early November 2016) there are 195 individuals and two groups, although there may be duplicate names within the register.
- 2.30 Officers have had regard to the council's duties under the Self Build and Custom Housebuilding Act and associated regulations when preparing the Estates Local Plan. Officers do not recommend allocating sites for self-build and custom housebuilding as part of this Estates Local Plan on the basis that this is an estates regeneration programme and therefore the priority is rehousing residents who are already living on the three

estates in new homes built to modern standards and providing new homes viably to meet housing need.

- 2.31 This does not preclude self-build and custom housebuilding within any or all of the three estates as part of the delivery of the plan, should this be a viable option supported by the landowner. In line with the recommendations of the Borough Plan Advisory Committee at their meeting in November 2016, it is recommended that CHMP are approached to see if they would consider supporting self build or custom housebuilding, for example by the sale of small surplus sites scattered across the borough.

Merton Council & CHMP's 10 Commitments and the residents offer

- 2.32 As detailed in Section 4 of this report, the council has carried out its own engagement to inform the production of the Estates Local Plan. The main respondents have been residents living within, nearby or owning property within the estates. Circle Housing Merton Priory have also provided an extensive response. Statutory consultees, including the Greater London Authority, Transport for London, the Environment Agency and other bodies have also provided responses. All of these have been considered in helping to shape this document.
- 2.33 When considering the approach to these estates, both CHMP and Merton Council have considered several options, set out in paragraph 3. When proposing a larger scale regeneration, both parties have been aware of the uncertainties and challenges this represents for residents and have sought through consultation and commitments to reassure them about the impact.
- 2.34 There has been extensive consultation on the proposals already, as set out in paragraph 4. In addition, and following the July 2014 Council decisions, the two organisations agreed a series of promises to residents, known as the '10 commitments'. These are listed below:

Ten Commitments

1 Circle Housing will consult with residents, consider their interests at all times, and address concerns fairly.

- 2.35 The council's extensive consultation is set out in Section 4 of this report. CHMP's response: In summer 2013 Circle Housing began consulting with residents of High Path, Eastfields and Ravensbury about the possible regeneration of the three neighbourhoods. Consultation activities, including one-to-one meetings with individual residents, have taken place at each project milestone. The master planning process and development of the Residents Offer have been supported by on-going exhibitions, workshops and drop-in events for all residents. Feedback is collated and used to inform further iterations of the master plan and design of the new homes. We make every effort to show the correlation between residents' comments and the development of our designs with feedback presented at events, in newsletters and online.

2.36 In June 2015 we [CHMP] launched an independent survey of all households and published the results on our website. All individual enquiries from are dealt receive a personalised response from one of our regeneration managers.

- Other communications channels we use to keep residents informed include:
- Letters and newsletters with dates of the new master planning events delivered to all households at the same time. These are available in large print or translation
- Posters and flyers to advertise events
- Ongoing dialogue with the Wimbledon Guardian to make sure we are setting the news agenda for regeneration
- A dedicated project website
- Briefings with ward councillors and local MPs

2. Current homeowners will be entitled to at least the market value of their home should they wish to take the option to sell their home to Circle Housing.

2.37 This is a particularly important consideration as it reflects the strong concerns of residents that they are not financially disadvantaged by the regeneration in assessing the financial structure of the proposals for CHMP. It must also reflect the implications of the Secretary of State's recent decision regarding payments for properties on the Aylesbury Estate in Southwark.

2.38 CHMP's response: This is explicit in Residents Offer which includes sections for resident homeowners and landlords. The former receive market value plus 10% and the latter receive market value plus 7.5%. Valuation, legal and relocation costs are also included. Resident homeowners who wish to stay living in their neighbourhood after regeneration will be offered a replacement home with the same number of bedrooms as their existing home at no cost. They will own their home outright from when they move in and may only have to repay some or all of the difference between the replacement home and existing one if they move within 11 years. (Please note that a replacement home is likely to be worth more than an existing one).

2.39 CHMP's 'early buy back' scheme gives homeowners the option to sell their home to us on the same terms as above (not including the replacement home option) if they wish to move before the regeneration starts.

3. Existing Circle Housing Merton Priory tenants will keep all their rights, including tenancy conditions and the associated rent level, in the new neighbourhood as they do now.

2.40 These commitments, crucial to many tenants, remain in place.

2.41 CHMP's response: the Residents Offer published in May 2015 by Circle guarantees that current tenants will keep all their rights, including tenancy

conditions and the associated rent level, in the new neighbourhood as they do now.

4. Current tenants will be entitled to be rehoused in a new home of appropriate size considering the number of people in the household.

- 2.42 CHMP's response: The Residents Offer published in May 2015 by Circle guarantees that current tenants will be rehoused in a new home of the appropriate size considering the number of people in the household. This will result in an increase in the number of habitable rooms being provided overall as none of the currently overcrowded households will be overcrowded in their new homes.

5. All new properties will be more energy efficient and easier to heat than existing properties, helping to keep down residents' fuel bills.

- 2.43 This requirement is central to the Estates Local Plan and will need to be reflected in planning applications.
- 2.44 CHMP's Response: all new properties will be built to current energy standards and will be better insulated and easier to heat than those that they replace. Circle Housing's masterplan proposals and planning applications for early phases outside the masterplans will include details on the type of construction and energy strategies that will be in place to demonstrate this.

6. Circle Housing Merton Priory will keep disruption to a minimum, and will do all it can to ensure residents only move once if it is necessary to house them temporarily while their new home is being built.

- 2.45 The council will always expect that minimising disruption and specific support as key parts of the works which will be undertaken and managed by CHMP.
- 2.46 CHMP's response: Circle will keep disruption to a minimum by having workable decant and construction strategies in place. Housing needs of existing households will change over the course of the project and we will keep this under constant review. Wherever possible, existing residents will move directly into their new homes. If temporary housing is unavoidable Circle Housing will assist residents with their moves.

7. Circle Housing will offer extra help and support for older people and / or disabled residents throughout the regeneration works.

- 2.47 This is a key commitment that the council will be keen to ensure is maintained throughout all regeneration projects.
- 2.48 CHMP response: CHMP have committed to helping older and disabled residents throughout the regeneration works. This will include helping tenants and resident homeowners arrange and prepare for their move, arrange service and utilities connections, etc. CHMP offer help with things like re-hanging curtains and fitting lightbulbs, provided through a free handyman service. If tenants or resident homeowners have any extra needs CHMP can offer support or refer them to specialist services.

Each neighbourhood will have dedicated staff appointed to help residents every step of the way to help make the move go as smoothly as possible.

2.49 In our Residents Offer we promise to help residents / tenants 'arrange and prepare for your move. We'll pay for removals including packing materials and a packing service. For older and vulnerable residents, we'll offer help with things like re-hanging curtains and fitting lightbulbs. If you have any extra needs connected with your move, we can offer support or refer you to specialist services.

- Extra help could include:
- Help with claiming benefits at your new address
- Help with changing electricity, water, phone and other utility supplies
- Advice about home aids and adaptations

8. Circle Housing will continue to maintain the homes of residents across the three neighbourhoods throughout the planning process until regeneration starts, including ensuring a high quality responsive repairs service.

2.50 Whilst the regeneration plan is instead of the refurbishment needed to bring homes up to the Merton standard of decency, it will still be important that during the regeneration phase all homes are maintained to an adequate standard of repair, including responsive repairs. Commitment 8 gives Circle's commitment to ensure that this happens. We will continue to work closely with Circle, using the established system of performance reporting, to ensure that this commitment is met. This is all the more important given recent concerns on this point.

2.51 CHMP response: we are committed to ensuring that all homes across its stock including those identified for regeneration are maintained as per residents' tenancy and leaseholder agreements. Any required repairs will be remedied within the current contractual timescales in accordance with the nature and urgency of the repair. In addition Circle carry out independent quality checks of repairs undertaken and routine property checks will be ongoing throughout the regeneration programme. Where it is mandatory Circle Housing will continue to ensure serviceable items are inspected and certified safe within the required periodic timeframe to ensure statutory and regulatory requirements are adhered to. In addition periodic inspections and assessments will continue, with associated identified actions and or consequential works tracked and managed

9 Any growth in the number of homes will be consistent with the Council's Development Plan so that it is considered, responsible and suitable for the area.

2.52 This commitment is reflected in the council's estates plan which contains a thorough analysis of each neighbourhood. The council's commitment in this area will then need to be reflected in the planning applications made by CHMP.

2.53 CHMP's response: our regeneration proposals take into account the Council's Development Plan so that the growth in homes is proportionate, while addressing the borough's urgent need for high-quality new housing.

10 As a not for profit organisation, Circle Housing will not profit from any regeneration and will use any surplus to provide more housing or improve existing neighbourhoods.

2.54 This will be monitored through the legal agreements between the council and CHMP

2.55 CHMP's response: As a not for profit organisation with a social purpose of enhancing life chances, Circle Housing invests any surplus back into building and maintaining homes and supporting communities.

More information on resident's offer.

2.56 Homeowners have raised concerns with the council during Estates Local Plan consultations and throughout 2015 and 2016 about their residents offer and in particular what "like for like" actually means. While this is set out in the 2015 residents offer, the council have exercised its due diligence to residents in seeking clarification from CHMP on this important matter. CHMP have provided this clarification as follows:

<p>A) Do resident homeowners get like for like?</p>	<p>The Residents Offer details the Replacement Home Option which is offered to those resident homeowners who were living on one of the three neighbourhoods on the 27th May 2015 (when the Residents Offer was published). The Replacement Home Option confirms:</p> <ul style="list-style-type: none"> • If you are currently a freeholder you will be offered a freehold on your new property • If you are a leaseholder you will be offered a new 125-year lease on your new property • The new home will be at least as large as the home it replaces • Every Replacement Home will have private outdoor space • If you live in a house you will be offered a house, if a flat a new flat and a maisonette a new maisonette • The new home will have the same number of bedrooms as the existing home had when it was first built • There will be a Replacement Home for every resident homeowner who chooses to stay • They will be entitled to a £3,000 disturbance allowance
<p>B) If you are a freeholder now, will you be a leaseholder (and therefore liable for service charges) in the new development?</p>	<p>If you are a resident homeowner and a freeholder we will offer you a new freehold property.</p> <p>If you are a resident homeowner and a leaseholder we will be offering you a new 125 leasehold at no cost and irrespective of how long you have to run on your current lease</p>
<p>C) What circumstances will shared ownership or</p>	<p>There is no shared ownership option (which involves paying rent on the part of the home owned by the Housing Association) in the Residents Offer.</p>

<p>shared equity products be offered to resident homeowners? What circumstances are envisaged where these products will be offered to resident freeholders?</p>	<p>CHMP include a shared equity option (where no rent is payable) as a “safety net”. This is to ensure that those residents who have a mortgage and for some reason are unable to transfer it to their new Replacement Home (perhaps because their circumstances have changed) will still be able to take up the offer of a new home and stay in their neighbourhood. In those circumstances we will meet the financing gap using shared equity. This helps us fulfil our commitment to provide a Replacement Home for any resident homeowner who chooses to stay and at no cost to them.</p> <p>Where one of CHMP’s tenants exercises their Right to Buy after the 27th May 2015 (when the Residents Offer was published) CHMP will offer them a new home of the same size and typology on a shared equity basis.</p> <p>These are the only circumstances where shared equity is applied in the Residents Offer.</p>
<p>D) Where will all resident homeowners live during the redevelopment process and who will pay for this?</p>	<p>CHMP will always try to move resident homeowners straight into their new Replacement Home, i.e. without the need to be temporarily housed. The phasing plans for all three neighbourhoods have been designed to accommodate this approach.</p> <p>For a small number of existing resident homeowners this may not be possible, for example as a consequence of their choice of location and its position in the phasing plan. CHMP may be able to offer a temporary Circle Housing home in their neighbourhood or another part of Merton, though this would need to be agreed with the London Borough of Merton who retain nomination rights as part of the 2010 Transfer Agreement.</p> <p>A disturbance payment of £3,000 will be available. Resident homeowners won’t be charged rent as long as they agree to the terms set out in the Residents Offer regarding accepting the market value plus 10 per cent for their existing home, the value of the new home and the licence agreement for the temporary home.</p> <p>Anyone living in a temporary home for longer than one year will be entitled to an additional £3,000 disturbance payment.</p>
<p>E) Is “like for like” tenure; number of bedrooms; habitable rooms or house / flat?</p>	<p>The Replacement Home option means that if you live in a house which was originally built as a three bedroomed house, then the Replacement Home will be a three bedroomed house. The owner of a two bedroomed flat will be offered a new two bedroomed flat, etc.</p> <p>Every Replacement Home will be at least as large as the home it replaces.</p> <p>Every Replacement Home will have private outdoor space (i.e. a garden, balcony or roof terrace) irrespective of whether the original home had this or not.</p>

2.57 CHMP has made a detailed residents’ offer as part of its consultation and preparation for regeneration which was published in May 2015. They have also made a series of commitments on repairs and maintenance. These service elements, while not directly relevant to the decisions within this report, are of considerable importance to residents.

- 2.58 Members are also requested to note that the Homes and Communities Agency has given approval for the merger of Circle Housing and Affinity Sutton.

Circle Board

- 2.59 Circle Housing are implementing a programme across the group of amalgamating the individual housing associations within the group into one large association. Circle see this process known as 'Resurgence' as a key means of achieving greater efficiency and effectiveness and as necessary to ensure they can deliver regeneration schemes such as the one proposed in Merton. In Merton this would result in the disbandment of the CHMP Board and the creation of a local Community Panel
- 2.60 Negotiations continue regarding the establishment of a local Community Panel specifically for Merton residents. While not a planning or regeneration matter, it interconnects with the relationship between the organisations and their reputations with residents.
- 2.61 CHMP are currently in consultation with residents on the plans. The consultation ends on 30 November 2016 and the results are due by 7th December 2016.
- 2.62 Circle Housing seeks to complete the process by March 2017 and will require the support of the Council to achieve this.
- 2.63 Members are requested to note the process of Resurgence that is underway that following the resident consultation and the finalising of the Community Panel Terms of Reference, further information will be presented to Council in February 2017 in order for Members to make to make a decision on this matter.

Formal relationship with CHMP

- 2.64 This section of this report addresses a number of matters in the formal legal agreements with CHMP:
- the Stock Transfer Agreement (STA) and clawback,
 - the Council's possible role in land assembly
 - arrangements regarding nominations
 - process for negotiations and delegations
- 2.65 On 9th July 2014, council agreed to a variation of the Stock Transfer Agreement. This suspended CHMP's obligations to carry out work required to achieve the Decent Homes standard on the three estates for up to 18 months to enable CHMP to explore estate regeneration. Council also agreed to start the preparation of an Estates Local Plan to explore regeneration.
- 2.66 The Cabinet meeting of January 2016:

- delegated authority for concluding financial negotiations to the Directors of Environment and Regeneration
- delegated authority for agreeing a programme to deliver Decent Homes to the Director of Community and Housing, and
- required amendments to the Stock Transfer Agreement to come back to Cabinet and Full Council

2.67 In January of this year, after the 18 months had been reached, Cabinet reviewed the position and decided that CHMP must be held to their Stock Transfer Agreement commitments to deliver Decent Homes for residents during preparation for and delivery of this renewal programme. Authority was delegated to the Director of Community and Housing to agree an approach to delivering these works. CHMP have made a detailed proposal which has largely been agreed by the Director of Community and Housing and is in the process of being formalised.

Stock Transfer Agreement

2.68 There are a number of issues on which the Stock Transfer Agreement needs to be updated but which have no financial impact. Heads of Terms for this Deed of Variation being drafted. As these are technical matters, it is recommended that negotiating final agreement within these Heads of Terms is delegated to the Director of Environment and Regeneration, Director of Community and Housing and Director of Corporate Services.

2.69 The financial impact of discussions on clawback are discussed at Section 6. Members will see from that section that there is no proposed change on the percentage rate of payment for sold properties, although there is outstanding discussion on the rate of payment (e.g. quarterly or annual).

Land Assembly

2.70 The estates each sit in different ways in relation to their surroundings, offer slightly different challenges in respect of retaining residents close to home during any temporary decant period and a range of opportunities to improve the urban fabric while optimising the number of new homes. CHMP may need to assemble land to realise these opportunities.

2.71 If the current owners of sites that prevent comprehensive and effective regeneration are resistant to sale, the Council will be asked to consider exercising its Compulsory Purchase powers. Property acquired in this way would then be sold to CHMP as part of the programme. If a situation should arise where regeneration can only be delivered through use of those powers then a separate and further decision will be required by members about whether to proceed. This report is not a decision to exercise such powers nor does it delegate the specific exercise of such powers to any councillor or officer.

2.72 CHMP have undertaken to indemnify the Council against any and all reasonable costs involved in using these compulsory purchase powers. The details of such a legal agreement would be reported to members at the time they were asked to consider using such powers on specific sites.

Nominations and void management:

- 2.73 New affordable homes which replace those existing now will be covered by the existing Nomination Agreement which ensures that 100% of True Voids are made available as nominations to the Council. When the planning consents confirm that new affordable homes for rent will be provided (which are not replacements of existing affordable homes), the Council will need to negotiate and enter into a new supplementary agreement for nominations.
- 2.74 Negotiations have begun with CHMP on the use of void properties on the estate, especially those bought back from owners, with the intention using them to help the Council with the discharge of its obligations to people that are homeless or in housing need.

Process of negotiation, governance and oversight

- 2.75 Members are therefore recommended to:
- Continue the delegation (as agreed by Cabinet in January 2016) of negotiation with CHMP on financial viability matters to the Director of Corporate Services, Director of Community and Housing and Director of Environment & Regeneration in consultation with relevant Cabinet members, and
 - Delegate final conclusion of the Deed of Variation to the Stock Transfer Agreement to the Director of Corporate Services, Director of Community and Housing and Director of Environment & Regeneration in consultation with relevant Cabinet members.
- 2.76 Members of course retain a keen interest in the service provided by CHMP to its tenants, leaseholders and residents on the estates, even though the Council is no longer providing these landlord services. At its meeting July 2014, members expressed continued concerns about the quality of relevant services to residents and have closely monitored performance since.
- 2.77 In addition to the Cabinet consideration in January 2016, the *Sustainable Communities Scrutiny Panel* discussed the programme on the following dates:
- 29 September 2015:*
- Overview of Stock Transfer and update on delivery commitments
 - CHMP Regeneration programme
 - Repairs and Maintenance Programme
- 11 June 2015:*
- Update on regeneration
 - Report of Housing Scrutiny Task Group
- 7 September 2016*
- Circle Housing Merton Priory merger with Affinity Sutton

- 2.78 The Sustainable Communities and Transport Partnership has also monitored the programme with discussions in March and June 2015 and March and September 2016.
- 2.79 The Borough Plan Advisory Committee has closely monitored the development of the Estates Local Plan, specifically at their meetings in September 2014 and January, April, September and November 2016.
- 2.80 The most recent meeting of Borough Plan Advisory Committee on 8th November 2016. At this meeting councillors resolved to advise Cabinet:
- to publish the Estates Local Plan and associated sustainability appraisal for comments followed by submission to the Secretary of State for Communities and Local Government
 - To delegate authority to the Director of Environment and Regeneration in consultation with the Cabinet Member for Regeneration, Environment and Housing to approve any amendments to the Estates Local Plan and sustainability appraisal that may arise from 24 November 2016 until the receipt of the Planning Inspector's final report, to approve consultation documents or officer's responses to comments received at the pre-submission consultation and during the examination process.
 - To ensure it is made clear that a key reason that regeneration on Ravensbury is being supported, despite local opposition, as a method of providing a viable, comprehensive replacement of all of the Orlit homes to modern Decent Homes standards.
 - To ensure that it is clear that estates regeneration is only supported where all three estates go forward to benefit from full regeneration, and not otherwise
 - To recommend that the council has had regard to the Self Build Register when developing the Estates Local Plan and that the council should not allocate specific sites for self build and custom housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project
 - To recommend that officers ask Circle Housing Merton Priory if CHMP would consider their sites, particularly smaller sites scattered across the borough, for self-build and custom housebuilding.
- 2.81 It is proposed that these reports will continue at significant milestones in the project.

3. ALTERNATIVE OPTIONS

- 3.1 The strategy proposed in the Estates Local Plan and the CHMP comprehensive regeneration programme are initially driven by two housing objectives (although, as paragraph 2 makes clear, there are other regeneration objectives achieved). The aims are to improve the housing

stock and to increase the supply of dwellings. This options analysis looks first at the key decision in this report, to publish and submit the Estates Local Plan, and then at the issues surrounding regeneration and replacement.

- 3.2 Unlike some authorities embarking on comprehensive estate regeneration, Merton Council does not own the housing stock, and little of the land surrounding the estates. Planning policy is therefore its key lever in steering and controlling the regeneration, supported by legal responsibilities placed on CHMP through its agreements with the Council.

Production of the Local Plan

- 3.3 Two options are available for the Council regarding its planning policy framework:

- do not create a local policy framework and rely on the NPPF and London Plan for guidance in determining applications from CHMP
- produce an Estates Local Plan

- 3.4 These options have been evaluated against their contribution to the housing objectives, broader regeneration aims, the cost to the Council, and the risk assessment of achievement. Each option has been graded for its contribution:

1 Low: this option has no or very little impact to support the Council’s objectives (including managing with available resources)

2 Limited: the option has only a small contribution to the objectives, applying only in specific circumstances

3 Useful: will help the Council procedurally or financially in achieving its objectives

4 Significant: makes a major contribution to delivering the objectives

5 Crucial: this option is a necessary condition of delivery, without which the programme cannot go forward

	No local planning policy framework	Produce an Estates Local Plan
Contribution to improving existing stock through Decent Homes	Limited as such improvements would not normally require planning consent unless new homes were being built	
Contribution to developing more new homes	Low as although both NPPF and the London Plan are in favour of new developments they provide relatively little local guidance on key matters relating to local character and capacity, site layout, density etc. which fundamentally affect the amount of housing delivered	(1) Significant as allows Council to set its expectations for growth, rooted in existing and developing policies regarding site layout and access, open space, connectivity and services. (2) Significant in providing clarity and certainty to residents as to what the regenerated estates could be like and to CHMP (as developer and investor) on the Council’s position and therefore helping the regeneration to proceed to an agreed Plan

		(3) Useful in enabling PAC to make robust decisions which are less likely to be subject to appeal or inspection
Contribution to broader regeneration aims	Limited as it will be entirely in the power of the developer whether to include e.g. employment or retail in the proposals	Significant as a thorough policy framework can set out such expectations, in addition to principles regarding transport, design quality, accessibility and safety that are specific to the character and needs of each area.
Cost	Significant: this option has no immediate cost	Low: there are costs to developing a Local Plan. To minimise the impact on council taxpayers and the public purse, CHMP is making a major contribution to these costs (see para 6 below)
Risk assessment of delivery	Green: no action is required	Amber: adopting the Estates Local Plan is a lengthy process including an Inquiry which is not within the Council's control regarding timing or outcome.

3.5 This appraisal suggests that the Council's objectives are better supported by developing an Estates Local Plan and so it is recommended to proceed.

Regeneration options set out during the development of the Estates Local Plan

3.6 The issues and options consultation on the Plan earlier this year set out three options:

- refurbish existing homes via the CHMP decent homes programme,
- consider selective infill developments to increase housing supply and
- consider a full-scale regeneration of the three estates.

3.7 It should be noted that the majority of the options assessment for this programme rests with CHMP as owner, developer and investor. There are several elements of their consideration which are of specific interest in their support to the Council's objectives:

Issue	CHMP position	Commentary from Merton Council perspective
Delivery of additional homes	The plans propose an additional 1489 homes (based on September 2016 iterations of the masterplans). New homes will not be generated by a repair-based strategy.	Creating additional housing in the borough is key objective of several strategies and a major driver of national government policy. Consideration of the quality of the new neighbourhoods and homes proposed will be an important consideration for Merton's Planning Applications Committee.
Delivery of affordable housing	All affordable housing units will be re-provided and overall numbers (currently) projected to increase by 38, which would not happen in a repair-based strategy.	The proposals will need to be compliant with the London Plan and Merton's Core Planning Strategy requirements for affordable housing (as they are at the time of determination) which will be an important consideration for Merton's Planning Applications Committee when applications are received.

Increased size and rooms available in affordable housing	On the basis of habitable rooms the proposals indicate a c12% growth in affordable provision. These are all for affordable rent, at not more than 65% of local market levels. (Shared equity properties are not included in this calculation). This would be impossible in a repair based strategy.	Eradicating overcrowding is a key objective so increasing the supply of bigger affordable homes is a significant contributor to help meet housing need.
Increased size properties	All new homes built to London Plan and London Housing SPG space standards and have private outdoor space (including balconies). Changing the sizes of existing properties is impossible without replacement.	Significant amenity and size improvement for residents.
Addressing major structural issues with the dwellings	Some of the properties are in need of major structural works or can be expected to fail in the next few years. This is particularly important in respect of the Orlit houses in Ravensbury. (Such properties are classed as defective due to problems with the cement processes used in construction which in turn affect the steel beams and joints used in the house frame.) Replacing or very major repairs to these properties will be required, probably during the anticipated life of the regeneration programme.	The judgement of the best technical strategy is a matter for CHMP as owner of the properties. Officers recognise the problems with this method of construction which has been widely reported.
Other placemaking features including open space, community facilities, employment and retail space, job creation.	These are much greater under the regeneration proposals than in the repair-based strategy, including significant elements of employment space and improving current unkempt open space being particular benefits	A repair based strategy which does not alter the footprint of existing buildings cannot achieve these gains.
Disruption and dislocation for residents.	This is being managed as carefully as possible but is inevitable in a large scale programme	The repair based approach is of course less disruptive in the short term.
Financial impact.	CHMP's case for regeneration (updated October 2016) states that refurbishment and partial redevelopment of the three estates will each incur costs of over £40million. For whole site regeneration, there would potentially be a profit of £9million.	The costs of all options fall entirely on CHMP. Provision of additional, homes, particularly affordable housing, will help to address overcrowding, improve the council's ability to manage its housing duties. Regeneration will require negotiation of and variation to the stock transfer agreement between the council and CHMP which will have financial implications depending on what is negotiated.
Process costs.	Complete renewal will be a higher process cost during the regeneration but should be reduced	There are increased process costs to achieve agreement, but these are subject to an indemnity agreement

	costs afterwards as repairs and complaints reduce	from CHMP.
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3.7 This outline appraisal of the issues raised by CHMP in considering the options between repair and renewal supports their assessment that renewal is preferable. In particular it is the stronger strategy for long term delivery of more housing, better quality homes and comprehensive regeneration.

3.8 The sustainability appraisal also reviewed the options of refurbishment and full regeneration (see section 8) and concluded that full regeneration was the preferred option.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1 This report is primarily concerned with the planning policy framework, and to a lesser extent with the legal framework enabling regeneration. As mentioned in the first of the Ten Commitments above in this report, to date CHMP have also conducted extensive consultation on the detail of their proposed masterplans and regeneration.

Planning consultation with the public

4.2 Merton Council led consultations at each stage of the Local Plan preparation, summarised in the report of community consultation as an appendix to this report. There have two stages of consultation:

- September to November 2014: short leaflet and a long questionnaire, public meetings, meetings with residents groups
- February and March 2016: draft plan published, a short questionnaire, public meetings, drop in sessions on evenings and weekends and meetings with residents groups

4.3 Both rounds received a wide range of responses including letters, petitions, forms, hard copy and web replies from a wide range of residents and residents groups.

4.4 In the second stage, when residents were asked to comment between options for complete regeneration, partial regeneration and ongoing repair and maintenance, 312 responses were received:

- High Path: 106 responses,
- Eastfields: 86 responses,
- Ravensbury: 113 responses

4.5 There were also some multiple responses from the same household (2% each on Eastfields and High Path and 10% on Ravensbury).

4.6 On both Eastfields and High Path the option of entire regeneration received the most support, preferred by 64% for Eastfield and 42% for High Path residents.

4.7 By contrast, Ravensbury respondents had a strong preference for the repair option.

- 4.8 The consultation also asked residents about eight policies relating to townscape: height, traffic movement, street network, the natural environment, design quality open spaces and environmental protection.
- 4.9 The consultation responses for Eastfields and High Path showed support for all of the policy areas bar building heights, especially quality design of buildings and open space, support for traditional streets alongside the need to resolve traffic problems and high value placed on having access to well-designed parks, open spaces and play areas. Overall response rates on policy issues were very low on Ravensbury as many respondents didn't provide any information beyond their names, address and preference for repairs / partial regeneration / full regeneration. However the Ravensbury Residents Association provided an extensive 58-page response with detailed comments on the draft Estates Local Plan
- 4.10 Building heights evoked the strongest responses overall, due to concerns about daylight, privacy, crime, micro-climates and deterioration in the character of the area.

Planning consultation with other organisations and statutory consultees

- 4.11 As part of the consultations on the Estates Local Plan between 2014 and 2016, the council has consulted various statutory organisations including the GLA, Transport for London, Historic England, the Environment Agency, Natural England and others.
- 4.12 Responses were received from most of these organisations which were used to inform the plan. All of the responses received can be found online via www.merton.gov.uk/estatesplan and are summarised in the Report of Consultation accompanying the Plan.
- 4.13 The council has also fulfilled its duty to co-operate requirements in consultation with other London boroughs, particularly its neighbours of Kingston, Sutton, Croydon, Lambeth and Wandsworth. While the estates regeneration project is a very significant project for Merton, the three estates are not located close to neighbouring boroughs and, from their perspective, propose a steady but modest increase number of homes spread over 10 years. Therefore other London boroughs have not identified significant issues of co-operation required on this particular plan over and above ongoing co-operation on housing.

Amendments to the draft Estates Local Plan

- 4.14 Following the stage 2 consultation, officers considered the consultation results, sustainability appraisal and other research including national and regional planning policy to consider what is the most appropriate option regarding estates regeneration and amendments to the draft Estates Local Plan.
- 4.15 A summary of these amendments was presented to the Borough Plan Advisory Committee in September 2016:
- Addition of composite plan for each estate and various amendments to improve consistency and clarity of plans.

- Strengthening the townscape policies for each estate to ensure that how the estate looks and feels is linked to the overall vision.
- Amendments to street network and movement and access policies and justification to clarify that vehicle and pedestrian movement should be managed separately from issues of the provision of a street, road or path: if a new road is provided (street network), whether it is open to two-way vehicle traffic should be a separate and more detailed consideration under movement and access; helping to address concerns about rat running and traffic movements.
- Strengthened policy on environmental protection to clarify expected detail on flood risk mitigation, air quality, energy efficiency of building
- For land use on each estate, updated policy to place a greater emphasis on the local character and site analysis of each neighbourhood, optimising (not maximising) housing supply, moving away from the rigid formulaic approach to density.
- For building heights, improved guidance based on site analysis, area character and local context and removal of reference to fixed storeys
- Section on design codes substantially amended to specify design requirements for planning applications - providing greater clarity as to what is expected of developers
- Amendments to improve consistency regarding protection of existing trees and extending the trees along Merton High Street
- Revisions to the delivery and implementation section to strengthen this
- A number of text changes recommended by various respondents to improve or clarify the document, address factual errors

5 TIMETABLE

Timetable for Estates Local Plan

- 5.1 Presuming agreement to this draft Local Plan at full Council, the Plan will be formally published for a last period for comment. At this stage the council is not seeking any further amendments to the Plan, as respondents will have the opportunity to comment to an independent planning inspector. This period will last for six weeks and will run till late January or early February 2017. Following this period any consequential amendments will be incorporated, As set out in the recommendations, councillors will review the viability of the programme overall and the final draft submitted to the Secretary of State for Local Government and Communities by the end of March 2017.
- 5.2 The Planning Inspectorate will appoint an Inspector who will conduct an Inquiry. There is approximately a six month gap between submission and the Inquiry, the public hearing for which is expected to take approximately two weeks (depending on the volume of evidence submitted). The Inquiry is therefore likely to be completed somewhere in the Autumn of 2017.
- 5.3 Following the Examination and depending on the views of the Inspector there may be further amendments to the Estates Local Plan before it is finally

resubmitted to Council for adoption. This is likely to be about one year from now.

- 5.4 Members should note that in the overall timetable this report is a key milestone. CHMP, like any applicant, may submit a planning application at any time. CHMP have said that they will submit outline planning applications for each of the estate to the Council in December 2016 as the Estates Local Plan proceeds to adoption. These planning applications for the whole estates would be determined after the Estates Plan examination and inquiry in public or after the formal adoption of the Estates Local Plan. This enables CHMP to confirm their proposals fit with the policy framework but will speed up regeneration and reduce resident uncertainty in the following years. A key issue raised by residents at the public consultations (whether they supported the regeneration or not) was the length of time it was taking and the associated uncertainty of not knowing whether regeneration would happen and therefore not being able to make investment decisions for their own homes or lives. Progressing with a programme that keeps the communities together and minimises the length of each regeneration phase will minimise uncertainty and disruption for those involved.
- 5.5 As the options appraisal at paragraph 3 sets out, without an Estates Local Plan framework, the PAC will be guided by Merton's statutory development plan (Merton's Core Planning Strategy 2011, Merton's Sites and Policies Plan 2014, the London Plan 2015) and national policy in making its decisions. As this draft Estates Local Plan moves forward, building in the views following consultation, it will gain weight in requiring the various policies to be followed, and support investor confidence.

CHMP regeneration planning applications timetables

- 5.6 CHMP have provided the following timetable for their regeneration proposals, (subject to other matters including approval of planning applications)
- Planning approvals for Ravensbury Phase 1 - September 2016
High Path Phase 1 Planning application submitted – September 2016
 - Outline Planning Applications (masterplans) for all three sites submitted – December
 - High Path Phase 1 planning application determined – January 2017
 - Ravensbury Phase 1 start on site – February 2017
 - High Path Phase 1 start on site (subject to planning approval) – August 2017
First new homes ready for occupation at Ravensbury – March 2018
 - First new homes ready for occupation at High Path – February 2019

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are several areas of ongoing financial analysis within the programme which are set out in summary below, which in turn inform the proposed ongoing approach to negotiating changes in the Stock Transfer Agreement.

These include the CHMP Business Plan and indemnities operating between the Council and CHMP.

The CHMP business plan for regeneration

- 6.2 CHMP have of course undertaken significant analysis of the viability of the proposals and have operated an open book policy enabling the Council to see all elements of that appraisal. The Council has also commissioned independent reviews of this Business Plan, using independent advisers BBP. BBP consider the overall model used by CHMP to generally fit for purpose within the current agreements.
- 6.3 Members are reminded that the Business Plan operates across all three estates and cannot be unpicked to operate estate by estate. This is both because of the management of cashflow and the opportunities for additional properties for sale offered at different points in the programme.
- 6.4 It is crucial that the Business Plan shows a project which is viable (i.e. does not result in a loss to either CHMP or the Council) and is robust in its assumptions that underly the viability. The Planning Inspector will wish to see this confirmed during the Inquiry, even while recognising the variability of some key assumptions, so ensuring the Business Plan creates a robust, viable and deliverable programme is both a financial and planning matter for the Council to consider.
- 6.5 The Business Plan relies on assumptions about the costs of the project over many years and the income to be achieved by sales and rents. The number of properties, the rate of sales (whether shared equity or complete) and the ratio of market to affordable rents are therefore all key to viability. The assumptions made by CHMP do show the project to be viable, but some of them need further analysis and testing as following paragraphs set out.
- 6.6 It is of course the case that both the costs of the programme and the value of properties (both rental and sale) will change across time, and may also be considered especially unpredictable in the current trading context. Therefore it is impossible to predict all elements of the outcome, especially the repayments which might be made to the Council under the 'clawback' provisions of the Stock Transfer Agreement. However, a formula governing such calculations was set out in the Agreement at the time of transfer.
- 6.7 Four aspects of the Business Plan financial assumptions are of particular importance for the Council in considering the decisions regarding the Stock Transfer Agreement and proceeding with the Estates Local Plan:
- Core assumptions in the model
 - The 'clawback' model
 - The treatment of VAT
 - The effect of delay

Core assumptions in the model

- 6.8 The Business Plan makes certain assumptions about the development mix, income (to CHMP), costs, investment returns and the treatment of ongoing improvements.
- 6.9 Current development assumptions are based on early stage masterplans and will be subject to review as planning applications are prepared. The Council as Planning Authority will be considering the detailed applications and will have to determine how applications fit with policy aspirations (including the current policy requirement for 40% of the additional homes to be affordable.)
- 6.10 Income estimates based on consumer and house prices and building cost indices were considered broadly in line with forecasts at the time of the last review. Discussions are still underway regarding the estimates of sales prices, phasing of sales and early discounting, sales rates and rental income, all of which may be affected by post-referendum uncertainty.
- 6.11 A wide range of cost assumptions must be made in such a model. Further detail is still required on some elements (e.g. the costs of demolition). Others reflect policy assumptions (including the Community Infrastructure Levy charge payable on the development). Some are related to money directly payable to or by the Council (see below) and the residents offer.
- 6.12 The investment returns expected in the model are considered reasonable, and are lower than a mainstream developer would anticipate given the risks involved over such a long timescale.

The 'clawback' provisions

- 6.13 The Stock Transfer Agreement contains a provision within which the sale of additional dwellings (excluding commercial property) is subject to sums to be paid to the Council as a percentage of the sales achieved, depending on whether the proposed regeneration is a "Relevant Development or an "Estates Redevelopment". The agreement includes the current situation of a comprehensive regeneration (agreed as an "Estate Redevelopment") resulting in more properties being created and assumes the Council would receive 5% of the greater of (a) the price received on disposal by way of open market sale of any dwelling comprised within the Estate Redevelopment or (b) of the open market value of the dwelling comprised in such disposal..
- 6.14 CHMP have committed to delivering the programme with the existing 'clawback' agreement. The council would only receive clawback if the regeneration programme goes ahead and the specific numbers are generated by the assumptions in the model which (as the previous paragraphs spell out) are themselves subject to change. Such potential receipts calculations will vary depending on the particular inputs at the time of calculation (e.g. interest rate levels, project costs etc.). The latest iteration of the Business Plan confirms that the project is financially viable and this will be monitored over time.

The treatment of VAT

- 6.15 The Stock Transfer Agreement created an income to the Council arising from the way VAT is managed by CHMP. These receipts are factored into the Council's medium term financial projections and reviewed every six

months. This income will be lost during the regeneration programme, representing some £3m across the 11 year build programme.

- 6.16 CHMP have now included an element for this income in their Business Plan but detailed technical matters mean that CHMP and the Council are still to reach agreement on the precise amount that should be taken into account.

The effect of delay on the programme: will the prospects for viability improve?

- 6.17 It is important to consider whether the cost:value ratio would improve in the future and so the Council's financial interests would be best served by delay.

- 6.18 Inevitably such considerations involve economic projections, but several factors can be identified for consideration:

- Costs will increase as more tenants exercise their Right to Buy
- Increasing pressure to implement Decent Homes Works divert funds away from replacement and make the business case for renewal harder
- Ongoing and increasing pressure on housing associations which reduce their room to manoeuvre
- Moody's and Standard & Poor's have both commented that changes in government policy and reducing surpluses are affecting associations' credit ratings, which in turn reduces their access to cheap loan finance
- Projections for the housing market in London. In 2015, Merton saw strong house price growth but the situation is now uncertain
- Outlook for the construction market including resourcing problems (e.g. for supply of bricks) and labour supply, where there have been severe restrictions on builders' capacity following the 2007/08 crisis. This situation has been improving but may now also become more constrained.

- 6.19 As well as meeting housing need the projects should secure significant direct and indirect benefits including new construction and other jobs and fiscal benefits (through providing new homes for residents, Council Tax etc.) which would not be achieved by reverting to an ongoing programme of repair. In addition, of course, delay would have social consequences given the uncertainty and poor housing experienced by residents as set out in the regeneration context.

- 6.20 It is therefore considered that significant delays to the project could seriously undermine its viability and make implementation more challenging in the future. Hence this report recommends agreement to Heads of Terms for the Stock Transfer Agreement and delegation of agreement to officers to ensure the programme proceeds.

Indemnities

- 6.21 To minimise the impact of this regeneration programme on council taxpayers across Merton, the council have negotiated with CHMP to indemnify the Council for costs associated with delivering the regeneration programme and related matters including the costs of the Inquiry for the Estates Local Plan. An estimate has been made in the Business Plan and an agreement

relating to these costs is being drawn up and forms part of the financial agreements referred to in previous reports and in the recommendations to this report.

- 6.22 Costs associated *with land assembly* are the most significant element of these indemnities. It will be crucial to agree with CHMP how these costs are calculated and their payment when incurred. This must include any costs incurred by the Council if residents or businesses claim financial loss due to blight during the programme. A draft Heads of Terms for the CPO Indemnity Agreement is being prepared between the two parties. Once agreed between the council and CHMP it will form part of the financial agreements.
- 6.23 At the time of the stock transfer, the Council gave CHMP and indemnity relating to the costs of asbestos removal and management where they exceeded £6m across the whole stock. The potential extent of this warranty given the regeneration proposals will now have to be revisited and potentially renegotiated in the light of the Estates Local Plan. These risks will be part of the viability assessment conducted before the submission of the Plan.

Monitoring and Payment Agreement

- 6.24 The Council is considering the best arrangement for managing payments by CHMP across the stock transfer provisions, indemnities for CPOs (if pursued) and costs, and VAT. As part of the financial negotiations, a Monitoring and Payment Agreement will be negotiated which reflects these issues and opportunities and formally comprised in a written agreement.
- 6.25 In negotiating the agreements with CHMP, it will therefore be important to consider
- the acceptability of the assumptions underpinning the outcomes and how sensitive or risky they are in achieving viability thresholds
 - the preferred approach to managing the various indemnities
 - how best to manage payment of the clawback provisions
- 6.26 These items will form part of the negotiations referred to above with the objectives of both securing the relevant indemnities and ensuring that the process of this programme is cost neutral to the Council. In turn, the impact of those negotiations will be influence the overall viability of the programme which will be reported back to council in early 2017.

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The key areas relating to the Stock Transfer Agreement and its associated documents, the potential for the Council's role in Land Assembly, a Payment Plan and indemnities are discussed at preceding paragraphs, in addition to the proposed delegations for concluding relevant agreements.
- 7.2 It will be important to ensure that these agreements tie the three estates together, reflecting the financial, housing and planning relationships between the three which make this one overall programme.

- 7.3 The Town and Country Planning (Local Planning)(England) Regulations 2012 have informed the statutory procedure to be followed before a Local Plan is submitted to the Secretary of State for independent examination. The Estates Local Plan has been prepared in conformity with these regulations. The Estates Local Plan is also in conformity with the National Planning Policy Framework 2012, the London Plan 2015 and other associated guidance.
- 7.4 Failure to adhere to the statutory procedure or a lack of robust evidence to support the Plan may result in legal proceedings to challenge the validity of the plan.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 Under section 19(5) of the Planning and Compulsory Purchase Act 2004, sustainability appraisal is mandatory for new or revised Development Plan Documents. The appraisal includes an assessment of the likely significant impacts - economic, social and environmental – of the plan.
- 8.2 The sustainability appraisal also incorporates a Strategic Environmental Assessment in accordance with the requirements of European Directive 2001/42/EC, transposed into legislation by the Environmental Assessment of Plans and Programmes Regulations 2004, section 12.
- 8.3 The sustainability appraisal assessed the three options for regeneration for each of the estates (i.e. full regeneration, partial regeneration and refurbishment). As a consequence, refurbishment only was rejected for each of the estates. Refurbishment would not enable an increase in the quantity or quality of homes and meet the needs of the borough in terms of current housing needs and projected changes in population growth. The long-term financial modeling carried out demonstrates a significant cost in the short term, however the benefits would also only be short term and the estates would require further investment to maintain the properties at a livable standard.
- 8.4 The sustainability appraisal selected full regeneration for Eastfields and High Path and partial regeneration for Ravensbury in recognition of the opportunity to provide new, modern, energy efficient, high quality homes that meet current decent home and space standards and improve the urban design, landscape, layout and accessibility of the site.
- 8.5 The sustainability appraisal also assessed each of the policies in the draft estates Local Plan and this ongoing assessment informed the submission version attached to this report. The majority of the effects of the policies are found to be positive. Negative impacts are recorded in relation to climate change, energy and carbon and waste as a consequence of the amount of new development that will occur. The sustainability appraisal also identifies the need to review new detailed data that emerges, for example within planning applications, to ensure that any adverse impacts are suitably

addressed. It also highlights the risks to the delivery of the Estates Local Plan that are beyond the council's control, such as the state of the wider economy and the impact of climate change.

8.6 A shorter non-technical summary is available at the front of the appraisal.

Equalities Impact Assessment summary

8.7 The Public Sector Equality Duty is a responsibility laid on the Council by the Equality Act 2010. It consists of a general equality duty and specific duties, which help authorities to meet the general duty. In summary, those subject to the equality duty, must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
- Advance equality of opportunity between people who share a characteristic and those who don't
- Foster good relations between people who share a characteristic and those who do not.

8.8 The duty covers age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief and sexual orientation. (These are the 'protected characteristics.)

8.9 The Act sets out that having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

8.10 The Act states that meeting different needs involves taking steps to take account of the impact of different experiences (for example, addressing different forms of disability). It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the equality duty may involve treating some people more favourably than others.

8.11 The Act requires the Council to have a 'continuing and ongoing regard' for this Duty. It can show this regard in a range of ways as the Act is not prescriptive on this matter, but the most common is to conduct Equalities Impact Assessment (EqIA) at key decision points. In preparing the Estates Local Plan, officers carried out an EqIA (contained within the Sustainability Appraisal)

8.12 As with the Sustainability Appraisal, the Equalities Impact Assessment of the Estates Local Plan has informed and influenced the development of the

submission version of the Estates Local Plan and will continue to be reviewed towards adoption. A specific indicator on Diversity and Equality has been added to the SA Framework to ensure that equalities issues are identified, although these will also be incorporated within many of the Sustainability Objectives, for example housing, access to services and facilities, social deprivation, health and wellbeing etc.

- 8.13 The EqIA assessment has shown that regeneration will result in major positive impacts for the issues of housing, access to activities and social deprivation. Minor positive impacts are achieved for diversity and equality and education and skills.
- 8.14 Regeneration is likely to have a positive effect on socio-economic inequalities, including offering opportunities for increase in training and new skills in the construction of the development and the provision of more energy efficient homes that require less maintenance.
- 8.15 A key expectation of the delivery of the regeneration is the commitment to keep existing community together in each neighbourhood and for existing residents to have a guaranteed right to return to a new home in a regenerated neighbourhood without being financially disadvantaged. The level of impact is uncertain at this stage with regards to wellbeing: residents will have more efficient, warmer, well maintained homes once redevelopment has taken place. However there will be significant disruption to residents as a result of the redevelopment. The phasing and decanting will need to be carefully considered and regularly monitored to minimize adverse impacts upon residents
- 8.16 The ongoing discharge of the Duty will require further consideration at the points where planning applications are received, the adoption of this plan and other decisions the Council may need to consider under its various powers. Members will be aware that the Duty does not require them to avoid all harmful effects but to recognise them, eliminate them wherever possible (and always with regard to unlawful discrimination or harassment) and mitigate any remaining consequences.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 The process of preparing the Estates Local Plan and preparing for the estates regeneration has not itself had Crime and Disorder implications.
- 9.2 The sustainability appraisal of the Estates Local Plan considers each of the policies against social, environmental and economic objectives, including those relating to crime and disorder.
- 9.3 The draft Plan does not require a specific planning policy relating to Crime and Disorder but instead incorporates a number of policies which enhance safety and perceptions of safety in the public realm and in residential areas. Collectively these policies support an approach of 'secure by design', creating

places where people feel and are safe at all times of day and night, whether on foot, cycle or car, and both inside their homes and in public space.

9.4 The design principles include:

- *Blocks arranged so the fronts face outwards* protecting residents' privacy, creating a more 'legible' layout where people do not get lost or find it so easy to hide, building in natural surveillance and security
- *Active frontages on the street* also enhance surveillance and create more activity at street level
- *Well-designed public or communal amenity space*: will be well lit, while providing both privacy and surveillance, as well as providing easy and convenient access for all potential users
- *Defensible space between the back of the footway and building frontage* will support better perimeter blocks and frontages
- *Legible and accessible layouts* with convenient and accessible layouts encourage walking and cycling and hence more active streets where community cohesion flourishes

9.4 These principles are reflected in the estate-specific policies contained within the Estates Local Plan and will support an improved quality of life for current and future residents.

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

Risk assessment

10.1 Risks are listed below with a red/amber/green rating based on an assessment of their likelihood and impact, together with the anticipated mitigation. They are categorised as risks related to developing the plan and emerging housing policy, those related to renegotiation of agreements, and those relating to the delivery of the regeneration programme itself.

10.2 The sustainability appraisal of the Estates Local Plan has also identified specific risks to the Estates Local Plan and potential mitigation measures.

Risks related to the preparation of the Estates Local Plan and housing services

Risk	R/A/G rating	Mitigation
The examination in public does not result in an approvable plan	AMBER	A thorough Plan which has been developed in accordance with proper processes and good representation at the examination will mitigate against this risk
CHMP'S housing services (e.g. repairs) fall below an acceptable level	AMBER	Continued detailed monitoring and close liaison
Not achieving decent homes or ongoing risks of poor housing	GREEN	The proposed renewal strategy is considered the best way to improve the quality (including size) and quantity of

		housing
Not achieving the housing growth envisaged in the London Plan	AMBER	Even with the additional properties in this proposal Merton Council has further targets, in particular for affordable housing.

10.2 Risks to the Council connected with the negotiations

Risk	R/A/G rating	Mitigation
Failure to agree changes to the Stock Transfer Agreement and the associated documents that meet the requirements that will enable the regeneration to proceed	GREEN	The changes are not anticipated to be controversial for either partner
Failure to agree a new Nomination Deed to cover additional affordable homes built (i.e. not replacement dwellings)	GREEN	The changes are not anticipated to be controversial for either partner.
Failure within the Council and then with CHMP to develop a Payment Plan (including provision for 'clawback') which meets the principles set out in this document	AMBER	Robust modelling of financial, reputational and delivery risks associated with different models and the capacity of both organisations to manage those risks.
Ensuring that the Business Plan model is robust, fit for purpose and well understood, and demonstrates viability at a level accepted to both partners and to the Planning Inspector	GREEN	Ongoing and detailed analysis with robust advice to the Council. Review by Cabinet in advance of submission.

10.3 Risks to the Council connected with the regeneration programme

Risk	R/A/G rating	Mitigation
Delays in the programme make it increasing unviable and do not address housing need now and in the future	AMBER	Continuing to move the programme forward
The risks associated with any large scale construction programme	AMBER	These risks primarily sit with CHMP as developer. The council will need to ensure that e.g. highways network management, public communications etc. are robust
That regeneration results in poor quality neighbourhoods without the non-housing benefits identified	GREEN	The Estates Local Plan and robust planning management are key to mitigation.
Delivery capacity with CHMP and in the wider economy	AMBER	This is a long term and large scale programme, challenging even for a large and robust housing association, especially when capacity within the construction sector may be constrained. Capacity will need to be closely monitored throughout the programme.

Health and Safety Implications

- 10.4 No specific health and safety implications have been identified related to the preparation of the Estates Local Plan or the planning of the regeneration programme.
- 10.5 In considering the management of the regeneration programme the Council's Public Health Team has prepared a health impact assessment which has identified some areas where mitigation action is appropriate. These are considered in paragraph 8.
- 10.6 As the programme gets underway and sites come under construction there will of course be important facets of health and safety management which will be the responsibility of CHMP and their contractors.

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

1. Estates Local Plan Development Plan Document
2. Sustainability Appraisal / Strategic Environmental Assessment, including the Equalities Impact Assessment
3. Report of Community Consultation (including comments from the GLA and other statutory consultees).

Other supporting documents are available on request.

12. BACKGROUND PAPERS

- National Planning Policy Framework
- DCLG guidance on local plan preparation
- London Plan
- London Plan Housing SPG
- Merton's Local Plan: Core Strategy DPD 2011
- Merton's Local Plan: Sites & Policies DPD 2014

Committee: Cabinet

Date: 14 November 2017

Wards: All

Subject: Council Tax Support Scheme 2017/18

Lead officer: Caroline Holland, Director of Corporate Services

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

Contact officer: David Keppler, Head of Revenues and Benefits

Recommendations:

-
1. To agree to the uprating changes for the 2017/18 council tax support scheme detailed in this report in order to maintain low council tax charges for those on lower incomes and other vulnerable residents.
 2. To recommend to Council the adoption of the new 2017/18 scheme.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report details the proposed minor changes to Merton's adopted council tax support scheme to ensure that the level of support awarded stays in line with the old council tax benefit scheme had it continued and therefore residents are not worse off due to the new scheme.
- 1.2. That Cabinet recommends to Council to implement recommendation 1 and 2 above.

2 DETAILS

- 2.1. As part of the Spending Review 2010, the Government announced that it intended to localise council tax benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and as it currently stands, the Welfare Reform Bill contains provisions to abolish CTB.
- 2.2. Following a formal consultation exercise full Council agreed on the 21 November 2012 to absorb the funding reduction and adopt the prescribed default scheme in order to maintain low council tax charges for those on lower incomes and other vulnerable residents.
- 2.3. Council have subsequently agreed to continue with the same scheme on an annual basis for 2014/15, 2015/16 and 2016/17.
- 2.4. Each year the Government "uprate" the housing benefit scheme and the new council tax support scheme for pensioners. This is where state pensions and benefits are increased by a set percentage and the Government also increase the applicable amounts and personal allowances (elements that help identify how much income a family or individual requires each week before their housing benefit starts to be reduced) and also non dependant

deductions (the amount a non child who lives with the claimant is expected to contribute to the rent and or council tax each week).

- 2.5. The Government have stated that under the new local council tax support scheme pensioners must not be worse off and that existing levels of support for them must remain and this protection will be achieved by keeping in place existing national rules, with eligibility and rates defined in Regulations broadly similar to those that previously existed. This is known as the Prescribed Pensioners scheme.
- 2.6. When full Council adopted the Governments default scheme in November 2012 it was not clear what would happen with regards to the uprating of the default scheme from April 2014 onwards. Advice received from the Department of Communities and Local Government (DCLG) at the end of September 2013 stated that if a Council did not formally agree a revised scheme for the following financial year which would include any “uprating” then its local scheme for the previous year would automatically become its default scheme and as a consequence the “uprating” would not take place and many residents would face an increased council tax bill.
- 2.7. This means that if Merton wants to continue with its council tax support scheme which is broadly similar to the old council tax benefit scheme it would have to formally consult and agree on the “uprating” each year. Merton have subsequently agreed this approach in prior years and is now seeking agreement to the same for 2017/18.
- 2.8. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral. Increases in payments for non-dependants living in households would not be applied and some residents receiving disability benefits or premiums could face higher council tax bills. However, the exact detail will not be known until December 2016 when the details for the housing benefit and Prescribed Pension Scheme are issued.
- 2.9. The Government will uprate the housing benefit scheme from the 3 April 2017 and the detail of this process is unlikely to be known until early December 2016. The Government will also uprate the Prescribed pensioner scheme for council tax support from 1 April 2017. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.10. From April 2016 there was a change to “backdating” rules for the working age housing benefit scheme. When the consultation for the 2016/17 Council Tax Support scheme took place this change had not been announced by the government and therefore not included in the consultation.
- 2.11. To adhere to the principal of trying to mirror the Council Tax Support scheme to the old Council Tax Benefit scheme and the Housing Benefit scheme for working age people, the consultation for the 2017/18 scheme included this change. So from 1 April 2017 working age claimants will only be entitled to apply for one month backdated Council Tax Support reduced from three months. The consultation also incorporates that any new changes to the housing benefit scheme introduced after the consultation and agreement of the Council Tax Support Scheme will be included in the Council’s 2017/18

scheme. This also includes any new changes introduced part way through the year.

- 2.12. In 2015/16 £122,000 council tax support was granted as backdated award. This figure includes backdated awards for pensioners of up to six months which is not changing. With the reduction from three months to one month maximum backdating for working age claimants in line with Housing Benefit it is estimated that the cost will reduce by £25,000.
- 2.13. The uprating of the council tax support scheme will be effective from the 1 April 2017.
- 2.14. A formal consultation exercise regarding the change of the scheme was undertaken between 27 July 2016 and 14 October 2016. Only 19 responses were received, 12 opted to apply the uprating and 7 opted not to apply the uprating.
- 2.15. Specific comments on the consultation were;-
“Please don’t introduce charges for people on benefits like some boroughs have.”
“Please ensure those that need support continue to receive it, and it would be useful if you increased council tax for all to ensure you have the funds.”
- The full consultation analysis are shown in Appendix 1
- 2.16. This level of response is in stark contrast to the consultation exercise undertaken in the summer of 2012 when the Council first proposed to absorb the funding reduction and ensure that no Merton residents would be worse off due to the change in scheme. Then there were 1,007 responses of which 820 opted to retain the same level of support as council tax benefit and keep the level of contribution towards the council tax down for eligible applicants. Only 69 opted to implement a new council tax support scheme that’s offers less assistance and means that certain groups of people would have to pay more council tax.
- 2.17. The Council has also consulted with our major precepting authority, the Greater London Authority. The GLA has no further specific comments on these proposals at this stage as it regards them as being a legitimate matter for local determination.

3 ALTERNATIVE OPTIONS

- 3.1. The only alternative option would be not to undertake the uprating of the scheme and continue with the existing scheme. This would result in some of the poorest residents facing increased council tax bills from April 2017 and go against the wishes of those responding to the consultation.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.14 above and shown in Appendix 1 attached.

5 TIMETABLE

5.1. The key milestones for the Council are detailed below:

Task	Deadline
Consultation with public and precepting authority on proposed change to the scheme	27 July 2016 to 14 October 2016
Report to full Council for agreement to proposed change to the scheme	23 November 2016
Detailed analysis of the housing benefit and Prescribed Pensioner schemes uprating to establish exact parameters to be applied for the uprating of the council tax support scheme	December 2016 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2017
Testing of IT software for amended scheme	February 2017
Implement amended scheme	1 April 2017

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Based on current expenditure for 2016/17 it is estimated that £11.1 million will be granted in council tax support for 2017/18 assuming there is no change in the council tax. This figure includes the Greater London Authorities share of the scheme, the cost just for Merton is £8.1 million. This continues the downward trend in each year that the scheme has been operating for an initial figure of £13.4m.
- 6.2. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral.
- 6.3. If the maximum period of backdating is reduced from three months to one month for working age claimants in line with Housing Benefit it is estimated that there would be a £25,000 saving on the scheme.
- 6.4. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2016 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2017/18 and the MTFS 2017-21 will be updated as appropriate during the budget process.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Council must formally agree its council tax support scheme for 2017/18 by the 31 January 2017.

- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2016/17) would become the default scheme for 2017/18.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.14 above and attached at Appendix 1.
- 8.2. Any changes to the council tax scheme which results in reductions of support will mean some residents facing an increase in their council tax bills. Some of these residents, due to the yearly uprating undertaken by the Department of Work and Pensions, would not have previously been faced with increased council tax bills. In the past it has sometimes proved difficult in collecting council tax or community charge from residents who are on limited income and or benefits.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1 None for the purpose of this report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. The Council will need to continue to closely monitor the cost of the council tax support scheme to ensure it is affordable for future years. Although in previous years we have not seen an increase in caseload, it is possible that the full impact of the welfare reform could result in more families located in inner London moving into Merton which would result in an increase in council tax support expenditure.

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

Appendix 1. Consultation results and equalities breakdown

12 BACKGROUND PAPERS

- 12.1. None

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Step 1:1.00-1:

Please select the option that you would prefer the council to adopt:

Option 1 – Incorporate any changes made to the HB scheme and the prescribed CTS scheme to ensure it aligns with these schemes.

Option 2 - Continue to award Council Tax Support based on the current scheme, including the current rates of applicable amounts, personal allowances and non-dependent deductions.

This single response question was answered by 19 respondents.

Response	Number of Respondents	Percentage of Respondents
Option 1	12	63.16%
Option 2	7	36.84%

Step 1:2.00-1:

Do you currently receive Council Tax Support?

This single response question was answered by 19 respondents.

Response	Number of Respondents	Percentage of Respondents
Yes	5	26.32%
No	14	73.68%

Step 1:3.00-1:Please use the space below to provide any further comments on the Council Tax Support Uprate consultation.

This open response (Free text) question was answered by 7 respondents.

Response	Number of Respondents
As a 'civilised' community we need to support people who are not able to cope financially through no fault of their own...	1
As a single person household, having retired (but still working part time locum) I receive a rebate. I appreciate in times of financial downturn I shall receive less rebate	1

Cost of living in the borough is now very high meaning people not eligible for support can also find council tax too high, if anything I feel that efforts should be concentrated on keeping tax for small dwellings and housesharers low (as this is the only viable option for people who struggle financially).	1
If you cut it - people will die.	1
Please don't introduce charges for people on benefits like some boroughs have	1
Please ensure those that need support continue to receive it, and it would be useful if you increased council tax for all to ensure you have the funds.	1
with an increasingly elderly population and rising housing pressures the council should be increasing the support it provides by as much as is politically possible.	1

Step 1:4.00-1:

If you would like to be kept in touch about the Council Tax Support uprate consultation, please leave your postal address and/or email address below.

This open response (Free text) question was answered by 3 respondents.

Response	Number of Respondents
	1
	1
Only if you make it very simple to understand	1

Step 2:5.00-1:Are you?

This single response question was answered by 18 respondents.

Response	Number of Respondents	Percentage of Respondents
Male	7	38.89%
Female	11	61.11%

Step 2:6.00-1:What is your age group?

This single response question was answered by 18 respondents.

Response	Number of Respondents	Percentage of Respondents
Under 16		
16-24		
25-34	5	27.78%
35-44	2	11.11%
45-54	2	11.11%
55-64	4	22.22%
65-74	4	22.22%
75 or over	1	5.56%

Step 2:7.00-1:Are you...?

This single response question was answered by 18 respondents.

Response	Number of Respondents	Percentage of Respondents
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Cabinet

Date: 14th November 2016

Subject: Financial Report 2016/17 – September 2016

Lead officer: Paul Dale

Lead member: Mark Allison

Recommendations:

- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £5.695 million, 1.07% of the gross budget.
 - B. That Cabinet approve the virement of £120k from the corporate contingency to Children, Schools and Families for the second quarter costs of additional social worker capacity.
 - C. That Cabinet note the adjustments to the Capital Programme detailed in appendix 5b.
-

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This is the financial monitoring report for the at the half year of 2016/17 presented in line with the financial reporting timetable.

This financial monitoring report provides:-

- The income and expenditure at period 6 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2016/17;
- Progress on the delivery of the 2016/17 revenue savings
- Progress on the delivery of 2014/15 and 2015/16 revenue savings

2. THE FINANCIAL REPORTING PROCESS

- 2.1 The budget monitoring process will continue to focus on adult social care and children's social care as these areas are forecasting significant overspends. Urgent mitigating action is required to address the scale of the forecast overspend.

- 2.2 Chief Officers, together with budget managers and Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within budgets which are overspending is being actively and vigorously controlled and where budgets are under spent, these underspends are retained until year end. Any final overall overspend on the General Fund will result in a call on balances as has been the case for the last two financial years, however this action is not sustainable longer term.

2.3 2016/17 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At the half year to 30th September 2016 the year end forecast is a net £5.695m overspend (£4.966m overspend last month) compared to the current budget.

**Summary Position as at 30th
September 2016**

	Current Budget 2016/17	Full Year Forecast (Sept)	Forecast Variance at year end (Sept)	Forecast Variance at year end (Aug)	Outturn variance 2015/16
	£000s	£000s	£000s	£000s	£000s
Department					
3A. Corporate Services	11,679	11,414	(265)	(137)	(373)
3B. Children, Schools and Families	51,020	52,769	1,749	1,852	(7)
3C. Community and Housing	56,763	65,312	8,548	7,407	940
3D. Public Health	43	43	(0)	0	(7)
3E. Environment & Regeneration	22,458	22,405	(53)	238	3,632
Overheads	0	0	0	0	272
NET SERVICE EXPENDITURE	141,963	151,942	9,979	9,360	4,457
3E. Corporate Items					
Impact of Capital on revenue budget	13,643	13,649	6	6	49
Central budgets	(8,922)	(12,006)	(3,084)	(3,194)	(2,846)
Levies	928	928	0	0	0
TOTAL CORPORATE PROVISIONS	5,648	2,571	(3,078)	(3,188)	(2,797)
TOTAL GENERAL FUND	147,612	154,513	6,901	6,173	1,660
FUNDING					
Revenue Support Grant	(23,156)	(23,156)	0	0	0
Business Rates	(34,230)	(34,230)	0	0	0
Other Grants	(9,811)	(10,353)	(542)	(542)	(954)
Council Tax and Collection Fund	(80,399)	(80,399)	0	0	(6)
FUNDING	(147,597)	(148,139)	(542)	(542)	(960)
Appropriation from reserves		(665)	(665)	(665)	0
NET	15	5,709	5,695	4,966	699

	Current Budget 2016/17	Full Year Forecast at (Sep)	Forecast Variance at year end (Sep)	Forecast Variance at year end (Aug)
Expenditure	£000	£000	£000	£000
Employees	93,549	94,891	1,342	1,505
Premises Related Expenditure	8,488	8,060	-428	-281
Transport Related Expenditure	14,499	15,338	839	740
Supplies and Services	168,366	167,204	-1,162	-946
Third Party Payments	89,612	100,646	11,034	10,142
Transfer Payments	104,224	96,573	-7,652	-11,096
Support Services	32,134	32,135	0	0
Depreciation and Impairment Losses	17,638	17,640	3	-0
GROSS EXPENDITURE	528,511	532,487	3,977	64
Income				
Government Grants	-265,820	-257,300	8,520	10,171
Other Grants, Reimbursements and Contribs	-24,490	-27,081	-2,591	-1,582
Customer and Client Receipts	-63,413	-63,065	348	789
Interest	-46	-15	31	23
Recharges	-32,518	-32,519	-0	-0
Balances	-261	-566	-305	-106
GROSS INCOME	-386,548	-380,545	6,003	9,296
NET EXPENDITURE	141,963	151,942	9,979	9,360

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against prior years.

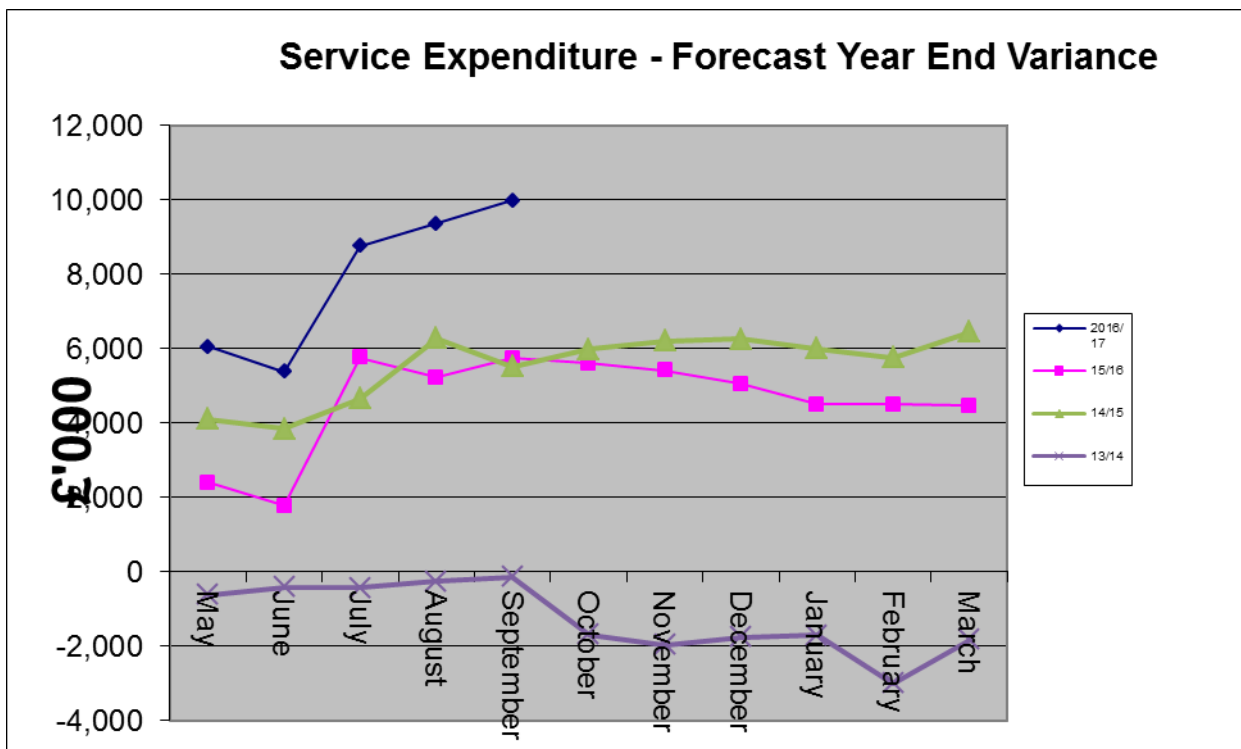
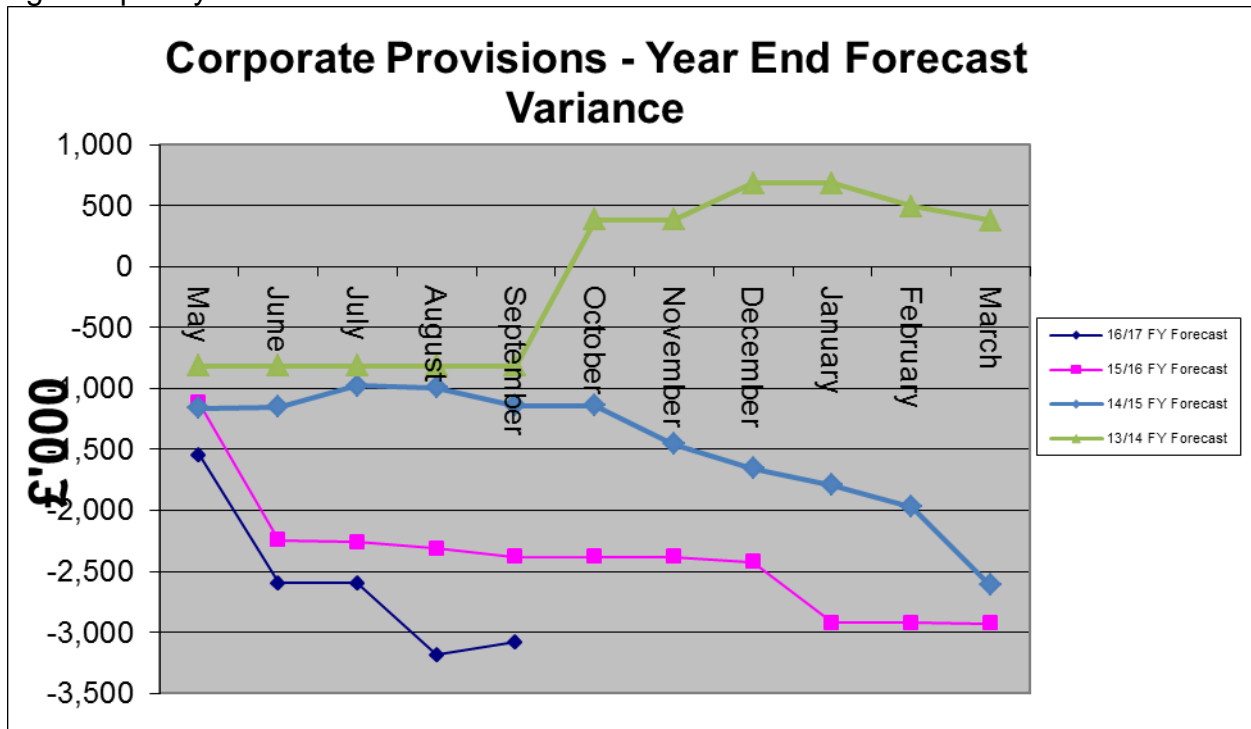


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against prior years.



3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

	2016/17 Current Budget	Full year Forecast September	Forecast variance at year end	Forecast variance at year end	2015/16 Outturn Variance
	£000	£000	Sept £000	Aug £000	£000
Business Improvement	3,280	3,196	-84	-94	-29
Infrastructure & Transactions	9,875	9,715	-160	-44	-249
Resources	6,801	6,816	15	2	-243
Human Resources	2,231	2,105	-126	-102	-55
Corporate Governance	2,663	2,433	-230	-216	-426
Customer Services	2,584	2,551	-33	-26	-479
Corporate Items including redundancy costs	981	1,334	353	343	1109
Total (controllable)	28,415	28,150	-265	-137	-372

Overview

The Corporate Services (CS) department are forecasting an underspend of £265k at year end, an increase in underspend of £128k from period 5.

Business Improvement - £84k under

The underspend is due to an overachievement of street naming income and an underspend relating to non-salary expenditure.

Infrastructure & Transactions - £160k under

A review of the capital programme was carried out to identify schemes that were not needed or non-priority works that could be completed in future year's without causing significant risk. Approx. £100k underspend relates to revenue expenditure that will not be needed in the current year as the full programme of energy invest to save capital works will not be carried out this year . This is a one-off as the capital works will be completed next year.

Resources - £15k over

There is an overspend of £80k relating to the delayed implementation of the FIS/E5 finance system. This has been largely absorbed by underspends elsewhere in Resources.

Human Resources – £126k under

The underspend of is due to unfilled posts within the new HR structure.

Corporate Governance - £230k under

The forecast underspend is partly due to a £52K underspend in Internal Audit, a consequence of an Audit Partnership restructure and £38k in Benefits investigation where a 17/18 saving has been captured early.

Merton legal are also forecasting an overachievement of income relating to S106 and Merton Property charges of approx. £80k

Customer Services - £33k under

Customer Services' underspend has reduced by £123k from period 4. This is largely due to a reduction in the anticipated recovery of court cost income.

There is a £24k overachievement of translation services income. Of this, two thirds of the overachievement relates to external customers and one third internal customers.

Corporate Items - £353k over

Redundancy costs are forecasted to be £300k over budget.

Estimates from Westminster Council regarding the shared coroner court service are £72k higher than budget. The cost of the overall service has increased and further information has been requested to clarify the reasons for the increase.

The budget monitoring process will focus on pressures to ensure remedial action is taken and underspends can be held to offset any overspends.

Environment & Regeneration

Environment & Regeneration	2016/17 Current Budget £000	Full year Forecast (Sept) £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (Aug) £000	2015/16 Variance at year end £000
Public Protection	(10,962)	(11,241)	(279)	(319)	3,709
Sustainable Communities	12,334	12,049	(285)	(30)	(600)
Waste Services	15,283	15,630	347	399	187
Other	(847)	(683)	164	188	336
Total (Controllable)	15,808	15,755	(53)	238	3,632

Description	2016/17 Current Budget £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (Aug) £000	2015/16 Variance at year end £000
Overachievement of Customer & Client Receipts within Parking Services	(17,194)	(263)	(263)	3,281
Other small over and underspends	6,232	16	(56)	428
Total for Public Protection	(10,962)	(279)	(319)	3,709
Overachievement of rental income within Property Management	(4,090)	(248)	(248)	(430)
Employee overspend within Greenspaces	2,271	67	97	80
Underachievement of Customer & Client Receipts within Greenspaces	(2,053)	231	190	278
Overachievement of Grants & Contributions within Greenspaces	(149)	(115)	(55)	(14)
Overachievement of Customer & Client Receipts within D&BC	(1,973)	(124)	33	14
Underspend within Senior Management & Support	972	(93)	(93)	(149)
Other small over and underspends	17,356	(3)	46	(379)
Total for Sustainable Communities	12,334	(285)	(30)	(600)
Employee overspend within Waste Services	7,594	163	203	213
Overspend on 3 rd party payments within Waste Services	6,756	437	320	346
Overspend on Transport related costs within Waste Services	1,938	142	137	(146)
Overachievement of Customer & Client Receipts within Waste Services	(2,348)	(166)	(54)	(164)
Overspend within Transport Services	(847)	164	188	336
Other small over and underspends	1,343	(229)	(207)	(62)
Total for Street Scene & Waste	14,436	511	587	523
Total Excluding Overheads	15,808	(53)	238	3,632

Street Scene & Waste

Waste Services – forecasting a total £347k overspend

The section is forecasting an employee related overspend of £163k as a result of covering for absences, sick leave, and in order to maintain the level of service performance. However, as the section's employee establishment is still to be finalised it is not yet possible to confirm how this impacts on their budgeted establishment.

The forecast overspend on 3rd party payments of £437k mainly relates to waste disposal costs. Landfill waste has increased by c388 tonnes (0.7%) compared to the same period last year, at a cost of £92 p/t. A major contributing factor to this increase is the reduction of food waste which has fallen by 4.2%. In addition to this, Garden waste has increased by 8.5% which is a positive contributor to the services recycling performance. However this additional waste is subject to a gate fee and haulage cost.

These pressures are being partially offset by expected underspends within Supplies & Services (£96k), Grants & Contributions (£94k), and Customer & Client Receipts (£166k).

Transport Services – forecasting a total £164k overspend

The overspend is mainly as a result of additional agency and overtime requirements due to a number of staffing issues, which are being addressed in line with corporate policy. A recent recruitment process for drivers through the conventional market places yielded only 7 applications and no appointable applicants. Advice has been taken from one of the commercial bus companies who have had similar issues in the past, in preparation for another recruitment drive in the coming months.

Children Schools and Families

Children, Schools and Families	2016/17 Current Budget £000	Full year Forecast (Sep) £000	Forecast Variance at year end (Sep) £000	Forecast Variance at year end (Aug) £000	2015/16 Variance at year end £000
Commissioning, Strategy and Performance	8,122	9,563	1,571	1,417	677
Education	16,265	16,690	254	401	34
Social Care and Youth Inclusion	11,800	12,351	631	722	309
Public Health contribution	0	0	0	0	(328)
PFI	7,799	7,292	(507)	(488)	(368)
Redundancy costs	2,077	1,877	(200)	(200)	(331)
Total (controllable)	46,063	47,792	1,749	1,852	(7)

Overview

At the end of September Children Schools and Families had a forecast overspend of £1.749m on local authority funded services. Close scrutiny of overspending areas and management action to offset these overspends are on-going by the management team.

Local Authority Funded Services

There are a number of volatile budgets requiring continuous and careful demand management which will be reflected through fluctuating monthly forecasts. Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Sep £000	Aug £000	2015/16 £000
Fostering and residential placements (ART)	5,056	421	271	377
Supported lodgings/housing	634	1,084	1,001	546
Un-accompanied asylum seeking children (UASC)	60	519	470	308
Procurement & School organisation	550	(337)	(214)	(276)
Other small over and underspends	1,822	(116)	(111)	(278)
Subtotal Commissioning, Strategy and Performance	8,122	1,571	1,417	677
SEN Transport	3,785	421	429	374
Staffing underspends across Early Years services	2,873	(250)	(250)	(315)
Children's Centre programme funding	90	(120)	0	0
Children with disabilities team (CWD) staffing	541	57	85	8
Other small over and underspends	8,976	146	137	(33)
Subtotal Education	16,265	254	401	34
No Recourse to Public Funds (NRPF)	20	436	436	470
Social Work staffing	3,075	393	492	151
Other small over and underspends	8,705	(198)	(206)	(59)
Subtotal Children's Social Care and Youth Inclusion	11,800	631	722	309

Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing cost pressures as detailed below. Placements are checked on a monthly basis and assumptions reviewed quarterly to ensure that they are as accurate as possible.

Service	Budget £000	Forecast spend £000	Variance		Placements	
			Sep £000	Aug £000	Sep Nr	Aug Nr
Residential Placements	2,127	2,608	481	285	22	21
Independent Agency Fostering	1,762	1,720	(42)	11	41	44
In-house Fostering	905	1,072	167	198	46	49
Secure accommodation*	164	22	(142)	(142)	0	0
Mother and baby	98	55	(43)	(81)	1	0
Total	5,056	5,477	421	271		114

*Known changes in secure accommodation was included in previous month's forecast.

The ART service seeks to make placements with in-house foster carers wherever possible. However, the needs of some looked after children mean that placements with residential care providers or independent fostering agencies are required.

- The forecast spend on residential placements has increased by £196k from last month. This was in part caused by the fact that a placement due to end has needed to continue. Additionally, one young person required a move to a more expensive residential provision and the placement charge for a further young person increased due to an escalation of needs.
- The forecast spend for agency fostering placements has reduced by £53k from last month due to four children leaving and one new case moving from in-house fostering resulting in a net reduction of 3 cases.
- The forecast spend on in-house foster carers reduced by £31k from last month. This is due to a combination of one child going to an agency fostering placement, children being adopted and various other adjustments to fees.
- The forecast spend on mother and baby has increased by £38k from last month due to a new placement made during the month as directed by the court.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £1,084k. This budget is used to finance an increased number of placements for young people aged 16/17 and above due to the requirements for Staying Put. These young people require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21, as part of our new statutory duties. There are currently 61 placements, up from 59 last month and 35 at the end of 2014/15. Since 2014/15 average weekly cost have reduced by c£100.

The UASC supported lodgings/housing placements are expected to overspend by £519k this year due to an increase in cases in recent years with no corresponding growth in budget. At the end of September there were 28 placements with more claimant turning 18 later during the year, although these increases have been included in the September forecast.

Procurement and school organisation budgets are expected to underspend by £337k as a result of lower spend forecast on revenue budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings.

There are various other small over and underspends forecast across the division netting to a £116k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,571k.

Education Division

SEN and FE transport cost are expected to overspend by £421k, £8k less than the forecast last month. This forecast is calculated using a case-by-case costs model and is reviewed monthly. We are reviewing demand management, cost efficiency of supply, and safeguarding of students with E&R who provide the in-house transport and commission the taxi service. We are in the process of procuring a Dynamic Purchasing System which should provide some cost reductions in future. The cost will be met from the transport budget so we do not anticipate a big reduction in the current year cost. We do however expect a reduction in cost from 2017/18 to reduce the current levels of overspend. Due to the changes in school attendance from the 15/16 to 16/17 academic years, we would expect the main change in this year's forecast in October monitoring while changes in routes are bedded down.

As part of management action, where possible, recruitment to vacancies in some areas will be delayed in preparation for 2017/18 savings with the aim to reduce the overall in-year departmental overspend. This is estimated to result in an overall underspend of £250k.

£120k of accumulated grant funding (which was originally ring-fenced), but which is now able to be used across children services and has been identified as a once-off contribution towards overspends.

The CWD team staffing costs is expected to overspend by £57k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to two additional social workers. For the first two quarters an adjustment of £54k have been made towards the overspend for these costs (a maximum of £120k can be adjusted for the year). On top of the additional staff, the team also has to cover vacancies with higher cost agency staff.

There are various other small over and underspends forecast across the division netting to a £146k overspend. These combine with the item described above to arrive at the total reported divisional overspend of £254k.

Children's Social Care and Youth Inclusion Division

The NRPF budgets are forecast to overspend by £436k for the current financial year. This forecast is based on the assumption that case levels will stay the same as last year. We expect to receive more successful applications which will increase the level of overspend towards year-end. The new NRPF worker is now in post and working closely with housing colleagues to manage cases as they arise. We continue to use the Connect system to progress cases and have started a process of reviewing all open cases with the aim to limit the cost pressure on the council.

The Central Social Work, MASH and First Response team's staffing costs is expected to overspend by £393k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to six additional social workers. For the first two quarter an adjustment of £175k was made towards the overspend of these costs (a maximum of £360k can be adjusted for the year). On top of the additional staff, the team also has to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies. Following a review of the MASH we have had to change staffing structures to strengthen management oversight given the complexity and volume of current cases. We are partially offsetting the additional cost through keeping vacancies elsewhere in CSF and will keep this under review as we complete the restructure of the department.

There are various other small over and underspends forecast across the division netting to a £198k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £631k.

Dedicated Schools Grant

DSG funded services is forecast to overspend by £305k. These budgets are not within the council's general fund and cannot be offset against or increase the local authority funded budgets. Any underspend or overspend will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental analyses.

The Independent Residential School provision is expected to underspend by £188k. This is our best estimate at the moment with the information available as we are still awaiting confirmation on one placement.

Independent Day School provision is estimated to overspend by £340k. This is in the main due to an increase of 21 placements from the new academic year which started in September.

Payment for Merton pupils that receive education in other boroughs is expected to overspend by £270k in the current financial year. The increase is due to new placement information available from September 2016.

There are various other smaller over and underspends forecast across the DSG netting to a £117k underspend which, combined with the items above, equates to the net overspend of £305k.

Management Action

New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. Excluding the cost of these duties would leave a net departmental underspend of £290k. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Sep overspend forecast £000	Aug overspend forecast £000
Supported lodgings/housing	634	1,084	1,001
Un-accompanied asylum seeking children (UASC)	60	519	470
No Recourse to Public Funds (NRPF)	20	436	436
Total	714	2,039	1,907

Staffing

Recruitment and retention (R&R) continues to be a priority at Merton, as the national shortage of children's Social Workers persists. Merton has had particular difficulty recruiting and retaining staff in 3 key areas; Multi Agency Safeguarding Hub & First Response (MASH), Safeguarding & Care Planning (S&CP) and the Children with Disabilities Team (CWDT). These three areas have R&R measures in place, which after a recent review will continue until at least March 2017.

There has been a significant reduction in the numbers of agency staff being used and the quarterly expenditure. In September 2016, agency Social Workers reduced to 20% of the Children's Social Work workforce.

Placements

Our edge of care panel continues to ensure that entry to care threshold is maintained. The impact of increased numbers of UASC is in particular affecting our LAC and care leaver numbers and we remain in the lowest rate of care range in London.

Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning. It is difficult to predict these negotiations on a monthly basis as they are often connected with children's progress in placement.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements. This continues to ensure a reduction in more expensive agency foster placements.

Our ART Placement service is working with providers to establish more local provision and offer better value placements to the Council. There is now an established agreed cost framework for semi-independent providers and this has resulted in more appropriately priced placements for Care Leavers and older LAC.

We ensure that accurate information about changes to placement costs are kept up to date. We are improving our response to invoice queries by having tight timescales in place. The placement reconciliation is completed on a monthly basis and builds in challenge meetings with colleagues in corporate finance.

We have commissioned an independent analysis of our residential and semi-independent expenditure to establish what further action we can take to reduce cost whilst meeting the needs of our young people.

We have tightened up our processes with YOS for obtaining information about young people remanded into secure accommodation and reviewed our forecast methodology. We will contact respite providers on a monthly basis going forward to ensure more accurate forecasts.

Transport

We have continued to develop a number of alternatives to transport and to develop a more cost effective continuum of offer to meet our SEN Transport statutory duties. In the current year to date we have had 1 personal budget taken up providing an annual saving of £6k. In addition 7 young people have been through the independent travel training programme this year providing an on-going cost reduction of £62k. We are monitoring tight eligibility thresholds with the view to limit any additional cost pressure.

Work continues through the corporate group to procure a Dynamic Purchasing System which should provide some taxi cost reductions and we are piloting initiatives to provide more cost effective answers to our statutory duties with a growing population.

The clienting of buss and taxi provision will transfer to CSF on the 1st April 2017.

General

The department continues to scrutinise all budgets to see how we can offset the above costs pressures and others created by growing demographics and new burdens. Where possible we will use grant and income flexibly and will also implement agreed savings for 2017/18 in year if possible to bring our anticipated spend in line with available budgets.

Additional social worker capacity

As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. CMT / Cabinet are asked to approve the virement for the second quarter of £120k from the corporate contingency. This adjustment has already been built into budget forecast for September.

Community and Housing

Community and Housing is forecasting an over spend of £8.5m as at September 2016. Which is apportioned as follows:-

Adult Social Care over spend is £7.8m and Housing and Merton Adult Education £700k.

Please note that this forecast has been reduced by £500k over commitment on homecare and anticipated other placement savings.

The Director has produced and is implementing an action plan to determine the full extent and reasons behind the current forecasted over spend, and to do everything possible to contain or reduce expenditure. This action plan is monitored and updated on a weekly basis.

The work to date shows that the over spend has a number of elements to it. A significant part is the gross underlying over spend in the Adult Services placements budget of £3.2m brought forward from 2015/16. In the previous financial year this was partially offset by underspends in other Adult Services budgets, contributions from Public Health and the Care Act and underspends in other parts of Community and Housing. Current monitoring suggests that offsetting underspends will be at half as much in 2016/17, as under spending budgets in 2015/16 were subject to savings in 16/17, and because Care Act funding has not been ring fenced or pass-ported to the adult social care budget. There has also been a £540k adverse movement in the housing forecast due to a change in accounting for costs of temporary accommodation and a change to the forecast for adult education due to budgeted fee income not being achievable now that the service is commissioned.

The underlying pressure is a mixture of savings not achieved in 2014/15 due a change in market conditions, subsequent increases in provider prices, increasing complexity of required support packages, and a shortfall in income in 2015/16. The under achievement of 2014/15 savings are set out elsewhere in this paper. Further information on price pressures and income shortfalls are set out below.

Community and Housing	2016/17 Current Budget £000	Full Year Forecast (Sept) £000	Forecast Variance (Sept) £000	Forecast Variance (Aug) £000	2015/16 Variance @ year end £000
Access and Assessment	37,241	45,448	8,207	7,816	3,259
Commissioning	4,225	4,108	(117)	(82)	(50)
Direct Provision	5,753	5,734	(19)	(37)	(197)
Directorate	815	505	(310)	(324)	(17)
Care Act Implementation Expenditure	0	0	0	0	(1,230)
Contribution from Public Health	0	0	0	0	(328)
Adult Social Care	48,034	55,795	7,761	7,373	1,437
Libraries and Heritage	2,217	2,050	(167)	(115)	(176)
Merton Adult Education	(238)	297	543	(168)	218
MAE- Commissioning Service	0	0	(8)	0	0
Housing General Fund	2,052	2,471	419	318	(538)
Total C&H	52,065	60,613	8,548	7,408	940

Access and Assessment - £8.2m over-spend

Access and Assessment	Variance (Sept'16) £000	Variance (Aug'16) £'000	2015/16 Variance @ Year end £000
Gross Placements overspend	6,666	6,484	3,146
Other A&A Over-spends/(underspend)	693	795	(526)
Sub-total Net over-spend	7,359	7,279	2,620
Under/ (Over-achievement) of income	848	537	639
Total A&A Forecast over-spend	8,207	7,816	3,259

Adult Social Care

Placement Activity

The table below details the current number of clients and care packages numbers as at September 2016. Care packages have increased by 8 between August and September and this is in Learning Disabilities and Mental Health services.

Activity Data	Care Packages (No's) Sept'16		Care Packages (No's) Aug'16	Clients (No's) Sept'16		Clients (No's) Aug'16	Total
							Commitment Sept'16 £'000
Service Areas							
Mental Health	151	↑	147	134	↑	129	£2,276,478
Physical & Sensory	333	↔	333	245	↔	245	£5,131,390
Learning Disabilities	397	↑	390	323	↑	322	£13,704,696
Older People	1,663	↓	1,664	1,177	↓	1,178	£22,775,001
Substance Misuse	5	↔	5	5	↔	5	£214,607
No Recourse to Public Funds	17	↔	17	11	↔	11	£293,378
LBM- In-house	132	↓	134	66	↓	68	£106,984
TOTAL	2,698	↑	2,690	1,961	↑	1,958	£44,502,534
Net Increase	8			3			

Whilst the number of clients is relatively stable the amount of care provided and the price of care has increased. Whilst the number of clients is relatively stable due to actions to contain this despite demographic pressures, the amount of home care provided and the price of care have grown. This is a reflection of the increasing complexity of care needs, which results in larger packages of care, and changes in the care market where providers are much less willing to accept less than market rates for care. These market rates are in turn a factor of actual costs and of demand for care exceeding supply.

Challenges of Adult Social Care in 2016.17:-

Access and Assessment

The main pressures are set out below.

Complexity of care needs: There is a long term trend in complexity of care needs, whereby the amount of care required per client has increased. (see table below). Whilst the number of Home Care hours stabilised in 2015/16, this was the net effect of increasing package sizes and the impact of reviews in reducing existing packages of care. In 2016/17 the number of care hours has risen significantly.

External Homecare Hours	2013-14	2014-15	2015-16	2016-17 (Projected)
Actual hours	449,485	495,532	487,228	611,094
Double-up hours	121,274	151,229	165,512	198,638
Percentage of Double-up	26.98%	30.52%	33.97%	32.51%

One factor of this increasing complexity is that a growing number of older people require two carers to move them, particularly when leaving hospital, which is reflected in the steady growth in the percentage of double-up packages. These packages are often first assessed for whilst people are in hospital, and reflect the assessed risks associated with moving and handling. The department is focussing OT time to review cases where double ups are indicated to ensure that appropriate equipment or adjustments to the home setting are put in place.

More generally as older people, in particular, are being discharged from hospital earlier, they have had less opportunity to recuperate and receive input such as physiotherapy to recover confidence and mobility. This can be exacerbated by changes in medication on discharge and the confusion inherent in moving vulnerable people between home and hospital. The Hospital to

Home team was identified in the recent restructure as the key team to manage these challenges along the re-ablement and brokerage services, and work continues to optimise the team's input.

Price pressures: Nationally the market in social care has shown that providers are successfully demanding increases in fees. This means that to secure supply and sustain a viable market Merton had to negotiate new higher fees in 2015/16 and is facing similar challenges in 2016/17.

Recent comparator data indicates that Merton has been paying less than the average for south west London when placing people in care homes. For example, an analysis of 2015/16 data shows that Merton paid an average of £502 and £636 per week for older peoples residential and nursing care, compared to ££561 and £690 per week paid by comparator authorities. However, this position has proved difficult to sustain, with residential care providers in particular seeking to make up for several years of nil or below inflation increases. As reported in the press recently, even not for profit providers are considering moving the focus of their business away from local authority business and are increasingly demanding commercial rates.

As a consequence and to secure an adequate supply a number of uplifts have been agreed with providers of older people residential and nursing care services which has resulted in a £820k cost pressure. Some of these were prior year's commitments that were made to secure lower inflationary uplifts or the result of fixed price contracts coming to an end. Providers are aware of the lack of alternative supply thus the tactic has been to demand uplift or move your client knowing this cannot be done easily.

Given capacity shortfalls in key areas of the care home market, providers are now more able to demand higher fees from Merton. This is being mitigated by the work of the brokerage team which consistently looks for care within the capped rates they are given to negotiate with, minimising voids in any remaining block contracts, and looking for any possible advantageous new block contracts even for short periods of time.

There are significant cost pressures in the home care market due to the London Living Wage, low margins leading to some providers recently exiting the market and a high demand for labour. Our contracted providers have been struggling to supply the level of carers needed, which has forced the council to spot purchase care, often at a higher price.

A major re-commissioning exercise is being undertaken this year that will seek to create a more sustainable supply of care, without the need to go off contract. Work is on-going with the South West London authorities and health to try to improve market leverage, particularly in residential care through joint working.

Savings

Adult Social Care has a savings target of £5m in 2016/17, of which £3m has been achieved to date. £2m remains to be achieved, of which £1.8m relates to the placement budgets of which £543k is forecast at this stage to be achieved. These savings will largely be achieved through reviews of existing packages of care and a more robust scrutiny of packages being agreed through a formal sign off process. The budget is also bearing the on-going pressure of £834k of savings not achieved in 2014/15. Savings are removed from the budget at the start of the year, thus savings not achieved create an on-going budget gap

Learning Disabilities Rising 18, School and College Leavers - Transitions

Learning Disabilities commitments also includes estimated costs for 2016/17. In period 5 budget monitoring a pressure of £1m was forecasted. A further detailed review of transitions pressures has been undertaken. Now that we are half way through the year, it is clearer which of the potential transition clients will enter into adult services, when and at what cost. As a result the pressure has reduced this to £657k.

The Transitions Board has been re-established which will be responsible for overseeing practice and managing the pipeline of transitions cases into the future enabling better planning.

Income

Adult Services receives income from two main sources: the NHS via the Better Care Fund and some contributions to individual packages involving healthcare, and via client contributions to care. Contributions from health have been maintained at a relatively stable level to date.

Client contributions are subject to two main regimes: Fairer Charging for care at home and in the community and Charging for Residential Accommodation Guidance. There is also further guidance around the non-chargeability for some re-ablement and section 117 mental health after care, as well as the right to request to defer payments for residential care where the service user is a home owner. In broad terms, the main tenets of the regimes are that charges must relate to actual costs of care and that people must be assessed for their ability to contribute towards the costs of their care based on published criteria.

Income from client contributions fell short in 2015/16 by £1m against the income target. A prudent assumption of a similar shortfall was made in forecasts up to period 5. Further work has been done based on actual invoiced income and financial assessments in the pipeline to reach a revised forecast. This has reduced the projected income by a further £300k.

The reduction in income is partly due to delays in financial assessments caused by the upheaval of the re-structure. Action has been taken to stabilise the re-enforce the team, and progress is being made to reduce the backlog of work. However, this only explains some of the additional shortfall this year. It is clear from a review of last year's data that there are a growing number of people assessed as not being required to contribute to their care. Further work is required to fully understand this trend, but it is a trend reported by other authorities. It may be, at least in part, due to greater awareness of charging for care and families hiding or transferring savings and assets before assessment. It is clear from a review of last year's data that there are a growing number of people assessed as not being required to contribute to their care. Further work is required to fully understand this trend, but it is a trend reported by other authorities. It may be, at least in part, due to greater awareness of charging for care and families transferring savings and assets before assessment. It may also be due to the switch from residential to home care when the value of properties can no longer be taken into account.

Deprivation of Liberty Assessment (Dols) (Cheshire West judgement)

Management action has been taken to prioritise the assessments to be completed in year in order to reduce the overspend on this budget line. The financial pressure has been caused by a significant growth in demand as well as the cessation of the government grant initially provided to respond to the legislative changes. . Adult Safeguarding is currently forecasting an over spend of £128k which is an increase of £3k from a amount forecasted in August 2016.

Commissioning under-spend £117k

In the Commissioning Service a current underspend is forecasted on the Supporting People contract, and planning sections. Under spend has increased due to the successful re-negotiations of various supporting people contracts.

Direct Provision - £19k under-spend

Under spend has reduced due to long term sickness and the requirement to have adequate cover at day centres.

Staffing costs have increased in this area due to Single Status settlements. One registered manager is responsible for both internal residential homes and it is expected that this will result in the reduction of staffing costs. The aim is to use employees across both internal residential sites where possible, therefore reducing the need for additional bank staff.

Action plan to address challenges

The most recent version of the action plan is appended in full to this report. What follows is a summary of progress against key elements. The action plan is itself the result of a detailed review earlier in the year as to whether all processes and controls are working optimally, especially in the light of the staffing restructure and the delay in implementing the new social care information system. What follows is a summary of progress against key elements:

Care homes:

- the target reduction in the use of care homes is being achieved
- brokerage are working to spot purchase fee limits which can only be exceeded by individual agreement. These fee limits are continually reviewed to ensure that they strike the right balance of affordability challenge and realism in terms of actually being able to find anywhere.
- attempts are being made to negotiate around previously agreed fee uplifts with certain local high volume providers. At present these attempts have been unsuccessful due to lack of leverage.
- Discussions are taking place with a number of local providers to investigate whether any are willing to provide capacity on a block basis

Home care:

- £505k has been achieved to date in savings through reviews
- There is a focussed programme to review double ups and 15 minute visits
- Telecare is being used wherever possible instead of home care hours. The Just Checking tool is used to support accurate initial assessment of someone's needs.
- Fee levels are generally being contained this year

Direct Payments:

- Capacity has been put in place to ensure that the council tracks unused funds. To date £92k has been achieved.

Transitions:

- The forecast spend for the 16/17 cohort has been confirmed, and at the same time all arrangements for this cohort have been reviewed to ensure that we are achieving good value

- An assistant team manager for this function, with good experience elsewhere, has been recruited
- There is still more to do to get this function to a more strategic level whereby demand can be forecast more accurately and expectations managed (for young people, parents and practitioners) for what adult social care is likely to provide. The Transitions Board has been re-established to lead this.

Income:

- Due to the size of the staffing restructure, a backlog for financial assessments has arisen. This is now being cleared through putting in place some temporary extra capacity
- The intention is to start the financial assessment process as part of the very first contact with a customer through key “trigger” questions. It was decided to introduce this as part of Mosaic the new social care information system. There have been delays in the go-live date for this but it is now expected to be early in 2017.
- Working with NHS colleagues, there have been successful discussions in agreeing a local protocol for continuing health care. We are also reviewing with them some of the hospital discharge arrangements in an effort to make demand more predictable and target staffing resources on those most needing it

Contracts:

- Contracts for meals on wheels and mental health day care have been ended in line with savings and new models of care put in place. We remain on track to end the contract with South Thames Crossroads at the end of the calendar year as agreed.
- Contracts for Supporting People are being actively reviewed and some further savings have been achieved
- The contract for equipment, shared with the CCG, is running ahead of budget. Some changes have already been made around issues such as recycling and delivery. The key challenge is the amount of equipment being ordered by front line staff, in large part due to the greater complexity of need in the community. We are working with NHS colleagues to see how this can be mitigated.

Process:

- The first contact element is being reviewed with help from BI .
- Whilst we believe that forecasts are soundly based on the information in the system, we continue to ensure that entries are correct as they go on.

Staffing:

- The restructure was completed in June, and those posts previously filled by agency staff to minimise redundancies are now broadly recruited to.
- With the restructure done, there is renewed focus on how we can make our processes lean to manage with less staff, and to understand better how we can measure and improve productivity

Direct Provision:

- The biggest area of overspend this year has been in Riverside Drive and Meadowsweet, management action has now reduced the monthly run rate to within budget.
- MASCOT is believed to have greater potential for income from self payers or other organisations, and options are being investigated and pursued

Controls:

- Whilst not part of the action plan because these controls have been in place for several years, it is worth summarising how controls on the placements budget operate.
- When people are first referred to adult social care (or present themselves), an initial screening assessment is done to determine whether the person should be fully assessed or whether a different immediate solution is better (for example assistance from the voluntary sector). A high percentage of initial contacts do not proceed to assessment and make no further claims on council resources
- Where an assessment is done, the assessment and draft support plan is undertaken by a front line member of staff. Sometimes people coming out of hospital go through re-ablement, and in this case a short term package of care is put in place while the initial assessment is done, in order to avoid delays in hospital discharge. In all other cases no resources are committed until a support plan has been produced and approved
- The draft support plan is then approved by a manager. For proposed plans costing over £8k a year this goes to a weekly panel consisting of senior managers. For plans costing less than this, a team manager is authorised to approve. In all cases the front line worker is challenged to ensure that the most cost effective solution is being used in line with the person's needs
- The agreed support plan then goes to the brokerage team to action by finding a provider. Channelling all this through one team ensures that negotiations with the market are done effectively, and sometimes the team may also suggest that the support plan could be changed to be more cost effective.
- The final support package is then confirmed as a personal budget and entered into the system
- The package is reviewed with a view to seeing whether needs have changed and whether the person still requires the same level of input.

Libraries- £167k under-spend

Under spend is due to staff vacancies and reduced expenditure due to building works at the Donald Hope Library. The Art Council project at Wimbledon library has also generated additional income for Merton. There is also a new 'Shakespeare' project funded by the Arts Council.

There is however a reduction in schools buy-in income but the service is working to establish alternative sources of income.

Merton Adult Education - £535k over-spend

Merton Adult Education (MAE) has moved to a commissioning model; with go live from 1st September 2016.

The overspend is based on the final 4 months of the old service and the increased expenditure costs that were unable to be offset by income collection as no fees were being collected for 2016/17 courses. The service is currently looking at possible solutions to reduce current overspend.

Housing - £ 419k over-spend

The Housing service is forecasting an over spend of £419k in September which is an increase of £101k from August. This is due to an increase in the forecasted expenditure on temporary accommodation.

The accounting change in 2016/17 is to reflect the true cost of temporary accommodation, all related costs and budgets were transferred to Housing Services from Corporate Services in June 2016. An annual budget of £321k was transferred against a forecast commitment of £867k, which has now increased to £919k in September resulting in a net forecast increase in costs to housing of £598k

Public Health

Public Health is expected to currently forecasting a breakeven position as at September 2016.

Public Health	2016/17 Current Budget £000	Full year forecast (Sept) £000	Forecast Variance (Sept) £000	Forecast Variance (Aug) £000	2015/16 Variance @ Yearend £000
PH - Directorate	558	558	0	0	(116)
PH - Admin	26	20	(5)	(4)	0
PH-Contraception	748	748	0	0	(41)
PH - GUM	2,136	2,136	0	0	(27)
PH-Sexual Health Advice	137	125	(12)	(12)	(9)
PH-NHS Health check	493	490	(3)	(10)	(78)
PH-Falls Prevention	57	0	(57)	0	0
PH - Obesity	415	415	0	0	(200)
PH - Projects	10	10	0	0	0
PH - Smoking	0	0	0	(7)	(16)
PH-Substance Misuse	1,846	1,897	51	(70)	(32)
PH-School Nursing	752	752	0	0	(16)
PH-Infectious Diseases	0	0	0	0	(10)
PH - Determinants	338	296	(42)	(11)	(83)
PH-Community	0	0	0	0	(1)
PH-New Investments	20	20	0	0	2
PH-Health Visiting	3,338	3,338	0	0	(15)
Sub-Total Public Health	10,875	10,806	(69)	(114)	(642)
PH - Main Grant	(8,046)	(7,977)	69	114	642
PH-Health Visiting Gant	(2,952)	(2,952)	0	0	0
Grand Total	(123)	(123)	0	0	0

Corporate Items

The details comparing actual expenditure up to 30 September 2016 against budget are contained in Appendix 2. The main areas of variance as at 30 September 2016 are:-

Corporate Items	Current Budget 2016/17 £000s	Full Year Forecast (Sept.) £000s	Forecast Variance at year end (Sept.) £000s	Forecast Variance at year end (August) £000s	2015/16 Year end Variance £000s
Cost of borrowing	13,643	13,649	6	6	49
Use for Capital Programme	0	0	0	0	0
Impact of Capital on revenue budget	13,643	13,649	6	6	49
Investment Income	(739)	(1,160)	(421)	(411)	(613)
Pension Fund	5,232	4,732	(500)	(500)	(616)
Pay and Price Inflation	752	320	(432)	(432)	(654)
Contingencies and provisions	4,286	2,655	(1,631)	(1,751)	(2,716)
Income Items	(948)	(1,048)	(100)	(100)	(667)
Appropriations/Transfers	132	132	0	0	1,727
Central Items	8,715	5,631	(3,084)	(3,194)	(3,539)
Levies	928	928	0	0	0
Depreciation and Impairment	(17,638)	(17,638)	0	0	0
TOTAL CORPORATE PROVISIONS	5,648	2,571	(3,078)	(3,188)	(3,491)

There have been two changes since August.

The first change is in the Contingency and Provisions budget, where the budget for the second quarter's cost of £120k relating to 8 additional social worker posts has been vired to Children, Schools and Families.

The other change is an increase of £10k in the forecast level of interest income on investments following a review.

4. CAPITAL PROGRAMME 2016-20

4.1 The Table below shows the movement in the 2016/20 corporate capital programme since the August monitoring report:

Depts	Current Budget 16/17	Variance	Revised Budget 16/17	Current Budget 17/18	Variance	Revised Budget 17/18	Revised Budget 18/19	Variance	Revised Budget 18/19	Revised Budget 19/20	Variance	Revised Budget 19/20
C&H	2,080	(50)	2,030	1,205	50	1,255	629	0	629	280	0	280
CS	9,679	0	9,679	6,506	0	6,506	2,852	0	2,852	2,530	0	2,530
CSF	15,668	(1,392)	14,276	15,272	884	16,155	11,415	486	11,900	9,934	0	9,934
E&R	17,679	(78)	17,601	20,408	0	20,408	15,294	0	15,294	4,437	0	4,437
TOTAL	45,106	(1,520)	43,586	43,390	934	44,324	30,189	486	30,675	17,181	0	17,181

4.2 The table below summarises the position in respect of the Capital Programme as at September 2016 the detail is shown in Appendix 5a

Merton Summary Capital Report - September 2016 Monitoring

Department	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	2,029,650	215,219	633,020	(417,801)	1,486,480	(543,170)
Corporate Services	9,679,460	915,887	1,668,355	(752,468)	6,307,160	(3,372,300)
Children Schools and Families	14,276,210	2,811,280	4,360,846	(1,549,565)	14,171,742	(104,468)
Environment and Regeneration	17,600,790	5,930,409	5,532,069	398,338	17,575,977	(24,813)
Total Capital	43,586,110	9,872,795	12,194,290	(2,321,496)	39,541,359	(4,044,751)

- a) Community and Housing – The projected £543k underspend is on one scheme – Disabled Facilities Grants. Officers are currently projecting the maximum projected spend £500k on the scheme. The remaining £50k of the £200k budget of the Colliers Wood Library Re-Fit has been re-profiled into 2017/18.
- b) Corporate Services – The projected underspend is caused by two major corporate schemes which are the Acquisition Fund £1,533k, Bidding Fund £1,839k. All other schemes are projecting a full spend at year end in 2016/17.
- c) Environment and Regeneration – Officers are currently projecting that two schemes will underspend £5k on Replacement of Fleet Vehicles and £20k on Change of £1 coinage in P&D Machines. Two section 106 schemes have been removed for Wimbledon Broadway (£46k) and Wimbledon Town Centre (£42k). Finally £10k of section 106 budget has been added to Traffic Schemes.
- d) Children, Schools and Families – Officers are currently projecting a £104k underspend on the School Equipment Loans. Perseid (£42k) and Harris Morden schemes have re-profiled budget from 2016/17 to 2017/18. Finally, £486k of the New School Budget has been re-profiled from 2016/17 to 2018/19. Officers envisage that progression of the new school will boost departmental spend considerably over the next few months.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month.

4.4 Appendix 5c details the impact of all the adjustments to the Capital Programme have on the funding of the programme in 2016/17 and 2017/18. The table below summarises the movement in 2016/17 funding since approval in March 2016:

Depts.	Original Budget 16/17	Net Slippage 2015/16	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 16/17
Community & Housing	2,074	271	0	0	(115)	(200)	2,030
Corporate Services	7,565	4,065	(1,319)	341	137	(1,110)	9,679
Children Schools & Families	13,998	141	(239)	368	224	(216)	14,276
Environment and Regeneration	15,658	2,176	(20)	452	123	(788)	17,601
Total	39,295	6,653	(1,578)	1,161	369	(2,314)	43,586

4.5 The table below compares capital expenditure (£000s) to September 2016 to that achieved over the last few years:

Depts.	Spend To September 2012	Spend To September 2013	Spend To September 2014	Spend To September 2015	Spend To September 2016	Variance 2012 to 2016	Variance 2013 to 2016	Variance 2014 to 2016	Variance 2015 to 2016
C&H	418	778	182	267	215	(203)	(562)	34	(52)
CS	1,083	1,372	480	610	916	(167)	(456)	435	306
CSF	13,732	4,725	7,979	7,944	2,811	(10,921)	(1,913)	(5,168)	(5,133)
E&R	4,334	4,149	1,685	3,006	5,930	1,596	1,782	4,245	2,925
Total Capital	19,568	11,023	10,326	11,827	9,873	(9,695)	(1,150)	(454)	(1,954)

Outturn £000s	40,487	31,564	36,869	29,327	
Budget £000s					43,586
Projected Spend September 2016 £000s					39,541
Percentage Spend to Budget					22.65%
% Spend to Outturn/Projection	48.33%	34.92%	28.01%	40.33%	24.97%
Monthly Spend to Achieve Projected Outturn £					4,945

4.6 September is half way through the financial year; departments have spent less of their budget than compared to previous financial years. To achieve a projected spend of £39.5m officers will need to spend just over £4.9 million each month. The table below shows that officers spent just over £2.8 million in September 2016.

Spend During September 2016

Department	Spend To August 2016 £000s	Spend To September 2016 £000s	Increase £000s
C&H	119	215	96
CS	568	916	348
CSF	2,032	2,811	779
E&R	4,343	5,930	1,587
Total Capital	7,063	9,873	2,810

4.7 Based on current spend patterns both 2016/17 to 2018/19 need to be reviewed and realistically profiled. Officers are continuing to challenge budget managers to encourage further re-profiling.

5. DELIVERY OF SAVINGS FOR 2016/17

5.1

Department	Target Savings 2016/17	Projected Savings 2016/17	Period 6 Forecast Shortfall	Period 6 Forecast Shortfall	Period 5 Forecast Shortfall	Period 5 Forecast Shortfall
	£000's	£000's	£000's	%	£000's	%
Corporate Services	2,316	2,028	288	12.4%	288	12.4%
Children Schools and Families	2,191	2,191	0	0.0%	0	0.0%
Community and Housing	5,379	3,542	1,837	34.2%	2,191	40.7%
Environment and Regeneration	4,771	4,124	647	13.6%	567	11.9%
Total	14,657	11,885	2,772	18.9%	3,046	20.8%

Appendix 6 details the progress on savings for 2016/17 by department.

Progress on savings 2015/16

Department	Target Savings 2015/16	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's
Corporate Services	1,170	0	0
Children Schools and Families	781	0	0
Community and Housing	2,154	14	14
Environment and Regeneration	4,192	3,493	28
Total	8,297	3,507	42

Appendix 7 details progress on savings for 2015/16. Details of savings achieved and the expected full year affect of these savings in 2016/17 are provided.

Progress on savings 2014/15

Department	Target Savings 2014/15	2014/15 shortfall	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's	%
Corporate Services	1,650	0	0	0
Children Schools and Families	860	40	0	0
Community and Housing	2,465	1,339	1,339	834
Environment and Regeneration	3,338	129	125	125
Total	8,313	1,508	1,464	959

Appendix 8 details progress on savings for 2014/15. Details of savings achieved and the expected full year affect of these savings in 2016/17 are provided.

6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2016/17, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2016/17
Appendix 5b –	Adjustments to the Current Capital Programme 2016/17
Appendix 5c –	Funding Current Capital Programme 2016/17 & 2017/18
Appendix 6 –	Progress on savings 2016/17
Appendix 7 -	Progress on savings 2015/16
Appendix 8 -	Progress on savings 2014/15
Appendix 9 -	Customer/Client receipts
Appendix 10 -	Debt Report at 30 th September 2016
Appendix 11 –	Cashflow statement

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

15. REPORT AUTHOR

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**Summary Position as at 30th
September 2016**

APPENDIX 1

	Original Budget 2016/17	Current Budget 2016/17	Year to Date Budget (Sept.)	Year to Date Actual (Sept.)	Full Year Forecast (Sept.)	Forecast Variance at year end (Sept.)	Forecast Variance at year end (August)	Outturn Variance 2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
Department	-	-	-	-	-	-	-	-
3A. Corporate Services	11,357	11,679	13,773	13,377	11,414	-265	(137)	-373
3B. Children, Schools and Families	50,183	51,020	14,194	15,556	52,769	1,749	1,852	-7
3C. Community and Housing	-	-	-	-	-	-	-	0
Adult Social Care	51,413	51,575	19,541	23,058	59,336	7,761	7,373	1,437
Libraries & Adult Education	2,796	2,845	1,442	1,632	3,213	368	(284)	41
Housing General Fund	2,009	2,343	811	1,066	2,763	419	318	-538
3D. Public Health	417	43	-950	-2,781	43	0	0	-7
3E. Environment & Regeneration	21,230	22,458	5,322	1,805	22,405	-53	238	3,632
Overheads	0	0	0	0	0	0	0	272
NET SERVICE EXPENDITURE	139,405	141,963	54,134	53,712	151,942	9,979	9,360	4,457
3E. Corporate Items	-	-	-	-	-	-	-	-
Impact of Capital on revenue budget	13,643	13,643	2,790	2,453	13,649	6	6	49
Other Central items	-5,962	-8,922	3,352	3,895	-12,006	-3,084	-3,194	-2,846
Levies	928	928	504	504	928	0	0	0
TOTAL CORPORATE PROVISIONS	8,608	5,648	6,647	6,852	2,571	-3,078	-3,188	-2,797
TOTAL GENERAL FUND	148,013	147,612	60,781	60,564	154,513	6,901	6,173	1,660
Funding	-	-	-	-	-	-	-	-
- Business Rates	(34,230)	(34,230)	(4,111)	(4,111)	(34,230)	0	0	0
- RSG	(23,156)	(23,156)	(12,030)	(12,030)	(23,156)	0	0	0
- Council Tax Freeze Grant 2014/15	0	0	0	0	0	0	0	(6)
- Section 31 Grant	(822)	(822)	(271)	(271)	(898)	(76)	(76)	83
- New Homes Bonus	(4,192)	(4,192)	(2,405)	(2,405)	(4,658)	(466)	0	(1,037)
- PFI Grant	(4,797)	(4,797)	(2,398)	(2,398)	(4,797)	0	0	0
Grants	(67,198)	(67,198)	(21,215)	(21,215)	(67,740)	(542)	(542)	(960)
Collection Fund - Council Tax Surplus(-)/Deficit	(3,200)	(3,200)	0	0	(3,200)	0	0	0
Collection Fund - Business Rates Surplus(-))/Deficit	1,721	1,721	0	0	1,721	0	0	(0)
Council Tax								0
- General	(78,620)	(78,620)	0	0	(78,620)	0	0	(0)
- WPC	(300)	(300)	0	0	(300)	0	0	(0)
Council Tax and Collection Fund	(80,399)	(80,399)	0	0	(80,399)	0	0	(0)
FUNDING	(147,597)	(147,597)	(21,215)	(21,215)	(148,139)	(542)	(542)	(961)
NET	417	15	39,566	39,348	6,374	6,359	5,631	699
Appropriation from reserves	-418				(665)	(665)	(665)	
NET	(1)	15	39,566	39,348	5,709	5,695	4,966	699

	Original Budget 2016/17	Current Budget 2016/17	Full Year Forecast at (Sep)	Forecast Variance at year end (Sep)	Forecast Variance at year end (Aug)
Expenditure	£000	£000	£000	£000	£000
Employees	91,638	93,549	94,891	1,342	1,505
Premises Related Expenditure	8,382	8,488	8,060	-428	-281
Transport Related Expenditure	14,575	14,499	15,338	839	740
Supplies and Services	167,239	168,366	167,204	-1,162	-946
Third Party Payments	88,286	89,612	100,646	11,034	10,142
Transfer Payments	104,169	104,224	96,573	-7,652	-11,096
Support Services	32,134	32,134	32,135	0	0
Depreciation and Impairment Losses	17,638	17,638	17,640	3	-0
GROSS EXPENDITURE	524,061	528,511	532,487	3,977	64
Income					
Government Grants	(267,787)	-265,820	-257,300	8,520	10,171
Other Grants, Reimbursements and Contribs	(21,271)	-24,490	-27,081	-2,591	-1,582
Customer and Client Receipts	(62,799)	-63,413	-63,065	348	789
Interest	(46)	-46	-15	31	23
Recharges	(32,518)	-32,518	-32,519	-0	-0
Balances	(238)	-261	-566	-305	-106
GROSS INCOME	(384,658)	-386,548	-380,545	6,003	9,296
NET EXPENDITURE	139,403	141,963	151,942	9,979	9,360

Appendix 2

3E. Corporate Items	Council 2016/17 £000s	Original Budget 2016/17 £000s	Current Budget 2016/17 £000s	Year to Date Budget (Sept.) £000s	Year to Date Actual (Sept.) £000s	Full Year Forecast (Sept.) £000s	Forecast Variance at year end (Sept.) £000s	Forecast Variance at year end (August) £000s
Cost of Borrowing	13,643	13,643	13,643	2,790	2,453	13,649	6	6
Use for Capital Programme							0	0
Impact of Capital on revenue budget	13,643	13,643	13,643	2,790	2,453	13,649	6	6
Investment Income	(739)	(739)	(739)	(308)	(603)	(1,160)	(421)	(411)
Pension Fund	5,232	5,232	5,232	4,395	4,899	4,732	(500)	(500)
Corporate Provision for Pay Award	883	883	0	0	0	0	0	0
Provision for excess inflation	540	540	452	0	0	20	(432)	(432)
Utilities Inflation Provision	300	300	300	0	0	300	0	0
Pay and Price Inflation	1,723	1,723	752	0	0	320	(432)	(432)
Contingency	1,500	1,500	1,271	0	441	440	(831)	(951)
Single Status/Equal Pay	100	100	100	0	17	0	(100)	(100)
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	100	(300)	(300)
Loss of HB Admin grant	200	200	200	0	0	200	0	0
MAE 1st year redundancies	600	600	600	0	0	600	0	0
Revenuisation and miscellaneous	1,414	1,414	1,215	0	0	815	(400)	(400)
Contingencies and provisions	4,714	4,714	4,286	0	458	2,655	(1,631)	(1,751)
Local Services Support Grant	204	204	204	68	0	104	(100)	(100)
Other	(1,152)	(1,152)	(1,152)	0	(2)	(1,152)	0	0
Income items	(948)	(948)	(948)	68	(2)	(1,048)	(100)	(100)
Appropriations: CS Reserves	(1,371)	(1,371)	(1,883)	0	0	(1,883)	0	0
Appropriations: E&R Reserves	(520)	(520)	(1,372)	(715)	(715)	(1,372)	0	0
Appropriations: CSF Reserves	44	44	(115)	(60)	(115)	(115)	0	0
Appropriations: C&H Reserves	1,146	1,146	1,146	0	0	1,146	0	0
Appropriations: Public Health Reserves	0	0	(28)	(28)	(28)	(28)	0	0
Appropriations: Corporate Reserves	2,394	2,394	2,385	0	0	2,385	0	0
Appropriations/Transfers	1,693	1,693	132	(803)	(858)	132	0	0
Depreciation and Impairment	(17,638)	(17,638)	(17,638)	0	0	(17,638)	0	0
Central Items	7,681	7,681	4,721	6,142	6,348	1,643	(3,078)	(3,188)
Levies	928	928	928	504	504	928	0	0
TOTAL CORPORATE PROVISIONS	8,608	8,608	5,648	6,647	6,852	2,571	(3,078)	(3,188)

Pay and Price Inflation as at September 2016

In 2016/17, the budget includes 1% for increases in pay and 0.5% for increases in general prices, with an additional amount of £0.540m which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. There have been a number of requests to call on this budget which are being reviewed. Any balance on this budget will be used to offset the forecast overspend on services

Pay:

The local government pay award for 2016/17 has been agreed and will cover the two years from April 2016. For the lowest paid (those on spinal points 6-17) this means a pay rise of between 6.6% and 1.01% in the first year, and between 3.4% and 1.3% in the second. Those on spinal points 18-49 will receive 1% in year one and the same again the following year. The offer also includes a joint review of the NJC pay spine and term-time working for school support staff. The budget has now been reallocated to services.

Prices:

The Consumer Prices Index (CPI) rose by 1.0% in the year to September 2016, up from a 0.6% rise in the year to August. The rate in September 2016 was the highest since November 2014, when it was also 1.0%.

The main upward contributors to the change in the rate were rising prices for clothing, overnight hotel stays and motor fuels, and prices for gas, which were unchanged, having fallen a year ago. These upward pressures were partially offset by a fall in air fares and food prices.

CPIH, a measure of UK consumer price inflation that includes owner occupiers' housing costs, rose by 1.2% in the year to September 2016, up from 0.9% in August.

The RPI 12-month rate for September 2016 stood at 2.0%, up from 1.8% in August 2016.

Outlook for inflation:

As indicated in Appendix 4, there was no MPC meeting in October 2016 and the next meeting will be on 3 November 2016. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 14 September 2016, the MPC voted unanimously to keep the Bank Base Rate at 0.25%. It also voted unanimously to continue with the programme of sterling non-financial investment-grade corporate bond purchases totalling up to £10 billion, financed by the issuance of central bank reserves and also voted unanimously to continue with the programme of £60 billion of UK government bond purchases to take the total stock of these purchases to £435 billion, financed by the issuance of central bank reserves.

Twelve-month CPI inflation remained at 0.6% in August, lower than projected at the time of the August Inflation Report, and well below the 2% inflation target. The MPC believe that “as the unusually large drags from energy and food prices attenuate, CPI inflation is expected to rise to around its 2% target in the first half of 2017, consistent with the August Inflation Report, albeit with the projection a little lower over the remainder of 2016 than had been anticipated in August.”

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

Source: HM Treasury - Forecasts for the UK Economy (October 2016)			
	Lowest %	Highest %	Average %
2016 (Quarter 4)			
CPI	0.6	1.8	1.1
RPI	0.6	2.9	2.1
LFS Unemployment Rate	4.8	5.4	5.1
2017 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	3.7	2.5
RPI	0.7	4.4	3.0
LFS Unemployment Rate	4.5	6.0	5.4

Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2016 to 2020 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	2.3	2.3	2.0	2.0
RPI	1.7	2.8	3.0	3.1	3.3
LFS Unemployment Rate	5.1	5.5	5.9	5.9	5.8

Treasury Management: Outlook

Bank Rate decisions - MPC Meetings

Until this month, the MPC met every month to set the Bank Base interest rate. After the meeting on 15 September 2016, the meetings have changed to eight times a year. This means that the meeting planned for October 2016 will no longer take place. These changes follow the recommendations of the Warsh Review, and are set out in the Bank of England and Financial Services Act 2016. The next meeting will be on 3 November 2016.

Up until September 2016, the MPC met every month to set the interest rate but after this the meetings will change to eight times a year. This means that the meeting planned for October 2016 will no longer take place. These changes follow the recommendations of the Warsh Review, and are set out in the Bank of England and Financial Services Act 2016. The next meeting will be on 3 November 2016. To recap, at its meeting ending on 14 September 2016, the MPC voted unanimously to maintain Bank Rate at 0.25% and to continue with the programme of sterling non-financial investment-grade corporate bond purchases totalling up to £10 billion, financed by the issuance of central bank reserves. The Committee also voted unanimously to continue with the programme of £60 billion of UK government bond purchases to take the total stock of these purchases to £435 billion, financed by the issuance of central bank reserves.

The quarterly Inflation Report for November 2016 will be published on 3 November.

The MPC's forecasts of Bank Base Rate in recent Quarterly Inflation Reports which were made pre-Brexit up to May 2016 are summarised in the following table:-

	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.4 2018	End Q.1 2019	End Q.2 2019	End Q.2 2019
Aug.'16	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
May '16	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8	
Feb. '16	0.5	0.5	0.5	0.6	0.7	0.8	0.8	0.9	1.0	1.0	1.1		
Nov '15	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.3			
Aug.'15	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7				
May '15	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4					
Feb.'15	0.7	0.8	0.9	1.0	1.0	1.1	1.1						
Nov '14	1.2	1.4	1.5	1.5	1.7	1.7							
Aug.'14	1.9	2.0	2.1	2.2	2.3								

Source: Bank of England Inflation Reports

The MPC makes its decisions in the context of the monetary policy forward guidance announced alongside the publication of the August 2013 Inflation Report. This guidance was summarised and reported in the July 2013 monitoring report.

The Inflation Report for February 2014 provided a summary of the Bank of England's approach to its proposed monetary policy as the economy recovers and once the unemployment threshold has been reached:-

- The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government's economic policies, including those for growth and employment.
- Despite the sharp fall in unemployment, there remains scope to absorb spare capacity further before raising Bank Rate.
- When Bank Rate does begin to rise, the appropriate path so as to eliminate slack over the next two to three years and keep inflation close to the target is expected to be gradual.
- The actual path of Bank Rate over the next few years will, however, depend on economic developments.
- Even when the economy has returned to normal levels of capacity and inflation is close to the target, the appropriate level of Bank Rate is likely to be materially below the 5% level set on average by the Committee prior to the financial crisis.
- The MPC intends to maintain the stock of purchased assets at least until the first rise in Bank Rate.
- Monetary policy may have a role to play in mitigating risks to financial stability, but only as a last line of defence if those risks cannot be contained by the substantial range of policy actions available to the Financial Policy Committee and other regulatory authorities.

Changes to the Bank Base Rate will depend on how quickly the economy recovers and will be set to achieve the inflation target of 2%.

The MPC sets monetary policy to meet the 2% target in the medium term and in a way that helps to sustain growth and employment.

Appendix 5a

Community & Housing Summary Capital Report - September 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Adult Social Care						
The Gables Mitcham	0	(13,382)	0	(13,382)	0	0
Adult Social Care IT Projects	131,510	26,635	558	26,077	131,510	0
Libraries						
Library Self Service	94,970	(22,871)	74,970	(97,841)	94,970	0
Colliers Wood Library Re-Fit	0	0	0	0	0	0
Housing						
8 Wilton Road	0	(4,371)	0	(4,371)	0	0
Western Road	760,000	0	380,000	(380,000)	760,000	0
Disabled Facilities	1,043,170	229,208	177,492	51,716	500,000	(543,170)
Community and Housing Total	2,029,650	215,219	633,020	(417,801)	1,486,480	(543,170)

Corporate Services Summary Capital Report - September 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement	2,451,020	80,500	864,922	(784,422)	2,451,020	0
Corporate Items	3,372,300	0	0	0	0	(3,372,300)
Facilities Management	1,822,020	280,992	193,819	87,173	1,822,020	0
IT Total	1,531,350	336,401	421,644	(85,243)	1,531,350	0
Resources	476,100	197,836	161,300	36,536	476,100	0
IT Transformation Unallocated	26,670	20,158	26,670	(6,512)	26,670	0
Corporate Services Total	9,679,460	915,887	1,668,355	(752,468)	6,307,160	(3,372,300)

Children, Schools & Families Summary Capital Report - September 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion*	0	(11,083)	(11,083)	0	0	0
Joseph Hood Permanent Expansn	3,720	1,000	3,720	(2,720)	3,720	0
St Mary's expansion*	0	(43,972)	(23,722)	(20,250)	0	0
Hillcross School Expansion*	3,090	(69,767)	(69,767)	0	3,090	0
Merton Abbey Temp Accomodation*	0	(23,684)	(23,684)	0	0	0
Pelham School Expansion*	10,660	(8,117)	(8,117)	0	10,660	0
Dundonald expansion	2,694,410	1,782,937	1,703,000	79,937	2,694,410	0
Poplar Permanent Expansion*	1,000	(49,144)	(49,144)	0	1,000	0
Singlegate expansion	1,014,020	824,785	863,020	(38,235)	1,014,020	0
Primary School Exp. Overspen Provision*	61,490	(344,131)	(344,131)	0	61,481	(9)
Wimbledon Park expansion*	0	(27,000)	(27,000)	0	0	0
Primary Expansion	3,788,390	2,031,824	2,013,092	18,732	3,788,381	(9)

CSF department has undertaken a number of major school expansion projects over the past few years. Under the contract terms the council holds back a retention sum which is only paid at least a year after the building project is completed, and then only when we are satisfied that all minor defects on the building are completed satisfactorily. This can frequently take a considerable period and the cumulative effect is that there are a series of accruals from the end of the 2015/16 financial year where the money has not been spent in 2016/17. It is not in the council's interests to spend this money until we are absolutely sure the building is defect free.

Appendix 5a

Children, Schools & Families Summary Capital Report - September 2016 Monitoring Continued ...

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Secondary School expansion	30,000	0	0	0	30,000	0
St Marks Expansion	0	0	0	0	0	0
New School	6,964,500	16,662	1,613,250	(1,596,588)	6,964,500	0
Harris Merton Expansion	1,383,440	211,994	250,000	(38,006)	1,383,434	(6)
Harris Morden Expansion	50,000	0	0	0	50,000	0
Secondary Expansion	8,427,940	228,656	1,863,250	(1,634,594)	8,427,934	(6)
Cricket Green Site	1,560	(705)	(1,200)	495	1,560	0
Primary school autism unit	70,730	(32,583)	(34,783)	2,200	70,730	0
Perseid	160,000	(136,805)	(120,805)	(16,000)	160,000	0
Secondary School Autism Unit	50,000	0	0	0	50,000	0
Futher SEN Units	295,320	0	29,500	(29,500)	295,320	0
SEN Expansion	577,610	(170,093)	(127,288)	(42,805)	577,610	0
Devolved Formula Capital	367,820	183,353	183,918	(565)	367,820	0
Free School Meals	0	(24,126)	(24,126)	1	0	0
B698 St Catherines Fields Fencing	24,100	20,250	27,000	(6,750)	24,097	(3)
Schs Cap Maint & Accessibility	985,900	541,416	425,000	116,416	985,900	0
Schools Equipment Loans	104,450	0	0	0	0	(104,450)
Other	1,482,270	720,893	611,792	109,102	1,377,817	(104,453)
Children Schools and Families	14,276,210	2,811,280	4,360,846	(1,549,565)	14,171,742	(104,468)

Environment & Regeneration Summary Capital Report - September 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,000,000	680,367	400,000	280,367	1,000,000	0
Greenspaces	886,350	211,468	244,360	(32,892)	886,350	0
Highways General Planned Works	435,860	109,464	174,500	(65,036)	435,860	0
Highways Planned Road Works	1,500,000	1,288,666	1,070,000	218,666	1,500,000	0
Leisure Centres	4,946,140	481,301	728,699	(247,399)	4,946,440	300
Other E&R	243,240	60,342	40,000	20,342	243,127	(113)
On and Off Street Parking	9,900	0	0	0	9,900	0
Regeneration Partnerships	3,294,690	991,816	801,623	190,193	3,294,690	0
Street Lighting	662,000	427,252	438,689	(11,437)	662,000	0
Street Scene	105,950	47,742	47,872	(130)	105,950	0
Transport for London	2,436,620	984,675	883,699	100,975	2,436,620	0
Traffic and Parking Management	1,404,540	497,881	507,400	(9,519)	1,384,540	(20,000)
Transport and Plant	500,000	112,346	112,477	(131)	495,000	(5,000)
Environmental Health	0	18,619	0	18,619	0	0
Waste Operations	175,500	18,470	82,750	(64,280)	175,500	0
Environment and Regeneration	17,600,790	5,930,409	5,532,069	398,338	17,575,977	(24,813)

Virement, Re-profiling and New Funding - August 2016

Appendix 5b

	2016/17 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2016/17 Budget	2017/18 Budget	Adjustment	Revised 2017/18 Budget	Narrative
	£	£	£	£	£	£		£	
Community & Housing									
Colliers Wood Library Re-fit	50,000			(50,000)	0	150,000	50,000	200,000	Reprofile to 17/18
Children, Schools and Families									
Persoid	201,930			(41,930)	160,000	850,000	41,930	891,930	Reprofile to 17/18
B698 St Catherines Field fence	47,000		(22,900)		24,100	0		0	Full s106 bid not required - surrender part of budget
New School 61c	7,450,000			(485,500)	6,964,500	4,916,250	0	4,916,250	Reprofile from 16/17 to 18/19
Harris Merton 21c	2,225,110			(841,670)	1,383,440	2,181,310	841,670	3,022,980	Reprofile to 17/18
Environment & Regeneration									
S106 Wim broadway CA	46,480		(46,480)		0	0		0	Remove budget - S106 funding not available
B610 Wim Town Centre trans imp	41,600		(41,600)		0	0		0	Remove budget - S106 funding not available
Traffic Schemes	163,920		10,000		173,920	156,000	0	156,000	s106 Bid B714 for Arthur/Durnsford road
					0	0		0	
Total	10,226,040	0	(100,980)	(1,419,100)	8,705,960	8,253,560	933,600	9,187,160	

1) Requires Cabinet Approval

Virement, Re-profiling and New Funding - August 2016

Appendix 5b

	2018/19 Budget	Reprofiling	Revised 2018/19 Budget	2019/20 Budget	Reprofiling	Revised 2019/20 Budget	Narrative
	£	£	£	£	£	£	
Children, Schools and Families							
New School 61c	2,203,600	485,500	2,689,100				
Total	0	0	0	0	0	0	

Capital Programme Funding Summary 2016/17

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - October - August 2016 Mon.	30,343	14,763	45,106
<u>Children, Schools and Families</u>			
Perseid	(42)		(42)
B698 St Catherines Field fence	(23)		(23)
New School 6fe	(486)		(486)
Harris Merton 2fe	(842)		(842)
<u>Community and Housing</u>			
Colliers Wood Library Re-fit	(50)		(50)
<u>Environment & Regeneration</u>			
S106 Wim broadwy CA	(46)		(46)
B610 Wim Town Centre trans imp	(42)		(42)
Traffic Schemes	10		10
Cabinet - November - September 2016 Mon.	28,823	14,763	43,586

Capital Programme Funding Summary 2017/18

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - October - August 2016 Mon.	27,061	16,329	43,390
<u>Children, Schools and Families</u>			
Perseid	42		42
Harris Merton 2fe	842		842
<u>Community and Housing</u>			
Colliers Wood Library Re-fit	50		50
Cabinet - November - September 2016 Mon.	27,994	16,329	44,324

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17 - Sept'2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underpend ? Y/N
	<u>Adult Social Care</u>										
CH02	Promoting Independence - Public Value Review - Efficiencies to be found in hospital discharge process and by enabling customers to regain and maintain independence	100	52	48	R	100	0	G	David Stark	Some savings achieved through provider negotiations	Y
CH29	Older People - Managing Crisis (including hospital discharge) admissions to residential care. This would include a number of activities designed to reduce admissions to residential care placements. We would be looking to families to continue to support people at home for longer. This would fit in with our overall approach to enable independence.	125	0	125	R	125	0	R	Kim Carey	We continue to manage to target the number of admissions to residential care, but this is having a knock-on to the cost of care in the home. Arrangements are now in place to mitigate the cost of double handed care using proactive OT engagement in these packages.	Y
CH34	Substance Misuse Placements - Actively manage throughput in residential rehab placements - A reduction in the placements available for Substance misuse clients	6	6	0	G	6	0	G	Henrietta Brown		Y
CH05	Realise benefits of new prevention programme in terms of reduced demand for statutory services, or alternatively if these benefits have not occurred then to reduce investment in the prevention programme through reduced grants to Voluntary Organisations. -Reduced demand for statutory services or reduced level of preventative services. In the latter case people would lose some of the services which make their life fuller.	500	500	0	G	500	0	G	Richard Ellis		Y
CH04	Reduce Management costs and reduction in staffing costs Access & Assessment- Staffing restructure to deliver efficient processes, and building on planned shift of some customers to manage their own processes.	100	75	25	R	100	0	G	Kim Carey	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving will not be fully realised.	Y
CH20	Access and Assessment Employees - Staff Savings 12 FTE to be deleted in 2016/17 12 FTE in 17/18, 12 FTE in 18/19 - These savings will come from across Access and Assessment, covering all service areas. - Reduction in the ability to carry out assessments and reviews, social work support, safeguarding activities, DOLs responsibilities and financial assessments. (CH20)	511	488	43	A	511	0	G	Kim Carey	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving may not be fully realised in year.	Y

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17 - Sept'2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underspend ? Y/N
CH58	Access and Assessment Employees - Staff Savings	700	700	0	A	700	0	G	Kim Carey		Y
CH22	Commissioning Employees- Staff Savings- 4 FTE to be deleted- Reduced capacity to monitor quality within provider services, reduced capacity to monitor performance within services and a reduced capacity to proactively work to sustain and develop a local provider market.	156	151	5	A	156	0	G	Richard Ellis	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving will not be fully realised.	Y
CH21	Direct Provision Employees - Staff Savings 11FTE to be deleted- Less activities available both at day centres and in the community. Clients would spend more time in larger congregated settings with less choice of activities. These savings would be made across the three LD and PD day centres.	274	274	0	A	274	0	G	Andy Ottaway-Searle		Y
CH20	Direct Provision Residential and supported living management -staff reductions- We would expect to keep front line support staff but reduce management. This would mean less resource to provide outreach and the emphasis would primarily on providing core services (Bring forward savings -CH37) 2 FTE's	100	100	0	A	100	0	G	Andy Ottaway-Searle		Y
CH23	Directorate-Staff Savings - 0.46 FTE to be deleted-None, post now funded by Public Health	21	21	0	G	21	0	G	Richard Ellis	Saving to be achieved as change of funding	Y
CH64	Directorate-Staff Savings - (Budget contribution to Joint Public Health consultant post to be deleted)-None, post now funded by Public Health	30	30	0	G	30	0	G	Richard Ellis	Saving to be achieved as change of funding	Y
CH24	Learning Disabilities- High Cost Packages - Review of High Cost Packages with a view to promoting independenceThis would be a holistic review of 17 identified high cost placements (i.e. those receiving packages of care over £1,500 per week and not health funded). We will use promoting independence as the basis of these reviews. We are designing these figures based on a 6% reduction in support for the identified client group.	100	100	0	G	100	0	G	Kim Carey		Y

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept'2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underspend ? Y/N
CH25	Learning Disabilities- Medium Cost Packages- Review of medium cost packages with a view of promoting independence - This would be a holistic review of identified medium cost placements of care of between £400 -£1,500 per week and not health funded). We will use the promoting independence model as the basis for these reviews. We are designing these figures based on a 10% reduction in support for the relevant clients within the identified group.	400	258	142	R	400	0	A	Kim Carey	These cases are taking a lower priority due to the opportunity afforded by addressing the high cost packages first.	Y
CH26	Learning Disabilities - Direct Payments - Review of all Direct Payments in Learning Disabilities with a view to promoting independence .We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 7% for the individual support packages within this client group. There are currently 98 packages in this group.	50	0	50	R	50	0	A	Kim Carey	This has stalled due to lack of capacity but will be given priority when other work has been finalised.	Y
CH27	Mental Health- Care Packages - Review of support packages within all areas of Mental Health services. - We anticipate this being a reduction of 5% across all support packages and will include a review of Direct Payments within this area. Options include less use of residential placements and quicker reviews as part of a recovery model.	76	0	76	R	76	0	G	Henrietta Brown	Reviews in progress	Y
CH28	Older People- Home Care Review of Home Care within support packages. There are currently 596 Older People within Merton receiving home care within their support packages. This represents an average reduction of 9% in home care support packages.	387	147	240	R	387	0	A	Kim Carey	These cases are being prioritised within the long term team. The lack of additional resource will mean that progress will now not be as quick as had been hoped.	Y
CH30	Older People - Review of Direct Payments support packages - Review of Direct Payments in Older People using the enablement model. We will review the Direct Payments received by clients to assess whether the full payment is being utilised. We will use the enablement model as the basis of these reviews. We anticipate this being an average reduction of 15% for individual support packages within this client group. There are currently 225 packages.	345	0	345	R	345	0	A	Kim Carey	These cases are being prioritised within the long term team. The lack of additional resource will mean that progress will now not be as quick as had been hoped.	Y

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17 - Sept'2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underspend ? Y/N
CH31	Physical Disabilities- Review of all Direct Payments for clients with physical disabilities using promoting independence. -We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 10% for the individual support packages within this client group. There are currently 150 packages in this group.	134	0	134	R	134	0	A	Kim Carey	These cases are being prioritised within the long term team. The lack of additional resource will mean that progress will now not be as quick as had been hoped.	Y
CH32	Physical Disabilities - Home Care -The saving would be delivered through a review of home care provision within support packages. There are currently 89 Physical Disabilities clients within Merton receiving home care within their support packages. The proposed savings represents an average reduction of 8% in home care for this group.	48	0	48	R	48	0	A	Kim Carey	These cases are being prioritised within the long term team. The lack of additional resource will mean that progress will now not be as quick as had been hoped.	Y
CH33	Physical Disabilities- High Cost Packages - Review of PD Residential and 1-1 packages. This saving would be delivered through a targeted review of a small number of PD customers in residential care. These reviews would look at renegotiating unit costs, transferring users to other types of accommodation in the community and reducing or removing 1-1 costs.	60	0	60	R	60	0	A	Kim Carey	These cases are being prioritised within the long term team. The lack of additional resource will mean that progress will now not be as quick as had been hoped.	Y
CH60	South Thames Crossroads : Decommission the crossroads service for carers. Replace with domiciliary care service/ Direct Payment offer and commissioned holistic carers' support service from voluntary sector.	294	130	164	A	294	0	G	Richard Ellis	Service to be decommissioned from 31st December 2016, therefore will not meet all of savings target.	
CH61	Meals on Wheels (Sodexo) : Decommissioning service and embed support within community, neighbourhood and voluntary support infrastructure	153	85	68	G	153	0	G	Richard Ellis	Service was decommissioned on 31st July 2016, therefore will not meet all of savings target.	Y
CH62	Supported accommodation mental health : Decommission service as a result of Provider notice to cease service in Merton	106	106	0	G	106	0	G	Richard Ellis	The service has been decommissioned & saving achieved.	Y
CH63	Day support Imagine Independence : Decommission service and recommitment cost effective peer led day opportunities for people with mental health	84	84	0	G	84	0	G	Richard Ellis	The tender has been awarded and will commence 4th July (which will achieve the saving)	Y
CH51	NHS Income :Negotiate extra NHS funding for extra costs of Hospital Discharges - Circa £150k on packages, £50k on staff.	200	0	200	R	0	(200)	R	Richard Ellis	Not achievable	Y
	Library & Heritage Service										

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17 - Sept'2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underspend ? Y/N
CH44	Deletion of all administrative support (Deletion of 1 x FTE)	26	26	0	G	26	0	G	Anthony Hopkins	Reorganisation complete and individual has been slotted into a new post in the council.	Y
CH45	Reduction in activities programme	2	2	0	G	2	0	G	Anthony Hopkins	Budget re-profiled and savings delivered.	Y
CH46	Withdrawal from annual CIPFA public library user survey (PLUS)	3	3	0	G	3	0	G	Anthony Hopkins	New systems devised and saving achieved. New consultation exercise running in October 2016.	Y
CH47	Reduction in volunteering contract	20	20	0	G	20	0	G	Anthony Hopkins	Contract renegotiated and new arrangements in place from 1 April 2016	Y
CH48	Reduction in media fund	45	45	0	G	45	0	G	Anthony Hopkins	Budget reduction re-profiled to reflect new expenditure, savings on course to delivered.	Y
	<u>Merton Adult Education</u>										
CH15	MAE : Staffing cost reductions - Delivery utilising the use of Information Technology and other efficiencies	8	0	8	R	8	0	G	Anthony Hopkins	Saving built into new SFA funding profile	Y
	<u>Housing Needs & Enabling</u>										
CH48	Reduction of Homelessness Prevention Grant:	56	0	56	R	56	0	A	Steve Langley	Savings achieved	Y
CH49	Rationalisation of admin budget :	30	30	0	G	30	0	G	Steve Langley	Post vacant and will be deleted - saving will be achieved	Y
CH40	Housing Strategy officer - deletion of 1 FTE :	43	43	0	G	43	0	G	Steve Langley	Post vacant and will be deleted - saving will be achieved	Y
CH41	Environmental health Technical officer deletion of 1 FTE:	33	33	0	G	33	0	G	Steve Langley	Post vacant and will be deleted - saving will be achieved	Y
CH42	Housing options adviser deletion of 1.5 FTE :	53	53	0	G	53	0	G	Steve Langley	Post vacant and will be deleted - saving will be achieved	Y
	Total Community & Housing Department Savings for 2016/17	5,379	3,542	1,837		5,179	(200)				

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2012-04	<u>Commissioning, Strategy and Performance</u> Reduce expenditure on LAC and SEN placements	50	50	0	R	50	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At the end of the first quarter, this equated to £438k.	Y
CSF2014-02	Reduce the post 16 LAC/CL accommodation.	50	50	0	R	50	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At the end of the first quarter, this equated to £438k.	Y
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	40	40	0	G	40	0	G	Paul Ballatt		
CSF2014-05	Reduction in commissioning of early intervention and prevention services from the VCS.	300	300	0	G	300	0	G	Paul Ballatt		
CSF2012-07	<u>Children Social Care</u> Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE). 2016/17 savings will be achieved by the closure of Insight and deletion of YJ management post.	100	100	0	R	100	0	G	Paul Angeli	Insight was not closed as we were not able to opt out of the lease early. This saving will be delivered in 2017/18 and the short for 2016/17 covered through reduced grant-funded and targeted intervention services.	
CSF2015-01	Serious Case Reviews <u>Early Years</u>	77	77	0	G	77	0	G	Paul Angeli		
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	17	17	0	G	17	0	G	Jane McSherry		

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2014-09	We are working on the detailed proposals which will in essence reduce the service to paid-for childcare (parents and DSG) with a very limited targeted service for highly vulnerable families.	254	254	0	G	254	0	G	Jane McSherry		
CSF2014-06	<u>Youth Service</u> Young people will be signposted to VCS youth provision. Work continues with RSLs and other possible funders to identify some residual funding.	480	480	0	G	480	0	G	Jane McSherry		
CSF2014-07	<u>Public Health</u> Children's centres deliver the widest outcomes for under fives and getting a good start in life is key to narrowing inequalities in health outcomes.	400	400	0	G	400	0	G	Jane McSherry		
CSF2014-08	<u>Schools</u> Increased income from schools and/or reduced LA service offer to schools.	400	400	0	G	400	0	G	Jane McSherry		
CSF2015-02	<u>Cross cutting</u> Service management review across the CSF dept (2/3 FTE depending on grading of posts)	23	23	0	G	23	0	G	Paul Angeli		
	Total Children, Schools and Families Department Savings for 2015/16	2,191	2,191	0		2,191	0				

CSF2012-04 and CSF2014-02 is shown as amber because, although the savings are met, the overall budgets are overspending due to demographic pressures.

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG
	Customer Services							
CS13	Reduction in discretionary relief (replacement of CS12 and CS13 which had both been deferred until 2016/17)	81	81	0	G	81	0	G
CS36	Re tendering of Cash Collection Contract	10	10	0	G	10	0	G
CS39	Impact of Customer Service Review	30	0	30	R	30	0	A
CS61	Dividend income from CHAS 2013 Limited	58	58	0	G	58	0	G
CS62	Recharges to Public Health	70	70	0	G	70	0	G
CSD9	Ending of e-Capture Service	9	9	0	G	9	0	G
CSD10	Ending of Risk Based Verification	22	22	0	G	22	0	G
CSD11	Terminate the Experian trace and search system contract	10	10	0	G	10	0	G
CSD14	Reduction of 1 FTE Revenues Officer	30	30	0	G	30	0	G
CSD15	Increase in Court Costs (council tax) - Increase from £110.00 to £115.00	40	40	0	G	40	0	G
CSD16	Reduction in discretionary relief	231	231	0	G	231	0	G
CSD18	My Merton and staff reductions - Renegotiate supplier costs for My Merton	32	32	0	G	32	0	G
CSD19	My Merton and staff reductions - Delete 1 FTE - Communication Assistant	25	25	0	G	25	0	G
	Business Improvement							
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	21	21	0	G	21	0	G
CS63	Reorganisation of systems development and support arrangements.	88	0	88	R	88	0	G
CSD37	PO Restructure	64	64	0	A	64	0	A
CSD38	Reduction in support budget	5	5	0	G	5	0	G
CSD39	Business Systems Team Restructure Phase 2	50	50	0	G	50	0	G
CSD40	Secure additional income generated through gazetteer maintenance and street naming and numbering	30	30	0	G	30	0	G
CSD41	Consolidation of systems support	20	20	0	A	20	0	A
	IT Service Delivery							
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	29	29	0	G	29	0	G
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	20	20	0	G	20	0	G
CS8	Reduction of costs through re-procurement of Wide Area Network(WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council	20	20	0	G	20	0	G
CS10	Outsourcing - Service Desk	20	0	20	R	20	0	G
CS12	Information Governance Vacant Post	37	37	0	G	37	0	G
CS16	Surrender of remainder of ITSD Overtime budget	35	35	0	G	35	0	G
CS23	Outsourcing - Building Services & Security Service	50	50	0	G	50	0	G
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	20	0	G
CSD2	Energy Savings (Subject to agreed investment of £1.5m)	150	0	150	R	150	0	G

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG
CSD3	Rationalise IT Service Delivery support & maintenance contracts.	86	86	0	G	86	0	G
CSD4	Rationalise Facilities Management Building Repairs & Maintenance budgets	15	15	0	G	15	0	G
CSD5	Increase income generation from external bookings at Chaucer centre	40	40	0	G	40	0	G
CSD6	Reduction in the number of vehicles operated by Infrastructure & Transactions division from three to two.	5	5	0	G	5	0	G
CSD8	Restructure IT Service Delivery section and delete 1 FTE post.	40	40	0	G	40	0	G
	Resources							
CS46	Resources - Deletion of 3 Posts within the Division	25	25	0	G	25	0	G
CS64	Reduction of treasury running costs through review, improvement and efficiency	20	20	0	G	20	0	G
CS65	Consolidation of various budgets within Resources division	66	66	0	G	66	0	G
CS67	Reduction in bank and giro charges	12	12	0	G	12	0	G
CSD20	Increased income	16	16	0	G	16	0	G
CSD21	Rephrase existing Savings	42	42	0	G	42	0	G
CSD23	Cut running costs budgets	30	30	0	G	30	0	G
CSD24	Consultancy budget	100	100	0	G	100	0	G
CSD25	Increased charge to Pension Fund	20	20	0	G	20	0	G
CSD47	Delete 1 Policy post	50	50	0	G	50	0	G
	Human Resources							
CS49	Introduction of new application tracking system	10	10	0	G	10	0	G
CS50	Occupational Health & Employee Assistance programme	40	40	0	G	40	0	G
CS74	Review of L&D spend	69	69	0	G	69	0	G
CSD32	Review of HR business support (printing and stationery)	5	5	0	G	5	0	G
CSD35	Learning and Development Budget	18	18	0	G	18	0	G
	Corporate Governance							
CS73	Saving from 4 borough shared legal service	60	60	0	G	60	0	G
CSD44	Stop web casting meetings, remove scrutiny support fund and reduce other supplies and services	35	35	0	G	35	0	G
CSD45	Share audit and investigation service	60	60	0	G	60	0	G
	Other							
CSD48	CHAS Dividend	145	145	0	G	145	0	G
	Total Corporate Services Department Savings for 2016/17	2,316	2,028	288		2,316	0	

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	SUSTAINABLE COMMUNITIES										
ER23	Staff savings from 6th month review following the merger of the traffic and highways and the FutureMerton team in to one team and further budget savings/adjustments within the controllable expenditure budgets	130	130	0	G	130	0	G	James McGinlay		N
ER23	Restructure of team to provide more focus on property management and resilience within the team.	52	52	0	A	52	0	G	James McGinlay		Y
EN27	Reduction in the Lining Budget	10	10	0	G	10	0	G	James McGinlay		N
EN30	Reduction in supplies and Services Costs	20	20	0	G	20	0	G	James McGinlay		N
EN31	Reduction in energy costs	30	30	0	G	30	0	G	James McGinlay		N
EN32	Renegotiation of J C Deceaux Contract	10	10	0	G	10	0	G	James McGinlay		N
EN35	Various Budgets - Increased Income through various charging increases where the service provided will still be purchased eg increases % commercial uplift from 30% to 50% per hr; increases in charges in halls and at watersports centre, etc	14	14	0	G	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased income through sale of advice & guidance from senior professional officers and sale of specialist arts & leisure developed service packages to groups and organisations e.g private care homes, etc	10	10	0	G	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	5	0	G	James McGinlay		N
EN42	Consultancy Income. This is based on an average daily rate of £300 per day (15/16 equates to 7 days per year for each chargeable member of staff and 16 days in 16/17) based on the consultancy project management working practices adopted by FutureMerton team.	50	50	0	G	50	0	G	James McGinlay	Income achieved via Estates Regeneration income from CHMP. However, income is not guaranteed for future years.	N
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%), cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	13	0	13	R	13	0	G	James McGinlay	This saving is not currently being achieved. However, it forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
E&R1	Arts Development - further reduce Polka Theatre core grant	5	5	0	G	5	0	G	James McGinlay		N
E&R2	Water sports Centre - Additional income from new business - Marine College & educational activities.	10	10	0	G	10	0	G	James McGinlay		N
E&R6	Reduced costs incurred as a result of sub-leasing Stouthall until 2024.	39	39	0	G	39	0	G	James McGinlay		N
E&R24	Reduction in current levels of staffing in the Greenspaces grounds maintenance and horticulture and sports teams.	130	0	130	R	130	0	G	James McGinlay	This saving is not currently being achieved. However, it forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
E&R26	Introduction of P&D within certain parks responding to demand for the management of parking and controlling excess demand for spaces/commuter parking	60	10	50	R	60	0	A	James McGinlay	Due to a delay in implementation, this saving will not be achieved this year. It is currently expected to be implemented around January 2017.	Y
E&R27	Additional property rental income	44	0	44	R	44	0	A	James McGinlay	An alternative saving is being worked upon, and will be presented to Cabinet in due course.	N
E&R31	Senior management and support-Deletion of the 2 management support posts and absorption into existing resources.	70	70	0	G	70	0	G	Chris Lee		N
E&R32	Wifi Concessionary Contract-Income from wifi concessionary contract to be let from 2015/16	20	20	0	G	20	0	G	James McGinlay		N
E&R33	Various Budgets - Increase in income from commercialisation of services	250	180	70	R	250	0	A	James McGinlay/ Cormac Stokes	The £70k saving relating to the Live at Wimbledon Park event is not expected to be achieved this year.	Y

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
E&R35	Reduce street lighting contract costs	25	25	0	G	25	0	G	James McGinlay		N
E&R36	Reduction in reactive work budget	60	0	60	R	60	0	A	James McGinlay		Y
E&R38	Income from Section 278/Developers agreements where traffic works are required as part of development. Charging for work currently not charged for	50	50	0	G	50	0	G	James McGinlay	Being achieved from 20% developer admin fees for highway works required.	N
E&R39	Pre-application income. This is in addition to any previous pre-app savings proposal.	50	30	20	R	50	0	A	James McGinlay	Being achieved from 20% developer admin fees for highway works required. An alternative saving is being worked upon, and will be presented to Cabinet in due course.	Y
E&R40	Consultancy income. This is in addition to any previous savings proposal.	60	10	50	R	60	0	A	James McGinlay	Income achieved via Estates Regeneration income from CHMP. However, income is not guaranteed for future years. An alternative saving is being worked upon, and will be presented to Cabinet in due course.	Y
E&R42	Align Vestry Hall income budget with current levels of income being achieved.	20	20	0	G	20	0	G	James McGinlay		N
PUBLIC PROTECTION											
EN02	Reduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	226	226	0	G	226	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. It should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	125	0	G	John Hill		N
E&R7	Due to additional requests from residents, the budget will be adjusted to reflect the demand for and ongoing expansion of Controlled Parking Zone coverage in the borough.	260	260	0	A	260	0	A	John Hill	The current estimates for new CPZ permit income is 170k. CPZ extensions to Tooting (GC), Colliers Wood (CW) and Merton Park (MP1) zones are pending and this will influence ability to meet £260k target.	N
E&R8	In response to residents concerns about traffic congestion, enforcement of moving traffic contraventions, following the Implementation of ANPR.	1,700	1,700	0	A	1700	0	G	John Hill	The implementation phase of the contract is complete. There has been an initial growth in PCNs but technical issues need to be resolved before level of achievable savings can be measured.	N
E&R9	Change in on-street bay suspension pricing structure.	500	250	250	R	500	0	G	John Hill	Due to elasticity of demand shortfall of £250k expected (will be offset by E&R11)	Y
E&R10	Back office reorganisation	80	0	80	R	80	0	G	John Hill	Savings will not be achieved as the reorganisation is based on a review of staff numbers following the successful implementation of ANPR which still has technical difficulties.	N
E&R11	Enforcement of pavement parking	60	310	-250	G	60	0	G	John Hill	Expected to exceed target by at least £250k and will be used to offset shortfall on E&R9.	Y
E&R12	End lease of Mycliffe Road	14	14	0	G	14	0	G	John Hill		N
E&R13	Increase income from discretionary fees & charges	50	50	0	A	50	0	A	John Hill	Work underway, but potential for slippage and subsequent failure to achieve full year effect. Currently considering the implementation of a number of income generating schemes such as a licensing pre-application service, scientific consultancy, food safety consultancy and chargeable business advice. Business cases to be finalised and reviewed by the Joint Regulatory Committee in February 2017.	N
E&R15	Alter funding of post dedicated to investigating potential recovery of funds under the POCA, to be funded from costs recovered.	50	50	0	A	50	0	A	John Hill	We are still optimistic of achieving £50k by year end but this is subject to the legal process and defendants' payments.	N

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	STREET SCENE & WASTE										
EN14	Mobile technology including GPS and in cab monitors. Once implemented will reduce back office staff numbers as a result of reducing reliance on paper schedules and in addition the GPS vehicle tracking system will lead to improved service and fuel efficiency.	100	0	100	R	100	0	G	Cormac Stokes	This saving is linked to new CRM project and Environmental asset Management Business case. GPS and vehicle tracking will not be delivered this year.	Y
E&R17	To reduce the costs of the service and maintain current standards of cleaning within Merton it is proposed to alter how we deploy our resources by reducing residential solo sweepers and alter the use of mechanical sweepers by investing in electric sweepers	157	157	0	G	157	0	G	Cormac Stokes		N
E&R18	Cease the distribution of food caddy liners	70	70	0	G	70	0	G	Cormac Stokes		N
E&R19	Align income budget to levels of income being generated from the sale of Textiles.	50	50	0	G	50	0	G	Cormac Stokes		N
E&R20	To contribute to a cleaner borough, enforcement of litter dropping under EPA/ ASB legislation with FPN fines for contraventions.	20	20	0	G	20	0	G	Cormac Stokes		N
E&R21	HRRC Site operations procured to external provider. Contractual savings.	30	0	30	R	30	0	A	Cormac Stokes	Although procurement led to significant cost reduction, it was not sufficient enough to reduce below existing budget level. Therefore, an alternative saving will be presented to Cabinet in due course.	Y
E&R22	Removal of borough wide dog bins including Parks	42	42	0	G	42	0		Cormac Stokes		N
	Total Environment and Regeneration Savings 2014/15	4,771	4,124	647							

APPENDIX Z

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N

All savings for 2015/16 achieved

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2015-16

Ref	2015/16 Savings Required £000	2015/16 Savings Achieved £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N	
ER10	230	89	141	R	230	0	G	John Hill	New structure commenced in October 2015, so only a part-year effect saving was achieved in 2015/16. The shortfall is not expected to repeat in 2016/17.	N	
EN29	252	146	106	R	252	0	G	James McGinlay	Due to delay in implementation, the full effect of this saving was not realised in 2015/16.	N	
EN45	39	11	28	R	11	28	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y	
EV02	4	0	4	R	4	0	G	John Hill		N	
EV12	3,214	0	3,214	R	3,214	0	A	John Hill	The implementation phase of the contract is complete. There has been an initial growth in PCNs but technical issues need to be resolved before level of achievable savings can be measured	N	
Total Environment and Regeneration Savings 2015/16					3,739	246	3,493				28

APPENDIX 7

DEPARTMENT: Corporate Services - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	Responsible Officer	Comments
All savings for 2015/16 achieved							

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2014/15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under spend? Y/N
	Adult Social Care												
ASC13/ASC34	Brokerage Efficiencies	300	118	182	118	182	R	187	113	R	Julie McCauley	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	141	159	141	159	R	141	159	R	David Slark	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	Y
ASC54	Reduction in Mental Health Placement	50	0	50	0	50	R	0	50	R	Henrietta Brown	There was an increase in customers with higher needs, which led to a greater expense of placements. In addition, there were not sufficient opportunities for people to move to a lower level of support, so savings were not achieved.	Y
CH12	Remove day care costs from residential customers	250	0	250	0	250	R	0	250	R	Andy Ottaway-Searle	Due to the small number of residential customers this target was not able to be achieved.	Y
CH14	All Saints Respite extension	36	0	36	0	36	R	0	36	R	Julie McCauley	Building work not started to accommodate suitable environment for customers with physical disabilities, therefore savings not achieved.	Y
CH15	Assistive Technology	70	0	70	0	70	R	70	0	A	Andy Ottaway-Searle	Assisted technology used with new customers but tracking cost avoidance is difficult to demonstrate as previously these customers have not incurred costs. Work needed to review existing customers to identify if any savings can be made.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under spend? Y/N
CH6	Voluntary Organisation- SLA reduction	150	0	150	0	150	R	150	0	A	Simon Williams	Work on-going with voluntary sector to review funding to meet savings targets.	Y
ASC53	Meals on wheels contract	50	0	50	0	50	R	0	50	R	Simon Williams	Meals on Wheels contract will not be renewed, however the saving on the contract cost is a 16/17 saving.	Y
ASC50/CH	Staffing savings in Direct Provision	216	0	216	0	216	A	216	0	A	Andy Otaway-Searle	Posts were deleted and budgets reduced at the start of the year, but, increased volumes from 12 to 38 people at our supported living services, plus the need to back fill long term sickness to meet CQC standards led to other staffing budgets overspending. This offset the planned savings. Since increased activity remains unfunded this overspend will only be recouped in 2015-16 if other savings targets are over achieved.	Y
	Merton Adult Education Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	0	176	R	0	176	R	Yvonne Tomlin	Saving not delivered due to changes in SFA funding	
	Total Community & Housing Dept's Savings for 2014/15	1,598	259	1,339	259	1,339		764	834				

APPENDIX 8

DEPARTMENT: CHILDREN, SCHOOLS & FAMILIES SAVINGS PROGRESS: 2014-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
CSF2012-08	<p>Education</p> <p>Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport</p>	140	100	40	140	0	G	140	0	G	Jane McSherry	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving. During 2015/16 £108k was saved from ITT (£63k in the current year to date) and £111k from PB (£6k in the current year to date). The overall transport budget is expected to overspend due to complexity of caseloads and increased prices. A transport board has been set up to review the various cost reduction actions being implemented.	N

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2014-15

Ref	2014/15 Savings Required £000	2014/15 Savings Achieved £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Underspend? Y/N
EN45	96	67	29	71	25	R	71	25	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
EN15	100	0	100	0	100	R	0	100	R	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HoS. The technical establishment is expected to be signed off soon. Once done so, it will be reconciled to the use of temporary staff to confirm if this saving has been met.	Y
Total Environment and Regeneration Savings 2014/15												
	196	67	129	71	125		71	125				

DEPARTMENT: Corporate Services - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	14/15 RAG	Responsible Officer	Comments
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All savings for 2014/15 achieved

Appendix 9

Customer & Client Receipts - £000's									
2016/17									
Department	Division/Service	Total Budget	Year to Date Actual (P6)	Year to Date Budget (P6)	Year to Date Over (under) Spend	Latest Forecast	Forecast Variance	Internal Receipts Forecast	External Receipts Forecast
Childrens Schools & Families	Schools Buy Back	-1,172	-755	-433	-322	-1,197	-25	0	-1,197
	Early Years & Childrens Centres	-1,358	-807	-679	-128	-1,313	46	0	-1,313
	Other	-308	-207	-122	-85	-329	-22	0	-329
	CSF Total	-2,838	-1,769	-1,235	-534	-2,839	-1	0	-2,839
Corporate Services	Business Improvement	-114	-35	-57	22	-282	-168	-203	-79
	Corporate Governance	-3,097	-1,708	-1,487	-221	-3,363	-266	-3,346	-18
	Customer Services	-2,268	-1,017	-1,130	113	-2,181	87	-2,071	-110
	CS Resources	-726	-536	-363	-173	-820	-94	-819	-1
	Human Resources	-560	-257	-217	-40	-535	25	-357	-178
	Infrastructure & Transactions	-2,584	-904	-1,336	432	-2,659	-75	-1,087	-1,573
	Corporate Items	0	-3	0	-3	0	0	0	0
	CS Total	-9,349	-4,459	-4,589	130	-9,841	-491	-7,882	-1,958
Environment & Regeneration	Street Scene & Waste	-11,369	-5,986	-5,703	-283	-11,833	-464	-9,153	-2,680
	Public Protection	-17,618	-7,019	-7,730	711	-17,839	-221	-85	-17,754
	Sustainable Communities	-10,744	-6,678	-5,304	-1,374	-10,956	-212	-477	-10,479
	E&R Total	-39,731	-19,683	-18,737	-946	-40,628	-897	-9,715	-30,913
Community & Housing	Adult Social Care - Client Contribution & Other Cont	-10,157	-4,134	-4,289	156	-8,844	1,314	0	-8,844
	MAE & Libraries	-1,151	-272	-968	696	-442	709	-6	-435
	Housing	-178	-198	-89	-109	-414	-236	0	-414
	C&H Total	-11,486	-4,604	-5,346	742	-9,699	1,787	-6	-9,693
Grand Total		-63,405	-29,907	-608	-63,007	398	-17,604	-45,403	

Appendix 10

Subject: Miscellaneous Debt Update September 2016

1. LATEST ARREARS POSITION – MERTON'S AGED DEBTORS REPORT

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 June 2016, is shown in column F of the table below.

Sundry Debtors aged balance – 30 September 2016 – not including debt that is less than 39 days old

Department a	39 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Sept 16 arrears f	June 16 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	412,927	237,541	166,560	207,136	1,024,164	1,815,385	↓
Corporate Services	150,582	126,030	73,827	159,719	510,158	401,015	↑
Housing Benefits	652,504	1,205,154	905,961	1,409,470	4,173,089	4,014,558	↑
Children, Schools & Families	122,754	655,516	33,016	171,973	983,259	1,248,528	↓
Community & Housing	1,408,112	817,878	988,201	1,761,084	4,975,275	5,162,464	↓
Chief Executive's	1,380	0	0	0	1,380	0	↑
CHAS 2013	52,353	15,535	20,009	9,514	97,411	105,967	↓
Total	2,800,612	3,057,654	2,187,574	3,718,896	11,764,736	12,747,917	↓
<i>Sep-15</i>	<i>3,354,187</i>	<i>1,482,517</i>	<i>2,136,642</i>	<i>3,231,413</i>	<i>10,204,759</i>		
<i>Variance Sept 15 to Sept 16</i>	<i>-553,575</i>	<i>1,575,137</i>	<i>50,932</i>	<i>487,483</i>	<i>1,559,977</i>		↑

1.2 Since the position was last reported in June 2016, the net level of arrears, i.e. invoices over 39 days old, has reduced by £983,181.

1.3 The net level of level of arrears has increased by £1,559,977 when compared to the position at the end of September 2015.

1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.

1.5 The table below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old
Sundry debt September 2012 to September 2016 – not including debt that is less than 39 days old

Department	Sept 2012	Sept 2013	Sept 2014	Sept 2015	Sept 2016
	£	£		£	£
Env & Regeneration	680,980	793,107	839,287	1,318,904	1,024,164
Corporate Services	375,091	368,730	628,537	559,390	510,158
Housing Benefits	3,086,410	2,950,651	2,857,391	3,085,562	4,358,505
Children, Schools & Families	271,244	121,140	407,783	343,210	983,259
Community & Housing	3,514,938	4,213,449	4,861,456	4,760,720	4,975,275
Chief Executive's	180	500	500	2,880	1,380
CHAS 2013	0	0	181,542	134,093	97,411
Total	7,928,843	8,447,577	9,776,496	10,204,759	11,950,152

1.7 The figures in the table above show that the major area of increase in debt over the four year period is housing benefit overpayments and Community and Housing. It should be noted that the amount of housing benefit paid out has increased over this period. In 2008/09 £61.3 million was paid out and just under £100 million was paid in 2015/16. The level of Community and Housing debt over 39 days has increased by just under £1.46 million in the four year period.

1.8 The action being taken to recover the largest debts is outlined below

2 THE PROCESS FOR COLLECTION OF MISCELLANEOUS DEBT

2.1 In considering the current levels of debt, it is important to outline the general process Merton currently has in place to collect its arrears. In general terms the process has 5 stages, as detailed below, although processes employed vary by debt type. It is important to note that most debtors can not pay their outstanding liabilities other than by payment arrangements. Once a payment arrangement has been made it can not be changed without the debtors consent.

The process for collecting debt

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Invoice issued to	After 30 days and	The debt and debtor is evaluated to ensure the	If the debt remains unpaid then County	The final stage is

debtor with 30 days allowed for payment.	following two requests for payment, a final warning notice is issued and the case passed to the Debt Recovery team.	most effective recovery action is taken to attempt recovery. This will include contacting debtors' direct and collecting payment or agreeing repayment plans and passing the debt to collection agents to collect on our behalf, bankruptcy proceedings, attachment to benefit etc.	Court action is taken by the Debt Recovery team's solicitor who administers this process.	consideration of the debt for write-off if all other attempts to collect the debt have failed.
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3. ACTION BEING TAKEN TO COLLECT OUTSTANDING DEBT

- 3.1 One of the two largest debts owed to the council is for Community Care Debt and the current level of debt is £4.75 million.
- 3.2 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.3 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.4 Of this £4.75 million debt £0.77 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and/or reminder. Of the remaining £3.98 million debt which is older than 39 days just over £0.7 million is secured debts against charging orders or deferred payment arrangements, £0.9 million is where the council has deputyship or awaiting probate, £0.25 where court action is taking place or there are queries on the invoices and a further £0.45 million has repayment arrangements in place. Whilst we are actively

working on securing the remaining debt by similar means there is £1.62 million unsecured debt..

- 3.5 A new working group chaired by the Director of Community and Housing has been set up to monitor Community Care Debt and to work across departments to improve processes and ensure best practice is in place to maximise collection of debts at all stages.
- 3.6 The table below shows the breakdown of Community Care debt by recovery action

Total Community Care Debt by recovery action as at September 2016 compared to March 2016 and June 2016

Community Care Debt	31-Mar-16	% at stage	30-Jun-16	% at stage	30-Sep-16	% at stage
Invoice stage	656,084	14%	387,608	9%	772,555	16%
Charge & Deferred Payment	995,753	22%	775,880	18%	706,043	15%
Payment arrangement	372,108	8%	462,801	11%	451,694	10%
Probate, DWP & Deputyship	925,447	20%	944,870	22%	895,603	19%
Court action	147,886	3%	141,345	3%	256,347	5%
Dept or service query	154,802	3%	182,702	4%	51,821	1%
No action secured	1,386,446	30%	1,460,347	33%	1,624,173	34%
Total Debt	4,638,526		4,355,553		4,758,236	

- 3.7 Community Care debt has increased by £402,683 since the end of June 2016. The majority of this increase is new debt and just over £1.3 million of new Community Care Invoices were raised in September.
- 3.8 There is £1.0 million of other Community and Housing Debt, this is mainly made up of £185,000 of debt owed to Mascot although the vast majority of this is being paid by monthly direct debits. There is also £0.64 million owed to Housing and Social Services Accountancy team, which is mainly due from Merton CCG although this figure has reduced from £1.1 million when last reported. Action is being taken by both the debt recovery team and Accountancy to pursue this debt.
- 3.9 The largest area of debt owed to the council is for housing benefit overpayments with the total level of debt being £8.35 million, this figure includes £4,358,505 within the sundry debtors system as reported in 1.1 above and the debt still within the housing benefit system.
- 3.10 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data

and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.

- 3.11 In May 2015 the second phase of the initiative commenced and we are receiving approximately 150 cases per month.
- 3.12 As at the end of September 2016, £3.2 million of overpayments have been identified and created. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.
- 3.13 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £160,000 set up to recover in this way.
- 3.14 A further tranche of these cases commenced in May 2016.
- 3.15 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council's are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative is being extended for 2016/17.
- 3.16 The Council exceeded three of the five periods from December 2014 to March 2016 and obtained £60,246. The Council has committed to continuing this initiative for 2016/17 and has received £49,000 funding to administer this. The first quarter target has been exceeded and additional funding of £28,169 has been received.
- 3.17 These two initiatives and the normal churn of claims has resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase.
- 3.18 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements, with £3.04 million being recovered from on going benefit by reducing current housing benefit payments. Just over £5.18 million is on a payment arrangement or recovery from on going benefit
- 3.19 The table below shows breakdown of all housing benefit overpayments by recovery action.

Total Housing Benefit Debt by recovery action from June 2015 to September 2016 by quarter

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Invoice and Reminder stage	542,969	814,303	1,571,934	1,205,885	667,690	624,877
On-going recovery	3,070,965	2,839,286	3,237,225	3,105,644	2,928,207	3,048,093
Payment Arrangements	1,514,546	1,324,634	1,606,401	1,792,340	1,922,400	2,134,893
No Arrangements secured	2,325,949	2,255,792	1,608,915	1,870,006	2,528,002	2,544,392
Total HB Debt	7,454,429	7,234,015	8,024,476	7,973,875	8,046,299	8,352,255

3.20 We have continued to review and target all housing benefit debt. We have tried to improve the procedures at the beginning of the process when a debt is first identified by ensuring that invoices are raised as soon as possible to give the best chance of recovery, we are targeting debtors who are now in work and we will be applying to recover the overpayments from their employers and we are looking at the oldest debts to consider if they are still collectable. However, it should be noted that a lot of the housing benefit debt is very difficult to recover as the Council's powers of recovery are very limited unless the debtor works or owns their own property.

3.21 The table below shows the amount of debt written off in accordance with financial regulations and scheme of management in 2014/15, 2015/16 and 2016/17.

Debt written off in 2014/15, 2015/16 and 2016/17 by debt type

	2014/15	2015/16	2016/17				
	Total	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Debt type							
Sundry Debt	£347,726	£581,419	£129,338	£0			£129,338
Housing benefit overpayments	£1,050,105	£510,352	£116,012	£68,489			£184,501
Council Tax	£526,881	£951,280	£118,937	£109,969			£228,906
Business Rates	£790,373	£659,514	£0	£0			£0
Total	£2,715,085	£2,702,565	£364,287	£178,458	£0	£0	£542,745

3.22 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation and for 2015/16 £392,000 related to businesses that went into liquidation and therefore it was not possible to collect the rates.

3.23 Towards the end of 2014/15 an exercise was commenced targeting the highest housing benefit debts with the aim of agreeing payment arrangements where possible and where appropriate writing debts off. This included many large overpayments, some identified through fraud activity where the prospect of collecting the debt was minimal. In some instances payment arrangements were put in place for 5 years and the remainder of the debt written off. If circumstances change of the

debtors or after 5 years all payments are made there is the option of writing part or all of the debt back to collect.

- 3.24 Although the debt written off within any of the years does not relate to one specific year it should be noted that in 2015/16 the council was collecting a net debt of £102.6 million in council tax (this includes the GLA portion), a net debt of £92.3 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.
- 3.25 Every effort is made to collect all outstanding debts and debts are only written off as a last resort. The council is still collecting some council tax debts that are greater than 6 years old or will have secured the debts against properties where possible.

4. SUNDRY DEBT COLLECTED

- 4.1 The table below shows the amount of sundry debt raised over the past four years along with the payments received via cash, journals or credits, and shows the amount written off for each year along with the balance outstanding. These figures are as at the end of August 2016.

Year	Invoices raised	Credits	Journals	Written Off	Payments	O/s	% Collected	% o/s or w/o
2013/14	£44,842,844	-£2,515,060	-£100,561	-£217,833	£41,162,418	£846,973	97.63%	2.37%
2014/15	£57,041,098	-£6,728,829	£449,753	-£179,094	£49,546,062	£1,036,866	97.87%	2.13%
2015/16	£67,409,189	-£10,592,591	-£123,014	-£48,375	£53,733,094	£2,912,116	95.61%	4.39%
2016/17	£20,333,928	-£1,440,193	-£40,136	-£690	£12,699,368	£6,153,542	69.73%	30.27%

- 4.2 Active recovery action continues to be undertaken on all outstanding debts. Included in the amounts outstanding would be cases where the debt has already been secured against a charge on the property or deferred payment arrangement.
- 4.3 For 2013/14 and 2014/15, invoices for over £101.8 million were raised and over 97.5% has already been collected.

5. PROVISION FOR BAD AND DOUBTFUL DEBTS

- 5.1 Provision has been made available for writing off bad and doubtful debts held within the ASH and Housing benefits systems. These provisions are £2.83m for ASH miscellaneous debt and £6.29m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £9.12m. Clearly, every attempt is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

- 5.2 The Council adheres to the requirements of the SORP when calculating its provisions. Merton's methodology is to provide on the basis of expected non collection using the collection rates for individual departmental debt, and the age of the debt.

Provision for Bad and Doubtful Debts

Department	Total Provision	
	At 31/03/2015	At 31/03/2016
	£000's	£000's
Env & Regeneration	332	377
Corporate Services	432	342
Housing Benefits	6,344	6,287
Children, Schools & Families	90	121
Community & Housing	1,996	1,995
Total	9,194	9,122

6. EXECUTIVE SUMMARY / CONCLUSION

- 6.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 39 days old, as at 30 September 2016 is £11,764,736. The net level of arrears, when the matter was last reported in June 2016 was £12,747,917.

7. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 2016 is detailed in the table below.

Total debt outstanding as at 30 September 2016 and compared with previous periods over the past 15 months

Description	2014/15		2015/16		2016/17 Year to Date (Second quarter to September 2016)		2016/17 Oct - March		2016/17 Year end September 2016		2016/17 Previous Forecast at June 2016		2016/17 Current Budget		Forecast at year end (June forecast /Sept forecast)		Forecast Variance at year end (Sept forecast compared to "Budget")		
	Actual £000	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Payments																			
Payroll Related Payments (including payroll element of Schools' advances)-net pay	104,256		116,209		56,853		113,706		113,706		117,676		109,615		109,615		4,091		
Payroll related-HMRC	37,321		41,600		19,534		39,068		39,068		42,829		37,642		37,642		1,426		
Payroll related-Teachers Pensions Authority	13,010		14,502		6,846		13,691		13,691		13,187		8,678		8,678		5,013		
Payroll related-pension fund and disbursements and including back funding and added years	36,259		22,712		12,988		21,580		21,580		23,952		15,752		15,752		5,828		
Service payments- (Premises, Transport, Supplies and Services and Third Party payments)	284,626		299,145		129,833		238,731		238,731		300,392		359,642		359,642		-120,911		
Transfer Payments-Housing Benefits	92,065		93,060		45,917		91,834		91,834		93,060		97,349		97,349		-5,515		
Bank Charges & Related Expenditure	252		247		125		280		280		264		246		246		34		
Precepts and Levies - CTAX (GLA) and NDR(GLA,CLG) and levies	79,341		80,113		43,322		84,250		84,250		83,323		84,250		84,250		0		
Business Rates and CTax Refunds	5,601		5,787		2,998		5,996		5,996		8,268		6,360		6,360		-364		
Capital Payments	37,118		29,078		9,872		45,106		45,106		39,295		32,006		32,006		13,100		
Total Payments	689,849		702,452		328,288		654,243		654,243		722,246		751,540		751,540		-97,297		
Receipts																			
Business Rates Receipts	-91,292		-90,733		-54,627		-96,739		-96,739		-96,267		-91,913		-91,913		-4,826		
Council Tax Receipts	-103,301		-104,431		-59,643		-105,999		-105,999		-108,931		-105,028		-105,028		-972		
DWP - Housing Benefit Subsidy & Admin Grant & Discretionary Housing Payment grant&S31 Grant)	-87,289		-93,310		-46,140		-92,280		-92,280		-96,632		-97,816		-97,816		5,536		
Grants (Including Capital Grants and Public Health Grants)	-228,412		-240,758		-107,450		-214,900		-214,900		-239,082		-270,641		-270,641		55,741		
Other receipts-fees and charges	-73,621		-72,025		-30,697		-61,395		-61,395		-73,621		-77,689		-77,689		16,294		
Payroll Recoupment	-82,897		-83,440		-42,875		-85,750		-85,750		-85,832		-85,218		-85,218		-532		
VAT Reimbursement	-24,247		-21,830		-10,234		-20,468		-20,468		-22,484		-21,546		-21,546		1,078		
Total Receipts	-691,059		-706,527		-351,666		-677,531		-677,531		-722,849		-749,850		-749,850		72,319		
1. Net Cashflow (Revenue and Capital Cash)	-1,210		-4,075		-23,378		-23,288		-23,288		-603		1,690		1,690		-24,978		
Interest Received on investments	-798		-942		-427		-916		-916		-950		-580		-580		580		
Interest on Pooled Property Investment	0		-198		-123		-244		-244		-200		-284		-284		284		
Interest Paid on Debt inc DME	6,718		6,704		3,357		6,597		6,597		6,702		3,937		3,937		-3,937		
2. Interest-net (Net cash flow)	5,920		5,564		2,807		5,437		5,437		5,552		3,073		3,073		-3,073		
B/F Cash Deposits Balance (SoA Note 9 Financial Instruments)	80,000		86,100		85,400		85,400		85,400		85,400		58,538		58,538		-58,538		
B/F Bank Balance (SoA Note 14 Cash and cash equivalents)	-182		-252		2,049		2,049		2,049		2,049		-200		-200		200		
B/F ST Borrowing (SoA Note 9 Financial Instruments)	-1,170		-11,910		-15,000		-15,000		-15,000		-15,000		0		0		0		
B/Fwd Total	78,648		73,938		72,449		72,449		72,449		72,449		58,338		58,338		-58,338		
Change in cash and investments (1+2)	4,710		1,489		-20,571		-17,851		-17,851		4,949		4,763		4,763		-4,763		
C/F Cash Deposits Balance (SoA Note 14 Financial Instruments)	86,100		85,400		102,050		90,500		90,500		67,700		53,775		53,775		-53,775		
C/F Bank Balance (SoA Note 14 Cash and Cash Equivalents)	-252		-2049		970		-200		-200		-200		-200		-200		200		
C/F ST Borrowing (SoA Note 9 Financial Instruments)	-11,910		-15,000		-10,000		0		0		0		0		0		0		
B/Fwd Total	73,938		72,449		93,020		90,300		90,300		67,500		53,575		53,575		-53,575		
	0		0		0		0		0		0		0		0		0		

The £61.6 is due to a reduction in running costs due to tightening control over expenditure (£53m) and receipts not specified in Cash Flow forecast and therefore not incorporated in the June receipts figure (£9m). These latter receipts will have the effect of reducing running costs in this model; they are capital receipts (£1.3m) and revenue (non governmental contributions (£7.7m) Figs for first 6 months 1617.

Forecast based on pro rating actuals. Actuals have fallen

June forecast prudently assumed breakeven between receipts and payments. Reduction in running costs (£41m CR), fall in specified receipts (£24m DR), reduction in payroll costs (£9.6m CR), increase in forecast capital payments (£5.8m DR), £1.8m CR other (net) yields net change of £22.6m CR.