Merton Council
Healthier Communities and Older People Overview and Scrutiny Panel

Date: 10 January 2017
Time: 7.15 pm
Venue: Committee rooms C, D & E - Merton Civic Centre, London Road, Morden SM4 5DX

AGENDA

This is a public meeting – members of the public are very welcome to attend. The meeting room will be open to members of the public from 7.00 p.m.

For more information about the work of this and other overview and scrutiny panels, please telephone 020 8545 3390 or e-mail scrutiny@merton.gov.uk. Alternatively, visit www.merton.gov.uk/scrutiny

Press enquiries: press@merton.gov.uk or telephone 020 8545 3483 or 4093

Email alerts: Get notified when agendas are published
www.merton.gov.uk/council/committee.htm?view=emailer

Healthier Communities and Older People Overview and Scrutiny Panel membership

Councillors:
Peter McCabe (Chair)
Brian Lewis-Lavender (Vice-Chair)
Laxmi Attawar
Mary Curtin
Suzanne Grocott
Sally Kenny
Abdul Latif
Marsie Skeete
Substitute Members:
Stephen Crowe
Najeeb Latif
Ian Munn BSc, MRTPI(Rtd)
Gregory Patrick Udeh

Co-opted Representatives
Saleem Sheikh (Co-opted member, non-voting)

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that mater and must not participate in any vote on that matter. If members consider they should not participate because of a non-pecuniary interest which may give rise to a perception of bias, they should declare this, .withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

What is Overview and Scrutiny?
Overview and Scrutiny describes the way Merton's scrutiny councillors hold the Council's Executive (the Cabinet) to account to make sure that they take the right decisions for the Borough. Scrutiny panels also carry out reviews of Council services or issues to identify ways the Council can improve or develop new policy to meet the needs of local people. From May 2008, the Overview & Scrutiny Commission and Panels have been restructured and the Panels renamed to reflect the Local Area Agreement strategic themes.

Scrutiny's work falls into four broad areas:

⇒ **Call-in**: If three (non-executive) councillors feel that a decision made by the Cabinet is inappropriate they can 'call the decision in' after it has been made to prevent the decision taking immediate effect. They can then interview the Cabinet Member or Council Officers and make recommendations to the decision-maker suggesting improvements.
⇒ **Policy Reviews**: The panels carry out detailed, evidence-based assessments of Council services or issues that affect the lives of local people. At the end of the review the panels issue a report setting out their findings and recommendations for improvement and present it to Cabinet and other partner agencies. During the reviews, panels will gather information, evidence and opinions from Council officers, external bodies and organisations and members of the public to help them understand the key issues relating to the review topic.
⇒ **One-Off Reviews**: Panels often want to have a quick, one-off review of a topic and will ask Council officers to come and speak to them about a particular service or issue before making recommendations to the Cabinet.
⇒ **Scrutiny of Council Documents**: Panels also examine key Council documents, such as the budget, the Business Plan and the Best Value Performance Plan.

Scrutiny panels need the help of local people, partners and community groups to make sure that Merton delivers effective services. If you think there is something that scrutiny should look at, or have views on current reviews being carried out by scrutiny, let us know.

For more information, please contact the Scrutiny Team on 020 8545 3390 or by e-mail on scrutiny@merton.gov.uk. Alternatively, visit www.merton.gov.uk/scrutiny

HEALTHIER COMMUNITIES AND OLDER PEOPLE OVERVIEW AND SCRUTINY PANEL
8 NOVEMBER 2016
(7.15 pm - 8.50 pm)

PRESENT: Councillors Councillor Peter McCabe (in the Chair), Councillor Brian Lewis-Lavender, Councillor Laxmi Attawar, Councillor Stephen Crowe, Councillor Mary Curtin, Councillor Suzanne Grocott, Councillor Sally Kenny, Councillor Marsie Skeete and Saleem Sheikh

ALSO PRESENT: Councillor Mark Allison and Councillor Tobin Byers

Simon Williams (Director, Community & Housing Department) and Dr Dagmar Zeuner (Director, Public Health) Paul Dale, Assistant Director of Resources, Stella Akintan (Scrutiny Officer). Patrice Beveney Senior Mental Health Commissioning Manager and Liam Williams Director of Commissioning, Merton Clinical Commissioning Group.

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Abdul Latif, Councillor Stephen Crowe attended as a substitute.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

none

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The surname Ball to be replaced with the correct spelling 'Bull'

The chair reported that Hayley James has resigned as a co-opted member, a letter of thanks will be sent on behalf of the Panel.

The Chair paid tribute to the recently deceased Andrew Wakefield who attended the last meeting of this Panel. He will be remembered for his tireless work on behalf of disadvantaged communities.

4 BUSINESS PLAN UPDATE 2017-2021 (Agenda Item 4)

The Assistant Director of Resources reported that there are no new savings in Adult Social Care and public health.

The Chair invited members of the public to address the panel.

Sarah Henley, local resident informed the panel that last year she was able to go to the cinema which is essential because being at home 24 hours a day is very boring and it is important to go out. However now that her welfare benefits has not been increased, a trip of this nature is beyond her means. Her personal savings are running out fast. As a result she has been put on anti-depressants. Every night she has to decide whether to use her personal assistant to help her use the toilet or alternatively to use a continence pad. She is concerned about what will happen when her money runs out as she does not want to go into residential care.

Lyla Adwan- Kamara, Chief Executive of Merton Centre for Independent Living informed the panel that many of the cuts have been made without being available for scrutiny. The five year approach to the Medium Term Financial Strategy means that many of the cuts are buried or nodded through without adequate consideration. Disabled people are being told to do less, wear nappies and can no longer go out. The council do not have the right to do away with rights and dignity. There are three modest things that could make a difference:

Decline to approve a further £2 million worth of cuts to adult social care.

Support the implementation of the 2% council tax precept

Start talking, listening and engaging with Merton Centre for Independent Living.

The Chair highlighted that this panel has taken the Adult Social Care Savings very seriously and last year made a reference to Cabinet which had a direct impact on the budget proposals.

Andy Whittington, Chief Executive of Merton Mencap informed the panel that Merton Mencap supports people with learning disabilities and runs a range of projects in the borough. These are now under threat. Merton is one of eight boroughs not to raise the council tax precept, even though there would be no actual financial increase for residents as it is offset by the reduction in the Greater London Authority precept. There has been a reduction in day centre offer and many people cannot afford to pay additional costs to cover the shortfall. The council are urged to support increase in the precept otherwise there will be even greater reductions in social workers, employment support and people will lose choice and control over their lives. Family carers need more help not less.

The Director of Community and Housing said he would respond to the themes raised rather than comment on individual issues. One of the issues is that people often have to go to agency because of the difficulties in finding a personal assistant. Agency costs are often higher which leads to difficult choices. The Director reported that he has to work within a balanced budget and therefore has to look at solutions which do not cost the council more. The department are currently contracting for home care and are seeking to work with agencies to provide personal assistants at a lower hourly rate.

Although people may feel like their well-being is being compromised and there is a reduction in home care hours, the reality is that they have increased. New demand for services has meant that costs are rising but they still need to be managed within the current budget envelope.

Recent reports including from the Kings Fund and in-year survey of the financial position has highlighted that there is nearly a half billion pound forecast overspend on social care across the country, therefore this is a national problem and not unique to Merton. The council has to meet its statutory duties within a balanced budget. Individuals on the receiving end of this may find it difficult but we must work together to find solutions and consider what friends, family and neighbours can do to support those in need. This is in line with our definition of "promoting independence" which has been part of the last two consultation packs.

We have developed a model in Merton to keep day centres open unlike some authorities who have closed them, leaving people to access activities with their personal budgets. However we are now more limited in the choice and range of activities that can be offered. We are trying to recruit volunteers and currently eleven new people have been appointed. The subject of day centres is itself part of a more detailed scrutiny review.

The Director acknowledged that, although there are no new savings for next year outside what has already been agreed, it was a legitimate matter for scrutiny to look at the impact to date of savings. He offered to bring a report on the impact of the savings to a future panel meeting if this is what the panel wanted.

The Cabinet Member for Adult Social Care and Health said he had met with the voluntary sector to discuss these issues and would be happy to do so again. Many of the comments raised related to the process as much as the end results. We must ensure that we agree on the process.

A panel member asked for clarification about how the mitigation fund had been used to offset the impact of the social care savings. The Assistant Director of Resources has said that there is currently a £5 million overspend in Adult Social Care and a variety of measures are being used to reduce it including the use of the fund. No further decisions can be made about the mitigation fund until the overspend is under control.

A panel member asked if comparative information from other councils can be provided. The Director reported that there is data available and he will bring it to the next meeting.

Panel members had a further discussion about the mitigation fund and expressed concern that the fund was due to be set aside to delay the impact of the savings and there is no clear understanding of the current position.

A panel member said more information is needed in relation to the current position with adult social care savings specifically those that should have been made and the reasons for the adult social care overspends. The Chair said this will be discussed in more detail at the next meeting.

RESOLVED

The Director of Community and Housing to provide a an update on the impact of the adult social care savings to the next meeting

5 MERTON IMPROVING ACCESS TO PSYCHOLOGICAL THERAPIES SERVICE (Agenda Item 5)

The mental health commissioning manager gave an overview of the report highlighting that the service is performing well on waiting times but not so on access to the service and recovery.

A panel member asked if there is follow up if people make initial contact then but do not attend appointments. The Mental Health Commissioning Manager reported that three attempts are made to establish contact with the client.

A panel member expressed concern that six weeks could be too long to wait for an appointment. The Mental Health Commissioning Manager said the service should prioritise people according to need and will confirm that this is the case. The Director of Commissioning added that the model is not designed to treat acute conditions but rather support health and wellbeing.

The Director of Public Health said she understood that there is a prevalence of low level mental health need in the community yet the service is struggling to find clients. She sought clarification as to whether the service treats people who also have drug and alcohol issues. The Senior Mental Health Commissioning Manager said they do, although the client must be sober to benefit from the service. We do need a better understanding of people’s reluctance to access the service, it could be due to confidence issues.

RESOLVED

Merton Clinical Commissioning Group to provide data on the proportion of over 65s and younger age groups who access the service.

MCCG to provide clarification that those clients accessing the service are prioritised according to their level of need.

6 PHYSICAL ACTIVITY FOR THE FIFTY FIVE PLUS AGE GROUP (Agenda Item 6)

The Director of Public Health gave an overview of the report stating that the shrinking budget reflects the range of services which can be provided. There is a difficult balance between prevention and acute needs. Services are focussed on high risk patients such the falls and diabetic service. The team are also developing a digital offer which can reach a large number of people and is cost effective.

The team are also looking at ways to develop a health promotion environment. This includes encouraging people to use the stairs rather than the lift. They are also looking at opportunities in working with the leisure department and ways to increase volunteering.

A panel member asked how they support people in danger of falling. The Director reported that this is a high priority area and can provide balancing training although it can be hard to identify those at risk.

A panel member asked how small charities that provide physical activity for the 55 plus can get funding. The Director reported they can use a range of measures including seeking volunteers and asking for donations for their work.

RESOLVED
The Director was thanked for her report and attending the Panel.

7 WORK PROGRAMME (Agenda Item 7)

The work programme was noted.

This page is intentionally left blank

Committee: Healthier Communities and Older People Overview and Scrutiny Panel

Date: **10 January 2017**

Wards: All

Subject: **Impact of savings in adult social care**

Lead officer: Simon Williams Director of Community and Housing

Lead member: Councillor Tobin Byers Cabinet Member for Adult Social Care and Health

Contact officer: Simon Williams

Recommendations:

A. That the scrutiny panel note this report

---

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report provides an update on the 2016/17 savings plan for Adult Services and the impact on social care outcomes. It should be read in conjunction with the report to this panel in October 2015 which summarised the impact of savings to up to that point. This report is attached as an appendix 1.

2 DETAILS

As part of the whole council's Medium Term Financial Strategy, adult social care has needed to play a full part in finding those savings demanded by the strategy, since adult social care is the single largest controllable budget for the council. Agreed savings come to a cumulative total of nearly £29m between 2011/12 and 2018/19. This is against a net budget of around £48m in 16/17.

2016/17 has been a challenging year for the service, with significant staff changes and a difficult financial landscape. Members will have noted the forecast overspend for the service in the budget monitoring papers. A significant overspend on the placements budget was inherited from 2015/16, which was mitigated by underspends elsewhere in the departmental budget in that year. These mitigating underspends are significantly reduced in 2016/17. In addition to the brought forward pressure, there has been significant provider price pressure, as providers seek to recover their fee income after a number of years of fee restraint, and due to the increase in the national minimum wage. . This has created a difficult backdrop to achieving further savings.

As at the period 8 budget monitoring the service is forecasting that it will achieve £3.5m of the £5m 2016/17 target. The main reason for the shortfall is pressure on the placements budget including home care hours due to increasing frailty of those using the service. There have also been some slight delays in implementing certain changes, and increased income targets have not been achievable.

Since 2011 the Community and Housing Department has managed its savings programme for adult social care using a framework for the use of resources on a value base. This framework was pioneered by Merton and two other local authorities and is now in more widespread use. A copy of this is attached (Appendix 2). The impact of savings is summarised under these headings.

It should be noted that this report looks at impact on the customer base overall for adult social care. There will of course be specific examples of how customers may be positively or negatively affected by savings: however this is outside the scope of this report.

2.1 Prevention

Generally prevention is being more targeted on interventions which have a clear and more immediate impact in terms of reducing demand for statutory services. This formed the basis of the Ageing Well programme. Some voluntary organisations have seen a decrease in or ending of funding, and the volume of funded programmes has reduced especially taking into account transport. In 2016/17 a savings target of £500k was set against the prevention programme. This was achieved by reducing the value of the Ageing Well programme from £940k to £440k. The reduced continued funding is focused on support for carers, information/advice/solution finding, support for hospital discharge, and in the short to medium term alternatives to the decommissioned meals on wheels service.

The other main source of non statutory funding is in accommodation based support under Supporting People, which goes to a range of vulnerable people including victims of domestic violence, offenders, homeless people, and people with mental disorders. There were no reductions in funding in 2016/17, although there are targets for 2017/18 and 2018/19, which may need to be reviewed if legislation is passed giving authorities greater duties in relation to single homeless people.

2.2 Recovery

Investment in this area is mainly around our re-ablement service (which supports mostly those being discharged from hospital) and equipment. The re-ablement service was downsized in 2014/15 and there were no further reductions in 2016/17.

Regarding equipment, the range of equipment we will supply is in line with other authorities. There has been no reduction in the budget for equipment, but the budget has come under pressure from increased demand. There has been a recent successful bid of £5k to the national Better Care Fund for one off purchase of equipment this year.

2.3 Long term support

Overall volumes of customers has continued its gradual decline. This is in line with national trends, where authorities are concentrating scarce resources on those with the greatest needs. Table 1 below shows the trend since 2010/11.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Customers receiving long term support	4326	4250	4210	4161	4095	3991

Table 1 Long term care customer

The greatest change continues to be in the use of residential care. Permanent placements have continued to reduce in line with national trends and the strategy of reducing dependency on residential care. The cost of placements, however, is increasing.

SERVICE TYPE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Apr-Oct 2016
Permanent Residential Home	546	529	517	485	443	397	322
Permanent Nursing Home	341	344	331	320	307	290	244
Total permanent Residential & nursing	**887**	**873**	**848**	**805**	**750**	**687**	**566**

Table 2 Residential care placements 2010/11-2015/16

Home care packages, however, have stabilised and have risen slightly as we support more people at home. The savings attributed to reviews of care packages relate to seeking more cost effective care solutions rather than reducing the number of people receiving home care.

SERVICE TYPE	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Apr-Oct 2016
Total planned home care hours	535,658	523,117	495,134	512,905	670,739	742,214	774,556
Home Care unit costs	-	-	-	£18.00	£15.01	£15.70	*£15.70**

Table 3 Home Care packages 2010/11-2015/16 ** Projected rate*

The most impact in Direct Provision has been on day services. The three day centres for people with learning disabilities now offer a reduced range of community activities with the main remit being to provide safe and secure day time respite. Future savings will come from management posts and efficiencies in the residential/supported living service.

There is a savings target of £1.8m from finding more cost effective solutions across all care groups. This is generally achieved by reviewing or re-assessing current support plans and identifying options to reduce the costs. This is done with each individual based on an assessment of their eligible needs and options to meet them. The service is currently forecasting that it will only achieve £550k of this target, due to the difficulties in identifying more cost effective alternatives in the current market and due to the increased dependency levels of customers.

2.4 Process

The new Social Care Information System (MOSAIC) has undergone delays in implementation mainly due to finding the skills needed for the finance aspect, but it is now scheduled for April 2017. Despite this, the service has successfully managed to reduce staffing levels. The service has reduced from 383 fte to 256 fte as a result of the significant restructure exercise carried out in early 2016. Most of these reductions were met from the deletion of vacant posts and voluntary redundancies. Due to a delay in implementation £1,745k of the £1,792k savings target was achieved in year.

Work is continuing to adapt policies and processes to meet the reduced capacity. The implementation of MOSAIC will help improve productivity. In the meantime, customers may have faced some delays in accessing assessments and support, and there has been a temporary backlog in financial assessments which has now been nearly cleared.

2.5 Partnerships

We have long standing partnerships and integrated services in the areas of mental health and learning disabilities. We see this as essential if we are to continue to deliver good outcomes with less funding.

The Better Care Fund is a core element of the relationship with the CCG. The target to increase the transfer of resources through the BCF by £200k was not achieved due to local financial constraints, despite nationally there being a higher level of BCF declared. The level of previous investment in social care was maintained, despite the pressures on the health system. Outcomes from investment in the fund are monitored and reported to NHS England and the local Health and Wellbeing Board. During 2016/17 there has been a reduction in delayed transfers of care (with performance currently top quartile for London), a reduction in care home admissions, and local arrangements for greater integration with community health services have been progressed. However there has not been the hoped for level of reductions in emergency admissions to local acute hospitals.

2.6 Contributions

Customers contribute to the costs of services according to their means. This income from client contributions fell short in 2015/16 by £639k against the budget, and was £1.1m less than the previous year. Income is projected to fall by a further £200k in 2016/17. A review of client income is ongoing to try to ascertain the causes of the reduction in client income. The trend in client income is shown below. It shows that the main reduction has been in residential and nursing care.

Trends in placement income 2011/12 to 2016/17

	Residential £000	Nursing £000	Homecare £000	Other £000	Actuals £000	% change	Budget £000	Over/Under
11/12	£5,026	£3,494	£2,054	£774	£11,348	-	£10,285	£1,063
12/13	£5,332	£4,682	£1,710	£686	£12,410	9.4%	£10,267	£2,143
13/14	£5,237	£4,317	£1,720	£946	£12,220	-1.5%	£10,968	£1,252
14/15	£4,935	£4,474	£1,920	£1,036	£12,364	1.2%	£11,749	£615
15/16	£4,441	£3,969	£1,827	£999	£11,236	-9.1%	£11,874	-£639
16/17	£4,190	£4,168	£1,818	£944	£11,120	-1.0%	£11,874	-£849
Difference 14/15 - 16/17	-£744	-£306	-£102	-£93	-£1,339			

Table 4 Trends in client income

The 2016 Association of Directors of Adult Social Care (ADASS) budget survey shows that authorities are expecting a fall of c20% in client contributions. However, the 2015 survey reported an expectation of stable income. The sudden drop in forecast income for this year may reflect significant underachievement of income in 2015/16, in line with Merton's experience.

ADASS reports that authorities are expecting the fall in income to be predominantly in residential care as more clients are supported at home. We could also conjecture that significant press attention on the issue of paying for care has alerted families to the 'benefits' of strategies to transfer or hide parental assets. There is evidence from elsewhere of financial advisors selling their services for 'wealth protection'. However, it is difficult assess the impact of this factor.

The charging consultation group continues to meet to provide a forum for the council to discuss its policies and implementation with customers.

2.7 Have savings impacted on performance and customer experience?

Key indicators from the Adult Social Care Outcome Framework are given in appendix 2. They show that generally performance has been maintained against our Comparator Group Average (CGA).

The indicators show that we continue to maintain our performance in avoiding residential admissions (ASCOF 2a(2)) and in keeping people living independently (ASCOF 1G and 1H).

The two areas where performance has dropped is delayed transfers and user satisfaction. Due to significant difficulties in the local care market, delayed transfers of care generally and those attributable to social care both worsened in 2015/16, however only to our comparator average. Performance has since improved in 2016/17, and Merton remains in the top quartile of authorities. Performance indicators ASCOF 2C(1) & (2) have both improved from 8.8 (all delays) and 3.6 (social care delays) to 6.9 and 1.7 respectively.

Customer satisfaction dropped below our comparators in 2015/16, which is not surprising given the changes made in that year. We do not yet have the results for 2016/17.

2.8 Conclusion

Adult social care has continued to need to deliver significant savings. In common with the rest of England, the savings are becoming harder to make and are having a greater impact on customer experience, as comes through from some concerns being expressed by individuals and groups. Objective overall performance as measured by the national outcomes framework has generally been maintained. The need to meet statutory duties under the Care Act and the cost pressures in the market mean that not all savings are being delivered and that the forecast budget out turn reflects a large overspend.

3 ALTERNATIVE OPTIONS

One alternative would be not to find savings in this area; however this would not be feasible if the medium term financial strategy is to be delivered. Another alternative would be to look for other ways of finding savings: examples would be closing in house day centres, using a resource allocation system to reduce all personal budgets across the board, or ceasing all investment in prevention. Whilst these alternatives are at present not deemed appropriate or recommended, all options have to be kept under review.

4 CONSULTATION UNDERTAKEN OR PROPOSED

Adult social care has sought to share its strategic approach to finding savings with for example partners, the voluntary sector and healthwatch. Extensive consultation took place regarding the replacement savings for 2016/17 along with overall savings in the MTFS, the results of which were reported to this panel. Further consultation will take place on any further service changes as required.

5 TIMETABLE

Savings are in line with the medium term financial strategy.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

Adult Services has a savings target of £5m, of which £3.5m is forecast to be achieved. The service is currently forecasting an overspend of £8m as at period 8.

There are no specific property implications

7 LEGAL AND STATUTORY IMPLICATIONS

Adult social care is broadly a statutory service, with council duties enshrined in law especially the Care Act. Customers of adult social care have a statutory right to support if they are eligible according to criteria which are now national. Any savings must be planned and implemented in a way which does not breach these statutory duties.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

Customers of adult social care will inevitably tend to come from protected groups under equalities principles, especially for age and disability. This is why equalities impacts are done for proposed savings.

9 CRIME AND DISORDER IMPLICATIONS

None specific for this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

Adult social care is in the core business of supporting customers and carers to manage risks in their own lives and to use risk criteria to determine the level of urgency and priority for support. Savings have to be planned and implemented in the knowledge that these risks must be managed.

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

Appendix 1 – report to HCOP October 2015

Appendix 2 – Use of Resources Framework

Appendix 3 – Adult Social Care Outcome Framework – performance indicators

Subject: ***Impact of savings in adult social care***

Lead officer: Simon Williams Director of Community and Housing

Lead member: Councillor Caroline Cooper-Marbiah

Contact officer: Simon Williams

Recommendations:

B. *That the scrutiny panel note this report*

12 *PURPOSE OF REPORT AND EXECUTIVE SUMMARY*

This report outlines the approach to finding savings in adult social care, using a framework promoting the best use of resources, and summarises the impact overall.

13 *DETAILS*

As part of the whole council Medium Term Financial Strategy, adult social care has needed to play a full part in finding those savings demanded by the strategy, since adult social care is the single largest controllable budget for the council. The weighting of the savings target is in line with the July 2011 principles of meeting statutory responsibilities and offering some protection to vulnerable groups. For adult social care the target is 1.0 or exactly proportionate to the size of the budget. For CSF it is 0.75 and for CS and E&R it is 1.25.

Agreed savings come to a cumulative total of nearly £29 m between 2011/12 and 2018/19. This is against a net budget of around £55m in 15/16. However so far every year about £1m in growth has been put back into the budget in recognition of pressures from demography, and a smaller amount of funding has been put in for inflation. We are about half way through this savings programme, both in terms of time and the profile of savings taken (£13.8m still to deliver from 2014/15 to 2018/19). On top of this there will be some further savings coming forward in the 15/16 budget round for 16/17 and subsequent years, totalling around £2.9m, as the contribution to the remaining savings still to be found up to 2018/19. See Appendix 5 for details of savings over the years.

Since 2011 the Community and Housing Department has managed its savings programme for adult social care using a framework for the use of resources on a value base. This framework was pioneered by Merton and two other local authorities and is now in more widespread use. A copy of this is attached (Appendix 1). The impact of savings is summarised under these headings.

It should be noted that this report looks at impact on the customer base overall for adult social care. There will of course be specific examples of how customers may be *positively or negatively affected by savings: however this is outside the scope of this report*

2.1 Prevention

Generally any prevention is being more targeted on interventions which have a clear impact in terms of reducing demand for statutory services, and as such is being targeted on those in higher levels of need. The attached "triangle of intervention" (Appendix 2) was agreed with the voluntary sector in 2010, at that point we signalled an end to investment in Level 4 services and said there would be a focus on outcomes at Level 3. This formed the basis of the Ageing Well programme from 2012-15. Some voluntary organisations have seen a decrease in or ending of funding, and the volume of funded programmes has reduced especially taking into account transport. In the next round of investment (2015-8) the amount of available funding will be halved and we are signalling that it will be targeted still further up the "triangle" going into Level 2.

The other main source of non statutory funding is in accommodation based support under Supporting People, which goes to a range of vulnerable people including victims of domestic violence, offenders, homeless people, and people with mental disorders. The overall level of such support has reduced as part of reductions in this fund, although support has not dropped as much as funding because of tightened contract monitoring. Looking ahead there will be further significant reductions in support offered.

2.2 Recovery

Investment in this area is mainly around our re-ablement service (which supports mostly those being discharged from hospital) and equipment.

We have significantly downsized the in-house re-ablement service in 14/15 but our aim remains to give the opportunity to all those who can benefit from re-ablement to use the service and regain maximum independence. Since 2011/12 Merton has performed well in terms of facilitating timely discharge from hospital (measured through Delayed Transfers of Care due to social care reasons), and usually been among the very best in London. For the first few months of 15/16 however this has been more challenging due to market conditions described below.

Regarding equipment, the range of equipment we will supply is in line with other authorities. The waiting list and waiting times for assessment has not increased. We have achieved better value for money through procurement from a store managed by Croydon. We have tried, and will continue to try, ways of enabling people to access the more common types of equipment without needing assessments at home, for example having an assessment centre where people can come in and trial certain equipment, and offering guided support on our web site.

2.3 Long term support

Overall volumes of support offered have decreased in real terms. The total number of customers receiving services fell from 4326 in 2010/11 to 4095 in 2014/15, despite greater demand due to demography. The decrease has been more marked in numbers in care homes (1133 down to 966) but also is evidence for those receiving home care

(1645 to 1549). We are achieving this through an explicit promoting independence approach, whose key principles are also attached (Appendix 3), and including a programme of reviews to see if people still need so much support once we have helped them through the original issue which brought them our way. Looking ahead, between 2015 and 2019 we estimate that a further overall reduction of 15% in terms of volume will be needed to achieve the required savings. This carries a high delivery risk given that all those affected are statutorily eligible for services, but given that the majority of social care spend is in this area (funding the private and voluntary sector to provide support), there is nowhere else to look to achieve the savings target. It is important to state that, whilst we believe that overall it is both possible and necessary to make further savings in this area, each customer has a review based on his/her own needs without a prior determination of the outcome.

The cost of support reduced in real terms up to 14/15 through not offering inflationary uplifts to providers and through quite intensive negotiations where required, using models which calculated how much it was reasonable to pay for a given set of support needs. These procurement savings have formed a major part of the savings achieved to date. However, it is common knowledge that providers now have very limited if any room for further cashable efficiencies based on current models. This is due to a range of national factors such as a legal clarification of what constitutes the national minimum wage, European legislation over matters like sleeping in and paid time to a first call, shortage of people to work in this sector, and providers using greater leverage to increase prices. Because Merton has in recent years paid comparatively less overall to its providers than neighbouring boroughs, we are now finding it increasingly difficult to find providers to take our customers unless we pay more. This is having an impact this year, both in an increase in delayed discharges from hospital as providers do not want to take the more complex part of the work, and in terms of our having to pay higher prices overall which is a cost pressure of around £500k for this year.

Our long term support for people with learning disabilities is based on good support for people in their own homes, good respite for carers, and good day services. We are one of the very few boroughs who still offer specialist residential care respite, although carers would say that this has had to be rationed more and certainly carers experience a marked drop in nights available as they move from children's to adult services. For day services, again we have retained in house day centres because carers and service users say that they want them and because in our view there are a cost effective way of offering reliable support. We have had to cut both staffing levels and transport, with the impact that we offer less door to door transport and we offer fewer tailored programmes to individuals or small groups outside day centres. We are seeking to mitigate the latter impact through recruiting more volunteers. We still offer door to door transport for these who are assessed as needing it under our assisted travel policy.

2.4 Process

We have reduced numbers of staff who are not direct care givers from 265 FTE in 2012/13 to 168 in 2015/16. There are further significant staffing savings to find in this area amounting to about 30-35 staff. We seek to minimise adverse impact on customers through looking first to non- front line staff wherever possible, and through finding more efficient ways of doing things. Examples of changes are letting Merton Vision manage the whole process for newly visually impaired people rather than insisting on assessing them ourselves, and most recently the closure of one "access *team" who did initial screening and responses to referrals in favour of looking more to the voluntary sector to do this. We are four months into this change and to date are not experiencing a negative impact. Due to the disproportionate numbers of non front line posts cut (for example in management and commissioning) it is becoming more challenging to deliver on the full range of management, administrative and commissioning tasks expected of us. As we look for further ways to achieve savings, it is likely that we will be looking to reduce duplication with NHS or voluntary sector processes, and where possible move more processes to be controlled by customers. We are also looking for ways to support our care management staff to spend a higher percentage of their time in contact with customers through a new information system being brought in at the start of 2016, and through using the principles of flexible working.*

2.5 Partnerships

Despite the financial pressures described above our partnership with the voluntary sector has remained strong, and adult social care has played a leading role in some of the Compact awards won by Merton. We continue to greatly value the ability to discuss with the sector, frankly and where needed confidentially, how together we can find ways to meet customer needs with less money.

Regarding the NHS, we have long standing partnerships and integrated services in the areas of mental health and learning disabilities. We see this as essential if we to continue to deliver good outcomes with less funding. In early 2013 we agreed with the Clinical Commissioning Group and other NHS partners to extend this integration into the area of older people and people with long term conditions, with three locality teams now having been formed including social care, primary care and community services health staff. We see this as offering a better customer experience and helping us to achieve our staffing efficiency savings through reducing duplication.

2.6 Contributions

Customers contribute to the costs of services according to their means. This income increased from £8.3m in 2011/12 to £9m in 2014/15. There comes a point where there is little point in putting fees and charges up further because very few customers would pay the higher rates when the means test is taken into account. Merton is already among the councils who levy higher charges compared with other similar councils. This is why there are no proposals for future years to make savings by increasing income in this area.

The council gets a contribution from the NHS for the costs of nursing care in nursing homes: given usage of nursing homes has declined it would be difficult to plan for greater income in this area. Finally the council also gets a contribution in 2015/16 from the CCG through the Better Care Fund for keeping social care at a level which is sufficiently responsive for the NHS.

2.7 Have savings impacted on performance and customer experience?

Up to 14/15 performance levels have generally held up well. There are not long waiting times for assessment, safeguarding incidents are handled in a timely way, we have facilitated discharge from hospital effectively, we support more people into employment *compared with other London councils. We are average on customer satisfaction levels. We have a quality board to ensure that a focus on customer experience and quality is retained. Appendix 4 shows how some key areas of performance have changed over recent years.*

2.8 Conclusion

In general for the years 2011/12 to 2013/14 it has been broadly possible to make efficiency savings with surprisingly low impact on customer experience. However much of this was through squeezing provider prices through procurement, and finding other reasonably palatable ways of saving money. The use of resources framework has given us a systematic and value based way of looking at the totality of our investment and not just the savings, and of discussing plans and options with stakeholders.

2014/15 began to see a change, in that it proved far more difficult to realise the savings in support packages, and we began to see the tailing off of reductions in fees paid to providers.

Looking ahead from 2015/16, savings will be less palatable, especially as there are in reality virtually no further price savings to be found from providers and instead there will be upward pressure on prices, and as we make further staffing reductions from an already reduced base. It will be necessary to monitor very closely the impact and feasibility of savings every year.

14 *ALTERNATIVE OPTIONS*

One alternative would be not to find savings in this area; however this would not be feasible if the medium term financial strategy is to be delivered. Another alternative would be to look for other ways of finding savings: examples would be closing in house day centres, using a resource allocation system to reduce all personal budgets across the board, or ceasing all investment in prevention. Whilst these alternatives are at present not deemed appropriate or recommended, all options have to be kept under review

15 *CONSULTATION UNDERTAKEN OR PROPOSED*

Adult social care has sought to share its strategic approach to finding savings with for example the voluntary sector and healthwatch. Whilst the medium term financial strategy has not been formally consulted on because it is a medium term plan subject to change, adult social care consulted on replacement savings for 15/16 and intends to consult on all savings for 16/17.

Appendix 2 – Use of Resources Framework

Prevention

I am not forced into using health and social care earlier than I need to. I am enabled to live an active life as a citizen for as long as possible and I am supported to manage risks

Recovery

When I initially need health or social care, I am enabled to achieve as full a recovery as possible and any crises are managed in a way which maximises my chances of staying at home

Long Term Support

If I still need continued support, I am able to choose how this is done. I can choose from a range of services which offer value for money. The resources made available to me are kept under review

Process

The processes to deliver these three outcomes are designed to minimise waste, which is defined as anything that does not add value to what I need

Partnership

The organisations that support me work together to achieve these outcomes. These organisations include health and social care, other functions in statutory bodies such as councils or government, and the independent sector

Contributions

I and others who support me are expected and enabled to make a fair contribution to this support. These contributions may be financial according to my means, informal care and support from those close to me or from volunteers, or from me playing my own part in achieving these outcomes

Appendix 3

Adult Services Care Outcome Framework – national performance data

ASCOF ref:	Indicator	2012/13		2013/14		2014/15		2015/16		Oct 16
		Merton	CGA	Merton	CGA	Merton	CGA	Merton	CGA	Merton
2A(2)	Permanent admissions of older people (65+) to residential & nursing care homes per 100,000 pop	420.8	432.8	507.7	414.9	336.9	444.3	417.1	495.5	-
2C(1)	Delayed transfers of care from hospital per 100,000 pop	2.5	6.1	2.7	6.7	4.4	7.2	8.5	8.8	**6.9**
2C(2)	Delayed transfers of care from hospital attributable to social care, per 100,000 pop	0.7	1.9	0.0	2.0	0.7	2.3	3.6	3.6	**1.7**
1G	Proportion of adults with learning disabilities who live in their own home or with their family (%)	73.4	69.8	70.4	71.6	74.5	67.5	76.6	71.3	**78.9**
1H	Proportion of adults in contact with secondary mental health services who live independently, with or without support (user survey)	76.9	79.7	82.1	78.9	86.9	79.7	85.7	73.2	**91.6**
3A	Overall satisfaction of people who use services with their care and support (User survey)	57.4	59.6	63.3	60.7	63.3	60.1	58	60.1	-
3D(1)	Proportion of people who use services who find it easy to find information about support (user survey)	71.8	68.7	78.6	73.1	75.1	73.4	74.5	72.2	-
4A	Proportion of people who use services who feel safe (user survey)	57.4	62.3	68.9	62.7	67.1	65.0	69.8	67.2	-
4B	Proportion of people who use services who say that those services have made them feel safe & secure (user survey)	60.4	72.7	86.3	78.4	78.8	81.8	76.5	82.0	-

CGA = Comparator Group Average;

Committee: Healthier Communities & Older People Overview and Scrutiny Panel
10 January 2017

Children and Young People Overview and Scrutiny Panel
11 January 2017

Sustainable Communities Overview and Scrutiny Panel
12 January 2017

Overview and Scrutiny Commission
26 January 2017

Wards: ALL

Subject: Business Plan Update 2017-2021 (Members are requested to bring the Business Plan Consultation Pack with them to these meetings)

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Contact officer: Paul Dale

Recommendations:

1. That the Panel considers the proposed amendments to savings previously agreed set out in the Business Plan Consultation Pack;
2. That the Overview and Scrutiny Commission also consider the Draft Business Plan 2017-21 report received by Cabinet at its meeting on 16 January 2017;
3. That the Panel considers the draft capital programme 2017-21 and indicative programme for 2022-26 set out in Appendix 5 of the attached report on the Business Plan;
4. That the Panel considers the draft savings/income proposals and associated equalities analyses set out in the Business Plan Consultation Pack;
5. That the Panel considers the draft service plans set out in the Business Plan Consultation Pack ;
6. That the Panel considers the contents of the consultation pack circulated;
7. That the Panel considers the proposed growth set out in the business Plan Consultation Pack and considers the options for closing the revised gap in the MTFS set out in the report to Cabinet on 12 December 2016;
8. That the Overview and Scrutiny Commission considers the comments of the Panels on the Business Plan 2017-2021 and details provided in the consultation pack and provides a response to Cabinet when it meets on the 13 February 2017.

---

1. Purpose of report and executive summary

1.1 This report requests Scrutiny Panels to consider the latest information in respect of the Business Plan and Budget 2017/18, including proposed amendments to savings previously agreed by Council, the draft capital programme 2017-21, the draft savings/income proposals and associated equalities analyses for 2017-21, the draft service plans, the proposed growth 2017-21and the options for closing the revised gap in the MTFS,and feedback comments to the Overview and Scrutiny Commission.

1.2 The Overview and Scrutiny Commission will consider the comments of the Panels and provide a response on the Business Plan 2017-21 to Cabinet when it meets on the 13 February 2017.

2. Details - Revenue

2.1 The Cabinet of 12 December 2016 received a report on the business plan for 2017-21.

2.2 At the meeting Cabinet

RESOLVED:

That Cabinet

1. agrees the draft savings/income proposals (Appendix 2) and associated draft equalities analyses (Appendix 7) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2017 for consideration and comment.

2. agrees the latest amendments to the draft Capital Programme 2017-2021 which was considered by Cabinet on 12 October 2016 and by scrutiny in November 2016.(Appendix 5)
3. considers the proposed amendments to savings previously agreed. (Appendix 3)
4. agrees the growth as outlined in paragraph 2.3.8 and Appendix 9 and consider the options for closing the revised gap in the MTFS as set out in Section 7 and refers them to the Overview and Scrutiny panels and Commission with more details in January 2017 for consideration and comment.
5. agrees the Council Tax Base for 2017/18 set out in paragraph 2.5 and Appendix 1.
6. consider the draft service plans. (Appendix 6)

3. Alternative Options

3.1 It is a requirement that the Council sets a balanced budget. The Cabinet report on 12 December 2016 sets out the progress made towards setting a balanced budget and options on how the budget gap could be closed. This identified the current budget position that needs to be addressed between now and the next report to Cabinet on 16 January 2017 and 13 February 2017, prior to Council on 1 March 2017, agreeing the Budget and Council Tax for 2017/18 and the Business Plan 2017-21, including the MTFS and Capital Programme 2017-21.

4. Capital Programme 2017-21

4.1 Details of the draft Capital Programme 2017-21 were agreed by Cabinet on 12 December 2016 in the attached report for consideration by Overview and Scrutiny panels and Commission.

5. Consultation undertaken or proposed

5.1 Further work will be undertaken as the process develops.

5.2 There is a meeting on 7 February 2017 with businesses as part of the statutory consultation with NNDR ratepayers. Any feedback from this meeting will be incorporated into the February Cabinet report.

5.3 As previously indicated, a savings proposals consultation pack was prepared and distributed to all councillors at the end of December 2016 with a request that it be brought to all Scrutiny and Cabinet meetings from 10 January 2017 onwards and to Budget Council. This should maintain the improvement for both councillors and officers introduced last year which made the Business Planning process more manageable for councillors and ensures that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also considerably reduces printing costs and reduces the amount of printing that needs to take place immediately prior to Budget Council.

5.4 The consultation pack includes:

- Savings proposals
- Growth proposals
- Equality impact assessments for proposals where appropriate
- Service plans (these will also be printed in A3 to lay round at scrutiny meetings)
- Budget summaries for each department
- Council Tax and Council spending consultation results

6. **Timetable**

6.1 The timetable for the Business Plan 2017-21 including the revenue budget 2017/18, the MTFS 2017-21 and the Capital Programme for 2017-21 was agreed by Cabinet on 19 September 2016.

7. **Financial, resource and property implications**

7.1 These are set out in the Cabinet report for 12 December 2016. (Appendix 1)

8. **Legal and statutory implications**

8.1 All relevant implications have been addressed in the Cabinet reports. Further work will be carried out as the budget and planning proceeds and will be included in the budget reports to Cabinet on the 16 January 2017, and 13 February 2017.

8.2 Detailed legal advice will be provided throughout the budget setting process further to any proposals identified and prior to any final decisions.

9. **Human Rights, Equalities and Community Cohesion Implications**

9.1 All relevant implications will be addressed in Cabinet reports on the business planning process.

9.2 A draft equalities assessment has been carried out with respect to the proposed budget savings and is included in the Business Plan Consultation Pack circulated to all Members.

10. **Crime and Disorder implications**

10.1 All relevant implications will be addressed in Cabinet reports on the business planning process.

11. **Risk Management and Health and Safety Implications**

11.1 All relevant implications will be addressed in Cabinet reports on the business planning process.

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

Appendix 1 - Cabinet report 12 December 2016: Draft Business Plan Update 2017-21 (NB: This excludes Savings, Growth, Service Plans and Equalities Assessments which are included in the Business Plan Consultation Pack)

Appendix 2 - Cabinet report 16 January 2017: Draft Business Plan 2017-21(TO FOLLOW WHEN PUBLISHED)

BACKGROUND PAPERS

12.1 The following documents have been relied on in drawing up this report but do not form part of the report:

Budget files held in the Corporate Services department.

2016/17 Budgetary Control and 2015/16 Final Accounts Working Papers in the Corporate Services Department.
Budget Monitoring working papers
MTFS working papers

13. REPORT AUTHOR

– Name: Paul Dale
– Tel: 020 8545 3458

email: paul.dale@merton.gov.uk Budget files held in the Corporate Services department.

Cabinet

12 December 2016

Agenda item:

Business Plan Update 2017-2021

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

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

Contact officer: Paul Dale

Urgent report:
Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2017/18 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2017-2021. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 1 March 2017 and set a Council Tax as appropriate for 2017/18.

Recommendations:

1. That Cabinet considers and agrees the draft savings/income proposals (Appendix 2) and associated draft equalities analyses (Appendix 7) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2017 for consideration and comment.
2. That Cabinet agrees the latest amendments to the draft Capital Programme 2017-2021 which was considered by Cabinet on 12 October 2016 and by scrutiny in November 2016.(Appendix 5)
3. That Cabinet considers the proposed amendments to savings previously agreed. (Appendix 3)
4. That Cabinet agree the growth as outlined in paragraph 2.3.8 and Appendix 9 and consider the options for closing the revised gap in the MTFS as set out in Section 7 and refers them to the Overview and Scrutiny panels and Commission with more details in January 2017 for consideration and comment.
5. That Cabinet agrees the Council Tax Base for 2017/18 set out in paragraph 2.5 and Appendix 1.
6. That Cabinet consider the draft service plans. (Appendix 6)

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report provides an update to Cabinet on the Business Planning process for 2017-21 and in particular on the progress made so far towards setting a balanced revenue budget for 2017/18 and over the MTFS period as a whole.

1.2 Specifically, the report provides details of revenue savings and income proposals put forward by officers in order to meet the savings/income targets agreed by Cabinet in September 2016.

1.3 The report also provides an update on the capital programme for 2017-21 and the financial implications for the MTFS.

1.4 The report provides a general update on all the latest information relating to the Business Planning process for 2017-21 and an assessment of the implications for the Medium Term Financial Strategy 2017-21.

1.5 This report is one of the budget updates through the financial year and will be referred to the Overview and Scrutiny Panels and Commission in January 2017.

2. DETAILS

Introduction

2.1 A review of assumptions in the MTFS was undertaken and reported to Cabinet on 19 September 2016. There was also a report to Cabinet on 12 October 2016 which provided an update on progress made towards achieving savings previously agreed and proposed some amendments to these, and also provided details of the latest capital programme, including new bids and an indicative programme for 2022- 2027. The report referred them to the Overview and Scrutiny panels and Commission for consideration.

2.2 Taking into account the information contained in both the September and October Cabinet reports, the overall position of the MTFS reported to Cabinet on 12 October 2016 was as follows:-

(Cumulative Budget Gap)	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MTFS Gap before Savings	9,462	15,206	16,565	31,995
Savings identified	(9,462)	(15,206)	(15,179)	(15,380)
MTFS Gap (Cabinet October 2016)	0	0	1,386	16,615

2.3 **Review of Assumptions**
Since Cabinet in October, work has been continuing to review assumptions, identify new savings/income proposals and analyse information which has been received since then.

2.3.1 Pay

As reported to Cabinet in September 2016, the current assumptions regarding pay inflation incorporated into the MTFS are based on the local government pay award for 2016/17 which 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 provision for pay inflation has been reviewed and the following amounts are forecast to be required in the updated MTFS:-

Provision for Pay Inflation:

(Cumulative)	2017/18	2018/19	2019/20	2020/21
Pay inflation (%)	1.0%	1.0%	1.0%	1.0%
MTFS 12/10/2016 (cumulative £000)	984	1,969	2,953	3,938

2.3.2 Prices

The estimates for price inflation agreed by Council in March 2016 were reviewed and included in the September 2016 report to Cabinet. There has been a further review and the latest forecast is set out in the following table:-

	2017/18	2018/19	2019/20	2020/21
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Revised estimate (cumulative £000)	2,200	4,400	6,599	8,799

The Consumer Prices Index (CPI) rose by 0.9% in the year to October 2016, compared with a 1.0% rise in the year to September. The main reasons for the drop in the rate were downward pressures to the prices for clothing and university tuition fees, which rose by less than they did a year ago, as well as falling prices for certain games and toys, overnight hotel stays and non-alcoholic beverages. The reduction in the rate was offset by rising prices for motor fuels, and by prices for furniture and furnishings, which fell by less than they did a year ago.

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

The RPI 12-month rate for October 2016 stood at 2.0%, unchanged from September 2016.

Outlook for inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 2 November 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.

The MPC's latest projections for output, unemployment and inflation, conditioned on average market yields, are set out in the November Inflation Report. Output growth is expected to be stronger in the near term but weaker than previously anticipated in the latter part of the forecast period. The unemployment rate is projected to rise to around 5½% by the middle of 2018 and to stay at around that level throughout 2019. Largely as a result of the depreciation of sterling, CPI inflation is expected to be higher throughout the three-year forecast period than in the Committee's August projections. In the central projection, inflation rises from its current level of 1% to around 2¾% in 2018, before falling back gradually over 2019 to reach 2½% in three years' time. Inflation is judged likely to return to close to the target over the following year.

In the November Inflation Report, the MPC state that "as in the August projection, CPI inflation is projected to continue to rise over the next three months and over 2017. The contribution to inflation from petrol prices is expected to turn increasingly positive, in part reflecting rises in oil prices since January. In addition, sterling has depreciated by 21% since its peak in November 2015, which will continue to push up the prices of energy and other imported goods and services. The precise path for inflation will depend on the speed and degree to which companies pass through rising external costs to consumer prices, given domestic conditions."

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 (November 2016)			
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.6	1.9	1.3
RPI	0.6	3.0	2.2
LFS Unemployment Rate	4.7	5.4	5.0

2017 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	3.8	2.7
RPI	0.7	5.2	3.3
LFS Unemployment Rate	4.6	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 (November 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	2.7	2.6	2.2	2.1
RPI	1.8	3.5	3.1	3.0	3.1
LFS Unemployment Rate	5.0	5.2	5.5	5.4	5.3

2.3.3 Inflation > 1.5%:

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

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Inflation exceeding 1.5%	451	457	468	472

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.8m by 2019/20.

2.3.4 Income

The MTFS does not include any specific provision for inflation on income from fees and charges. However, service departments can identify increased income as part of their savings proposals.

2.3.5 Pension Fund

A revaluation will be undertaken using data at 31/3/2016. This will be implemented at 1st April 2017. Discussions during the current financial year have been held with the actuary

Barnett Waddingham LLP and they have undertaken the revaluation and we are awaiting the outcome of this to assess the impact on the budget for 2017/18 and further into the MTFS.

2.3.6 Taxicards and Freedom Passes

These schemes are administered by London Councils on behalf of London boroughs. Latest information from London Councils indicates that negotiations with Transport for London (TfL) and the Association of Train Operating Companies (ATOC) will be concluded at the end of November 2015.

The MTFS includes the following amounts for Taxicards and Freedom Passes:-

	Current Estimate 2016/17 £000
Freedom Passes	9,298
Taxicards	103
Total	9,401
Uplift in MTFS	450
Provision in MTFS for 2017/18	9,851

Initial indications are that the charge to Merton for 2017/18 will be within the provision but this provision will be reviewed and reported when the figures are finalised.

2.3.7 Revenuisation

In recent budgets it has been recognised that some expenditure formerly included in the capital programme could no longer be justified as it did not meet the definition of expenditure for capital purposes. Nevertheless, it is important that some of this expenditure takes place and the following amounts have been included in the latest MTFS for 2017-21:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Revenuisation	2,100	2,100	2,100	2,100

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

2.3.8 **Budgetary Control 2016/17 and need for growth**

The revenue budgetary control information below summarises the corporate position using the latest available information as at 31 October 2016 as shown in a separate report on the agenda for this meeting. As at 31 October 2016, there is a forecast overspend for the Council of £5.740m.

The main causes of the overspend are:-

- Adult Social Care
- Waste
- Children's Services

Officers have been reviewing these budgets as part of the monthly monitoring procedures and it is clear that they will have an ongoing impact going forward and it will therefore be necessary to build some growth (Appendix 9) into the MTFS 2017-21.

The MTFS reported to Cabinet in October 2016 does not include any provision for growth from 2017/18 to 2020//21 and future years. In terms of addressing issues which have been identified as pressures that need to be addressed in 2017/18 the following budget growth is proposed:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Adult Social Care	9,345	252	(2,891)	0*
Waste and Regeneration **	1,582	222	(115)	0
Children's Services	1,000	500	500	500
Total	11,927	974	(2,506)	500
Cumulative total	**11,927**	**12,901**	**10,395**	**10,895**

* Subject to the Improved Better Care Funding remaining as stated
** to be confirmed

2.3.9 **Capital Financing Costs**

Revenue Implications of Current Capital Programme
As previously reported the Capital Programme has been reviewed and revised and a draft programme for 2017-2021 was approved by Cabinet on 12 October 2016, along with an indicative programme for 2022-26.

Section 6 of this report sets out details of progress made towards preparing the draft capital programme 2017-21.

The estimated capital financing costs based on the latest draft programme, which includes the best estimate of new schemes commencing in 2020/21, the effect of estimated government grant funding, estimated funding from the Education Funding Agency (EFA) and slippage/reprofiling based on 2015/16 outturn and latest monitoring information are set out in the following table. This also includes an element of revenue contribution to fund short-life assets:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Capital Programme (including slippage)	39,410	34,807	16,668	8,534
Revenue Implications	12,543	11,146	12,427	12,723

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

2.4.1 Background
In recent years at the end of November to mid-December, the Department of Communities and Local Government (DCLG) has notified local authorities of their Provisional Local Government Finance Settlement. This has included the amounts of funding allocated to each local authority in terms of Revenue Support Grant, share of Business Rates and other major allocations of grant. The final Settlement figures are published the following January/February but are generally unchanged from the provisional figures. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit which is set out in Autumn Statements/Spending Reviews published some weeks previously. However, this process is likely to change as the Government has invited local authorities to apply for a four year funding settlement as discussed below.

2.4.2 Multi-Year Funding Forecasts
As previously reported, when the Department for Communities and Local Government published the provisional local government finance settlement for English authorities in December 2015, the consultation document also described the offer of a four year funding settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period, subject to authorities publishing an efficiency plan.

2.4.3 Cabinet on 19 September 2016, considered and agreed a draft Efficiency Plan and requested officers to submit a final version to the DCLG by the deadline of 14 October 2016 in order to qualify for the four year funding offer. This was completed within the deadline and the Efficiency Plan can be viewed here. The funding has now been confirmed.

2.4.4 Autumn Statement 2016
The Chancellor of the Exchequer published his first Autumn Statement on 23 November 2016. This provides details of Government Department Expenditure Limits (DELs) from which the Provisional Local Government Finance Settlement follows in mid-late December 2016. Officers are currently reviewing the potential impact on the Finance Settlement. There is a summary of the key points included as Appendix 8.

2.4.5 Funding Forecasts for 2017/18 to 2020/21

Forecasting resources for 2017/18 and beyond is fraught with difficulties since it requires making assumptions about a wide variety of variables which the Government are not prepared to release at the current time, although accepting the four year funding offer has provided certainty over the level of RSG up to 2019/20. However, RSG is a reducing part of local government funding and will disappear when local authorities are given responsibility for 100% of Business Rates by the end of this Parliament (May 2020). Responsibilities currently funded by RSG and other grants will be expected to be met by business rates.

At the 2015 Autumn Statement the Government committed to piloting approaches to 100% business rates retention in London, Manchester and Liverpool from 1 April 2017. To ensure that an increase in the “local share” of business rates is fiscally neutral at the point of change, the Government and pilot areas are exploring:

- ending entitlement to certain grants and other funding streams
- devolving additional responsibilities to pilot areas and
- adjusting existing business rate tariffs and top ups.

NB Latest estimated impact on Merton’s top-up shows an increase of c.£395k in 2017/18 over 2016/17.

The Government intends to use the pilots to test mechanisms for full rollout of the 100% retention scheme. Changes to responsibilities between central government, local authorities and their preceptors (e.g. in London, the GLA) will impact on the level of business rates share that each one receives.

Share of Business Rates Yield

Currently , the yield from Business Rates is shared 50% Central Government (Central Share), and the Local Share is 30% to Merton and 20% to the GLA. The GLA have advised us that following the Government’s decision to introduce a London pilot scheme in 2017-18 - to aid preparation for the move to local authorities retaining 100% of business rates raised locally (expected by 2020-21) - the GLA’s share of local business rates will increase, with the increase being offset by a reduction in the Government’s central share of retained business rates. The GLA’s percentage share from 1 April 2017 will be confirmed in the provisional local government finance settlement but it is expected to be 37% reflecting the inclusion of the GLA’s Revenue Support Grant allocation and TfL capital grant within its retained business rates share. The central share payable to the Government would therefore fall from 50% to 33%.

For the reasons discussed above, assessing the implications for Merton’s funding at this stage, before the Provisional Finance Settlement is announced, is difficult.

2.4.6 Improved Better Care Fund

The Spending Review 2015 announced the introduction of the improved Better Care Fund worth £105 million in 2017/18, £800 million in 2018/19 and £1.5 billion in 2019/20.

In last year's Settlement Merton's allocations were £1.408m in 2018/19 and £3.061m in 2019/20, which are being used to reduce the level of growth in Adult Social Care in future years. Any changes to Merton's allocation or potential additional responsibilities will be reported as and when announced.

2.4.7 Public Health

In the Autumn Statement 2015, the Chancellor of the Exchequer confirmed that LAs' funding for public health would be reduced by an average of 3.9 per cent in real terms per annum until 2020. This equates to a reduction in cash terms of 9.6 per cent over the same period. The Autumn Statement also confirmed that a central government grant, ring-fenced for use on public health functions, would continue for at least two more years. From a 2015/16 baseline of £3.461 billion (which includes the full year equivalent of the budget for children aged 0-5 and the effect of the in-year saving of £200 million) there will be a reduction in the total grant of 2.2 per cent in 2016/17 and a further reduction of 2.5 per cent in 2017/18.

Merton's allocation announced in the Public Health Ring-Fenced Grant Determination 2016/17 (SI No 31/2719) was £10.998m for 2016/17, with an indicative allocation of £10.727m in 2017/18

2.4.8 Education Services Grant

In the Spending Review 2015, the Government announced a national reduction in Education Services Grant (ESG) and that the General Funding Rate will be abolished completely from 2017/18. Merton's ESG reduced by £0.234m from £2.594m in 2015/16 to £2.360m in 2016/17.

Merton's General Funding allocation in 2016/17 was £1.948m. The general funding rate will not be replaced by an alternative – the intention from DfE seems to be to rely on LAs new ability to top-slice DSG for central functions to cover the funding gap, which for Merton is already fully allocated, and could therefore impact on the General Fund if alternatives cannot be found.

There will be an update in future reports when further details are known.

2.5 Council Tax Base

2.5.1 The Council Tax Base is a key factor which is required by levying bodies and the Council for setting the levies and Council Tax for 2017/18. The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax Base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent). This will be used to set the Council Tax at Band D for 2017/18.The Council is required to determine its Council Tax Base by 31 January 2017.

2.5.2 Regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.

2.5.3 The Council Tax Base Return to central Government takes into account reductions in Council Tax Base due to the Council Tax Support Scheme and also reflects the latest criteria set for discounts and exemptions. The CTB Return for October 2016 is the basis for the calculation of the Council Tax Base for 2017/18.

2.5.4 Details of how the Council Tax Base is calculated are set out in Appendix 1. A summary of the Council Tax Bases for the Merton general area and the addition for properties within the Wimbledon and Putney Commons Conservators area for 2017/18 compared to 2016/17 is set out in the following table:-

Council Tax Base	**2016/17**	**2017/18**	**Change**
			%
Whole Area	71,327.0	72,442.3	1.56%
Wimbledon & Putney Common Conservators	11,127.2	11,131.2	0.04%

2.6 Proposed Amendments to Previously Agreed Savings

2.6.1 Cabinet on 12 October 2016 agreed some proposed amendments to savings which had been agreed in previous year's budgets and also agreed that the financial implications should be incorporated into the draft MTFS 2017-21.

2.6.2 There are some further requests for changes to existing savings as follows:-

- Environment and Regeneration propose to defer and replace saving EV08 on Waste Disposal deferring the £250k saving from 2017/18 to 2019/20
- Environment and Regeneration propose to replace and defer savings within Development and Building Control

The overall effect of the proposed amendments is set out in the following table:-

SUMMARY (cumulative)	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Corporate Services	0	0	0	0	0
Children, Schools & Families	(60)	27	(201)	0	(234)*
Environment & Regeneration	574	(324)	(250)	0	0
Community & Housing	27	0	0	0	27**
Total	**541**	**(297)**	**(451)**	**0**	**(207)**
Net Cumulative total	**541**	**244**	**(207)**	**(207)**	**(207)**

* The net increase in savings will be applied against the CSF target set..
** The net shortfall in savings will be added to C&H Savings Target set.

2.6.3 Details of the proposed amendments to previously agreed savings are provided in Appendix 3.

3. FEEDBACK FROM THE OVERVIEW AND SCRUTINY PROCESS IN NOVEMBER 2016

3.1 The information available on the Business Planning process reported to Cabinet on 12 October 2016 was reviewed by the Overview and Scrutiny Panels and Commission in November 2016.

3.2 Feedback is included in a separate report to Cabinet on the agenda.

4. SAVINGS PROPOSALS 2017-21 AND SERVICE PLANNING

Controllable budgets and Savings Targets for 2017-21

4.1 Cabinet on 19 September 2016 agreed savings targets to be identified by service departments over the period 2017-21 as follows:-

SERVICE DEPARTMENT's SAVINGS TARGETS FOR 2017-2021 BUSINESS PLANNING PROCESS	Total £000	Balance in amendments to existing savings £000	Total Savings Required £000
Corporate Services	586	0	586
Children, Schools & Families	912	(234)	678
Environment & Regeneration	1,659	0	1,659
Community & Housing	312	27	339
Total Savings/Income Proposals	3,469	(207)	3,262

4.2 Since then service departments have been reviewing their budgets and formulating further proposals to address their targets. The progress made to date is set out in this report.

4.3 Proposals that Cabinet agree at this meeting will be referred to the Overview and Scrutiny Commission and panels for review and comment in January 2017.

4.4 The proposals submitted by each department are summarised in the following table and set out in detail in Appendix 2.

SUMMARY (cumulative)	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**Total £000**
Corporate Services	0	0	586	0	586
Children, Schools & Families	0	0	228	0	228
Environment & Regeneration	0	0	913	0	913
Community & Housing	0	0	339	0	339
Total	**0**	**0**	**2,066**	**0**	**2,066**
Net Cumulative total	**0**	**0**	**2,066**	**2,066**	

4.5 Summary of progress to date

4.5.1 If all of the proposals are accepted, the balance remaining to find is:-

	Targets £'000	**Proposals £'000**	**Balance £'000**
Corporate Services	586	(586)	0
Children, Schools & Families	678	(228)	450
Environment & Regeneration	1,659	(913)	746
Community & Housing	339	(339)	0
Total	3,262	2,066	1,196

4.6 Where departments have not met their target or put forward options that are deemed not to be acceptable then the shortfall will be carried forward to later meetings and future years budget processes to be made good.

4.7 Service Plans

4.7.1 Draft Service Plans are included in Appendix 6.

4.8 Equality Assessments

4.8.1 Draft Equalities Assessments where applicable are included in Appendix 7.

4.9 Use of Reserves in 2016/17 and 2017/18

4.9.1 The application of revenue reserves in 2016/17 to address any level of overspend will have an ongoing impact on the MTFS going forward. If the actual level of overspend is at the level currently forecast it is possible that the Savings Mitigation Fund of £1.3m will be used and the budgeted increase in the Reserve for Use for Future Years Budgets of £2.4m will not take place. The reduction in the anticipated level of the Reserve for Use for Future Years Budgets will have an adverse impact on the budget gap.

5. UPDATE TO MTFS 2017-21

5.1 If the changes outlined in this report are agreed, the forecast gap in the MTFS over the four year period is as follows, subject to the impact of the Autumn Statement announcement on 23 November 2016 and Provisional Local Government Finance Settlement in December.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap in MTFS	**1,616**	**14,325**	**15,107**	**21,450**

5.2 A more detailed MTFS is included as Appendix 4.

5.3 Draft Service department budget summaries based on the information in this report will be included in the pack available for scrutiny.

6. CAPITAL PROGRAMME 2017-21: UPDATE

6.1 The proposed draft Capital Programme 2017-21 and an Indicative Capital Programme 2021-27 were presented to Cabinet on 12 October 2016.

6.2 The programme has been reviewed by scrutiny panels.

6.3 Monthly monitoring of the approved programme for 2016/17 has been ongoing and there will inevitably be further changes arising from slippage, reprofiling and the announcement of capital grants as part of the local government finance settlement which has yet to be announced.

6.4 The changes that have been made to the proposed capital programme since it was presented to Cabinet in October 2016 are set out in Appendix 5.

6.5 The estimated revenue implications of funding the draft capital programme are summarised in paragraph 2.3.9 and these have been incorporated into the latest draft MTFS 2017-21.

7. **BUDGET STRATEGY**

7.1 For the first time in several years the council has a budget gap in the next financial year. The council has a statutory duty to set a balanced budget.

7.2 The table below shows the budget position after growth

	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000
GAP AFTER NEW SAVINGS (cumulative)	**9,875**	**14,325**	**15,107**	**21,450**
Appropriation to/from Balancing the Budget Reserve	(8,259)	0	0	0
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**

7.3 The MTFS assumes 2% ASC Council Tax flexibility and 1.75% Council Tax increase in 2019/20, and 2020/21 in line with the Government's assumptions. There are no changes in Council Tax assumed for 2017/18 and 2018/19 in the above figures in line with the commitments of the Administration to freeze council tax.

7.4 The above figures also assume that the level of Better Care Funding included continues at the same level as for 2016/17. i.e. £5.5m. However, Merton CCG have indicated that the Council should plan on the basis of a maximum CCG transfer of the mandatory contribution towards social care funding into the BCF of £3.4m in 2017/18. This will be subject to review and maybe increased if the Council raises Council Tax using the ASC Council Tax flexibility criteria.

7.5 The table below shows the budget position assuming the maximum CCG transfer of the mandatory contribution of £3.4m and therefore a reduction of £2.1m in the level of BCF funding from 2016/17 funding levels.

	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000
GAP AFTER NEW SAVINGS (cumulative)	**9,875**	**14,325**	**15,107**	**21,450**
Appropriation to/from Balancing the Budget Reserve	(8,259)	0	0	0
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**
Reduction in Better Care Funding	**2,100**	**2,100**	**0**	**0**
Gap to be met from Savings and Income	**3,716**	**16,425**	**15,107**	**21,450**

7.6 There are limited options for dealing with this:-

7.6.1 Raising the Council tax

The maximum increase without a referendum has not been announced. Last year it was 1.99% for a general rise and a precept of 2% specifically for adult social care.

a) If the 2% ASC precept was to be taken in 2017/18, based upon a 97.25% collection rate this would yield the following amounts.

2017/18	2018/19	2019/20	2020/21
£'000	£'000	£'000	£'000
1,597	1,605	1,613	1,621

The budget gap assuming 2% ASC precept in 2017/18 but not in 2018/19, and assuming no loss of Better Care Funding, would be as set out in the following table:-

	17/18	**18/19**	**19/20**	**20/21**
	£'000	£'000	£'000	£'000
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**
Less:				
2% ASC Council Tax Precept in 2017/18	(1,597)	(1,605)	(1,613)	(1,621)
Gap to be met from Savings and Income	**19**	**12,720**	**13,494**	**19,829**

b) If the 2% ASC precept was also to be taken in 2018/19, based upon a 97.25% collection rate this would yield the following amounts.

2017/18	2018/19	2019/20	2020/21
£'000	£'000	£'000	£'000
1,597	3,210	3,226	3,242

The budget gap assuming 2% ASC precept in 2017/18 and 2018/19 and assuming no loss of Better Care Funding would be as set out in the following table:-

	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**
Less:				
2% ASC CT Precept in 2017/18 & 2018/19	(1,597)	(3,210)	(3,226)	(3,242)
Gap to be met from Savings and Income	**19**	**11,115**	**11,881**	**18,208**

c) If the council tax were raised by 3.99% including the 2% ASC flexibility in 2017/18, but no increase in 2018/19, this would generate the following amounts.

2017/18	2018/19	2019/20	2020/21
£'000	£'000	£'000	£'000
3,186	3,202	3,218	3,234

Assuming no loss of Better Care Funding as the ASC Council Tax flexibility has been used, the gap would be as follows:-

	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**
Less:				
3.99% increase in 2017/18 only	(3,186)	(3,202)	(3,218)	(3,234)
Gap to be met from Savings and Income	**(1,570)**	**11,123**	**11,889**	**18,216**

d) If the council tax were raised by 3.99% including the 2% ASC flexibility in both 2017/18 and 2018/19, this would generate the following amounts.

2017/18	2018/19	2019/20	2020/21
£'000	£'000	£'000	£'000
3,186	6,404	6,436	6,468

This would leave the following gaps:-

	17/18	18/19	19/20	20/21
	£'000	£'000	£'000	£'000
Gap to be met from Savings and Income	**1,616**	**14,325**	**15,107**	**21,450**
Less:				
3.99% increase in 2017/18 and 2018/19	(3,186)	(6,404)	(6,436)	(6,468)
Revised Gap	**(1,570)**	**7,921**	**8,671**	**14,982**
Appropriations to/from Balancing the Budget Reserve	**1,570**	**(1,570)**	**0**	**0**
Gap to be met from Savings and Income	**0**	**6,351**	**8,671**	**14,982**

7.6.2 Making spending reductions in 2017/18

If the same weighted controllable budgets were used as are normally the following pattern of savings would be required.

	Weighted Controllable budget	Saving £000
Corporate Services	20.8%	773
CSF	15.5%	576
ES	30.9%	1,148
CH	32.8%	1,219
	100.0%	3,716

If CSF and C&H are excluded from taking additional savings , the savings required by CS and E&R based on controllable budgets would be:-

	Weighted Controllable budget	Saving £000
Corporate Services	40.2%	1,494
ES	59.8%	2,222
		3,716

7.6.3 Use of GF Balances and Un-earmarking earmarked reserves. This is not recommended as it does not produce any long term improvement in the Council's financial position and would reduce the ability to carry out cost reduction projects in the future.

8. **CONSULTATION UNDERTAKEN OR PROPOSED**

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

8.2 The Council launched a consultation with residents on council tax and council spending on 9 September 2016. Residents had until 4 November 2016 to respond and the outcome will be taken into consideration when the decisions are to be made with respect to the council tax and MTFS for 2017-21 as part of the Business Planning Process.

The outcomes from the consultation are detailed elsewhere on the agenda.

8.3 However, as part of the response, the CCG have indicated that there would be a reduction in funding of approximately £2m if there was not an increase in Council Tax.

8.4 In accordance with statute, consultation is taking place with business ratepayers and a meeting will be arranged for early in 2017.

8.5 As previously indicated, a savings proposals consultation pack will be prepared and distributed to all councillors at the end of December 2016 that can be brought to all Scrutiny and Cabinet meetings from 10 January 2017 onwards and to Budget Council. As it was last year, this should be an improvement for both councillors and officers - more manageable for councillors and it will ensure that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also keep printing costs down and reduce the amount of printing that needs to take place immediately prior to Budget Council.

8.6 The pack will include:

- Savings proposals
- Equality impact assessment for each saving proposal
- Service plans (these will also be printed in A3 to lay round at scrutiny meetings)

9. **TIMETABLE**

9.1 In accordance with current financial reporting timetables.

10. **FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

10.1 All relevant implications have been addressed in the report.

11. LEGAL AND STATUTORY IMPLICATIONS

11.1 All relevant implications have been addressed in the report.

12. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

12.1 Draft Equalities assessments of the savings proposals are included in Appendix 7.

13. CRIME AND DISORDER IMPLICATIONS

13.1 Not applicable

14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

14.1 Not applicable

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

Appendix 1: Council Tax Base 2017/18
Appendix 4: MTFS Update
Appendix 5: Capital Programme 2017-21
Appendix 8: Autumn Statement 2016 – Summary of key Points

NOW INCLUDED IN CONSULTATION PACK

Appendix 2: New savings/income proposals 2017-21
Appendix 3: Proposed amendments to savings previously agreed
Appendix 6: Service Plans 2017-21
Appendix 7: Equalities Assessments
Appendix 9: Growth proposals

BACKGROUND PAPERS

Budget files held in the Corporate Services department.

REPORT AUTHOR

– *Name: Paul Dale*

– *Tel: 020 8545 3458*

email: paul.dale@merton.gov.uk

APPENDIX 1

Council Tax Base 2017/18

1. INTRODUCTION

1.1 The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent).

1.2 Since 2013/14 the Council Tax Base calculation has been affected by the introduction of the new local council tax support scheme and technical reforms to council tax. On 30 November 2012, new regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) came into force. These regulations ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.

1.3 Under the regulations, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year.

1.4 The relevant amounts are calculated as

- number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year,
- adjusted for the number of discounts, and reductions for disability, that apply to those Dwellings

1.5 All authorities notify the DCLG of their unadjusted Council Tax Base using a CTB Form using valuation list information as at 12 September 2016. The deadline for return was 14 October 2016 and Merton met this deadline.

1.6 The CTB form for 2016/17 includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.

1.7 There is a separate council tax base for those properties within the area covered by Wimbledon and Putney Commons Conservators. The Conservators use this, together with the Council Tax bases from RB Kingston, and Wandsworth to calculate the levy which is charged each year.

2. ASSUMPTIONS IN THE MTFS

2.1 Other than changes in the actual council tax rates levied, in producing a forecast of council tax yield in future years, there are two key variables to be considered:-

- the year on year change in Council Tax Base
- the council tax collection rate

2.2 The draft MTFS previously reported to Cabinet during the business planning process has assumed that the Council Tax Base increases 0.5% per year and that the collection rate is 97.25% in each of the years.

2.3 These assumptions have been applied to the latest Council Tax Base information included on the CTB return completed on 14 October 2016 to produce the Council Tax Base 2017/18.

2.4 <u>Information from the October 2016 Council Tax Base Return</u>

2.4.1 The Council makes two CTB returns, one for the whole area of the borough and the other for the area covered by the Wimbledon and Putney Common Conservators for which an additional levy is applied.

2.4.2 The information in the CTB returns has been used to calculate the council tax bases and these are summarised in the following table compared to 2016/17:-

Council Tax Base	**2016/17**	**2017/18**	**Change**
			%
Whole Area	71,327.0	72,442.3	1.56%
Wimbledon & Putney Common Conservators	11,127.2	11,131.2	0.04%

3. **IMPLICATIONS FOR COUNCIL TAX YIELD 2017/18**

3.1 Assuming that council tax charges remain as for 2016/17 the estimated income in 2017/18 compared to 2016/17 and the current assumption in the MTFS are summarised in the following table:-

Council Tax: Whole area	**2016/17**	**2016/17**
Tax Base	71,327.0	72,442.3
Band D Council Tax	£1,102.25	£1,102.25
Estimated Yield	**£78.620m**	**£79.850m**
Change: 2016/17 to 2017/18 (£000)		+ £1.230m
Change: 2016/17 to 2017/18 (%)		+ 1.6%

3.2 <u>Analysis of changes in yield 2016/17 to latest 2017/18</u>

3.2.1 There are a number of reasons for the change in estimated yield between 2016/17 and the latest estimate based on the CTB data.

3.2.2 Over this period the Council Tax Base increased by 1,115.3 from 71,327 to 72,442.3 which multiplied by the Band D Council Tax of £1,102.25 results in additional yield of £1.230m.

3.2.3 An exact reconciliation for the change between years is not possible because of changes in distribution of Council Tax Support and discounts and benefits, and premiums between years varies and bands. However, broadly the changes can be analysed as follows:-

a) No Change in collection rate from 97.25%
There has been no change in the estimated collection rate of 97.25% between 2016/17 and 2017/18.

b) Number of Chargeable Dwellings and Exempt Dwellings
Between years the number of properties increased by 659 from 83,078 to 83,737 and the number of exempt dwellings increased by 8 from 771 to 779. This means that the number of chargeable dwellings increased by 651 between years. Based on a full charge, this equates to additional council tax of £0.667m.

c) Amount of Council Tax Support Reduction
In 2016/17 there was a reduction of 9,099.9 to the Council Tax Base for the local council tax support. This has reduced to 8,639.2 in 2017/18 which is a change of 460.7 and equates additional council tax of about £0.472m.

d) Changes in Discounts, Exemptions and Premiums
Overall, the level of discounts, exemptions and premiums in the 2017/18 calculation is less than that included in 2016/17 resulting in an increase of about 52 in the council tax base which increases yield by around £0.090m

e) Summary
The following puts the individual elements together to show how the potential council tax yield changes between 2015/16 and 2016/17:-

	Approx. Change in Council Tax Base	**Approx. Change in Council Tax yield**
		£m
Increase in number of chargeable dwellings	651	0.667
Change in Council Tax Support Reductions	461	0.472
Change in discounts, exemptions, premiums and distribution	3	0.090
Total	**1,115**	**1,229**

3.10 Council Tax Yield 2017/18

3.10.1 Assuming no change in Council Tax for 2017/18 the estimated Council Tax yield for 2017/18 is:-

Council Tax: Whole area	Tax Base	Band D 2016/17	Council Tax Yield 2017/18	Council Tax Yield 2016/17
Merton	71,327.0	£1,102.25	£79.850m	£78.620m
WPCC	11,127.2	£26.97	£0.300m	£0.300m
GLA	71,327.0	£276.00	£19.994m	£19.686m

The amounts collected for the GLA and WPCC are paid over to each of them as precepts.

3.10.2 The MTFS reported to Cabinet on 12 October 2016 assumed an annual collection rate of 97.25% and year on year increases in Council Tax Base of 0.5%. The potential change in Council Tax yield on that included in the MTFS based on the new Council Tax Base is as follows:-

MTFS Council Tax Yield: EXISTING CT BASE	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Council Tax - 16/17 CT Base, No change in precept	79,013	79,408	79,805	80,204
Council Tax - Adult Social Care up to 2% flexibility	-	-	1,596	3,198
Council Tax Change (1.75%)	-	-	1,397	2,807
Council Tax income	79,013	79,408	82,798	86,209
Council Tax Yield: NEW CT BASE	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Council Tax - New CT Base, No change in precept	79,850	80,249	80,650	81,053
Council Tax - Adult Social Care up to 2% flexibility	-	-	1,613	3,234
Council Tax Change (1.75%)	-	-	1,411	2,830
Council Tax income	79,850	80,249	83,674	87,117

CHANGE IN YIELD	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Council Tax - New CT Base, No change in precept	837	841	845	849
Council Tax - Adult Social Care up to 2% flexibility	-	-	17	36
Council Tax Change (1.75%)	-	-	15	23
Council Tax income	837	841	876	908

DRAFT MTFS 2017-21:				
	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Departmental Base Budget 2016/17	**139,982**	**139,982**	**139,982**	**139,982**
Inflation (Pay, Prices)	3,184	6,368	9,553	12,737
Autoenrolment/Nat. ins changes	857	1,172	1,172	1,172
FYE – Previous Years Savings	(9,429)	(15,173)	(15,173)	(15,173)
Amendments to previously agreed savings	541	244	(207)	(207)
Change in Net Appropriations to/(from) Reserves	(1,158)	(2,278)	(2,013)	(1,871)
Taxi card/Concessionary Fares	450	901	1,351	1,801
Change in depreciation/Impairment (Contra Other Corporate items)	4,681	4,681	4,681	4,681
Growth	11,927	12,901	10,395	10,895
Other	71	144	220	301
Re-Priced Departmental Budget	**151,106**	**148,943**	**149,960**	**154,317**
Treasury/Capital financing	12,543	11,146	12,427	12,723
Pensions	4,592	4,799	5,015	5,015
Other Corporate items	(17,851)	(17,504)	(17,856)	(17,856)
Levies	628	628	628	628
Sub-total: Corporate provisions	**(88)**	**(931)**	**214**	**510**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**151,018**	**148,012**	**150,174**	**154,827**
Savings/Income Proposals 2017/18	0	0	(2,066)	(2,066)
Sub-total	**151,018**	**148,012**	**148,108**	**152,761**
Appropriation to/from departmental reserves	(843)	277	12	(130)
Appropriation to/from Balancing the Budget Reserve	(8,259)	0	0	0
BUDGET REQUIREMENT	**141,916**	**148,288**	**148,121**	**152,632**
Funded by:				
Revenue Support Grant	(15,520)	(10,071)	(5,076)	0
Business Rates (inc. Section 31 grant)	(34,847)	(35,553)	(36,295)	(36,952)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(4,763)	(2,993)	(2,871)	(2,000)
Council Tax inc. WPCC	(80,150)	(80,549)	(83,974)	(87,432)
Collection Fund – (Surplus)/Deficit	(224)	0	0	0
TOTAL FUNDING	**(140,300)**	**(133,963)**	**(133,014)**	**(131,181)**
GAP including Use of Reserves (Cumulative)	**1,616**	**14,325**	**15,107**	**21,450**

Potential Loss of Better Care Funding	2,100	2,100		

CAPITAL STRATEGY 2017/21

1 Introduction

1.1 Merton's Capital Strategy for 2017-21 has been aligned and integrated with the Business Plan for the period 2017-21. The Business Plan sets out how the Authority's objectives have been shaped by Merton Partnership in the Community Plan. The Community Plan sets out the overall vision and strategic direction of Merton which are embodied into five strategic themes:-

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

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

1.3 The financial reality facing local government dominates the choices the council will make for the future of the borough. The development of the Business Plan 2017/21 is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

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

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

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

2 Planning Infrastructure

2.1 Business Plan 2017-2021

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

2.2 Target Operating Models (TOMs)

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

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

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

2.3 Service Plans

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

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

3 Accounting Definitions and Practices

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

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

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

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

4 Corporate and strategic capital expenditure appraisal planning and control

4.1 Capital Programme Board

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

4.1.2 The Terms of Reference of the Board are:

- Lead on the development and maintenance of the capital investment strategy and ensure it is consistent with the Council's strategic objectives, TOMs and service plans.

- Ensure that the capital investment strategy informs and is informed by the asset management plan.

- Ensure there is a transparent and clearly communicated process for allocation of capital funds with clear and well documented criteria and decision making process.

- Monitor progress of capital funded schemes and any other critical schemes as determined by CMT. Receive joint reports from Finance/departmental staff on progress against deliverables, milestones and budget forecasts.

- In conjunction with other governing bodies, consider/approve business cases that involve capital investment.

- Monitor issues arising as a result of changes in accounting treatment of capital expenditure and ensure the organisation responds accordingly.

- Assess capital schemes in the context of the Medium Term Financial Strategy to ensure they are affordable in revenue terms.

- Receive reports from the Property Management and Review Manager relating to capital funds coming from the disposal of property, in collaboration with the Property and Asset Management Board.

- Receive benefits reports from Programme/Project Managers when capital projects/programmes are closed. Monitor key benefits to ensure they are realised for large capital schemes.

4.1.3 The role of the Board is to:

- Set framework and guidelines for capital bids;

- Draft the capital programme for consideration by CMT and Cabinet;

- Review capital bids and prioritise in accordance with the Council's strategic objectives;

- Identify and allocate capital funds;

- Monitor progress of capital programmes/projects and key variances between plans and performance;

- Monitor budgets of capital programmes/projects against forecasts;
- Monitor benefits and ensure they are realised. Monitor capital receipts
- Develop and share good practice

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

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

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

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

4.2 Capital Programme Approval and Amendment

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

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

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

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

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

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

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

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

4.3 Capital Monitoring

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

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

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

4.4 Risk Management

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

5 Revenue budget implications of capital investment

5.1 Revenue cost or savings

5.1.1 The draft capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. In 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17, it was possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case alongside the use of capital receipts within the current planning period (up to 2020/21). This will be kept under review as part of general Treasury Management.

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

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

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MRP	6,713	5,537	6,775	7,137
Interest	6,437	6,173	6,173	6,103
Capital financing costs	**13,150**	**11,709**	**12,948**	**13,240**
Investment Income	(607)	(564)	(521)	(517)
Net	**12,543**	**11,146**	**12,427**	**12,723**

6 Capital resources 2017-21

6.1 Variety of sources

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

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

6.2 *Annual Minimum Revenue Provision (MRP) Statement*

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

6.2.2 *The statement is set out in the Treasury Management Strategy.* This approach is under active review and will be reported once concluded

7 Asset management review

7.1 Capital receipts

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

7.2 Property as a corporate resource

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

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

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

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

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

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

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

8 Summary of estimated disposals 2017-2021

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

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non- staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

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

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

8.1.5 As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years. The Strategy should also contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

8.1.6 Due to difficulties in the property market since the economic recession a cautious view has been taken of the potential capital receipts identified. Much of the anticipated capital receipts are as a result of the VAT shelter agreement entered into with Merton Priory Homes as part of the housing stock transfer. There are current proposals for some of the properties under this agreement to be redeveloped which could result in a reduction in receipts from the VAT shelter agreement, however a Development and Disposals Clawback Agreement was entered into as part of the same transfer and this could result in a significant capital receipt should these development plans go ahead. The following table represents an estimate of an anticipated cash flow and therefore these future capital receipts these have been utilised to fund the capital programme:-

Anticipated Capital Receipts	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s
Sale of Assets	0	0	0	0
Right to buy/VAT Shelter	1,200	900	900	900
Total	**1,200**	**900**	**900**	**900**

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

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

Capital Expenditure	**2016/17 Estimate £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**
Capital Expenditure	**39,261**	**38,623**	**33,205**	**16,076**	**8,432**
Slippage	(6,428)	787	1,602	592	102
Total Capital Expenditure	32,833	39,410	34,807	16,668	8,534
Financed by:					
Capital Receipts	14,812	19,117	900	900	900
Capital Grants & Contributions	15,554	14,729	13,055	5,485	628
Revenue Provisions	2,394	5,332	1,356	2	0
Net financing need for the year	**72**	**232**	**19,497**	**10,282**	**7,006**

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

8.2 Debt repayment

8.2.1 The council has had a strategy to reduce its level of debt when opportunity arises in the market. The average interest payable on outstanding debt is 5.72%. For the period 2017-21, capital receipts may continue to be used to pay the premiums on the repayment of those authority debts which have high fixed interest charges, if the terms offered will result in appropriate revenue savings. Any decision to repay debt early will be considered alongside the funding however, this is unlikely to be the case in the short to medium term requirement of the programme.

9 Grant Funding Capital Resources

9.1 Environmental and Regeneration

	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s
Transport for London LIP (**earmarked) Capital**	2,765	*3,865	TBA	TBA
Total: E&R	**2,755**	**2,765**	**TBA**	**TBA**

* Indicative and likely to reduce
TBA – To Be Advised

9.2 Children, Schools and Families

CSF	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000s	**£000s**	**£000s**	**£000s**
School Condition **(non-ringfenced)***	1,800	TBA	TBA	TBA
Basic Need **(non-ringfenced)**	6,063	7,471	TBA	TBA
Total Grant Funding	**7,863**	**7,471**	**TBA**	**TBA**
New School **(Expected Ringfenced)***	4,850	0	0	0
Devolved Formula Capital (Earmarked)	TBA	TBA	TBA	TBA
TOTAL: CS&F	**12,713**	**7,471**	**TBA**	**TBA**
Balance added for outstanding grant allocations - CSF	**0**	**529**	**5,000**	**650**

* Based on Indicative Information
TBA – To Be Advised

9.3 Community and Housing

	2017/18	2018/19	2019/20	2020/21
	£0	**£0**	**£0**	**£0**
Better Care Fund – Minimum Allocation for Disabled Facilities Grant**)**	TBA	TBA	TBA	TBA

9.4 Summary of Grant Funding 2017-2021

9.4.1 The new resources notified to date are summarised in the following table. It is expected that there will be additional earmarked resources notified during the financial year 2016/17:-

Grant Funding	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000s	**£000s**	**£000s**	**£000s**
Environment and Regeneration	**2,765**	**3,865**	**TBA**	**TBA**
Children, Schools and Families	**12,713**	**7,471**	**TBA**	**TBA**
Community and Housing	**TBA**	**TBA**	**TBA**	**TBA**
Total Grant Funding*	**15,478**	**11,336**	**0**	**0**
Balance added for outstanding grant allocations - CSF	**0**	**529**	**5,000**	**650**

* This shows the grant funding being received by the authority

10 Summary of Total Resources 2017-21:

10.1 Summary

10.1.1 The total anticipated resources over the plan period 2017-21, including existing grant funding and anticipated CS&F grants, is summarised in the following table:-

	2017/18 £000s	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Grant & Contributions *	14,729	13,054	5,484	628
Council Funding	24,680	21,752	11,185	7,906
Total	**39,410**	**34,807**	**16,668**	**8,534**

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

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

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

Indicative Capital Programme 2021 to 2026

Merton	Updated Budget 21/22	Updated Budget 22/23	Updated Budget 23/24	Updated Budget 24/25	Updated Budget 25/26
Corporate Services	3,962,000	2,510,000	4,800,000	2,862,000	4,560,000
Community and Housing	280,000	280,000	280,000	280,000	630,000
Children, Schools & Families *	650,000	650,000	755,000	650,000	650,000
Environment & Regeneration *	4,052,000	4,017,000	4,017,000	4,077,000	8,075,000
Total Merton	**8,944,000**	**7,457,000**	**9,852,000**	**7,869,000**	**13,915,000**

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

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

11 Capital Bids and Prioritisation Criteria

11.1 Prioritisation of schemes 2020/21

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

The prioritisation criteria used in respect of growth were 'Statutory', Need (demand and / or priority), attracts match funding and revenue impact (including invest to save). Due to officers' awareness of the need to restrain the capital programme to affordable levels, the reduction put forward over the period 2017-21, on the basis of these criteria by the board to cabinet was £14.8 million 2017-21 (excluding TfL).

12 Detailed Capital Programme 2017-21

12.1 Corporate Services

12.2 This department is responsible for the administration of finance and staff, together with the corporate buildings including IT and utility services. Its main capital expenditure is on IT software and hardware, and on improvements to buildings. In order to support more intensive use of the civic centre HQ as part of the flexible working project, capital investment in the overall building infrastructure is essential, including replacement of the main boilers and heat exchangers that are approaching the end of their economic lifespan. There are also budgets held centrally under Corporate Services to ensure funds are available to take up opportunities arising in the local property market, to leverage match funding or to enable transformation of services. Annex 1 provides the overall scheme level for approval and Annex 3 provides a detailed breakdown of projects.

12.3 Children, Schools and Families

This department's main capital focus is the need for increased provision for pupils, with the major spend shifting from primary to secondary in 2016/17. The provision in the 2017-21 programme has been revised to that shown in the table below:

Children, Schools & Families	Updated Budget 17/18 £000s	Updated Budget 18/19 £000s	Updated Budget 19/20 £000s	Updated Budget 20/21 £000s
Primary School Expansions	30	0	0	0
Secondary School Expansions	8,889	6,156	4,481	0
SEN	3,196	5,310	1,000	0
Other	804	650	755	650
Children, Schools & Families	**12,920**	**12,116**	**6,236**	**650**

Please note £1million has moved from Secondary Expansions to SEN since November Cabinet

CSF capital programme 2017-21

The requirement to provide sufficient school places is a key statutory requirement. The government provides capital grant to meet some of this need, but there is a significant shortfall for the council to fund primary school places

The capital programme in 2017/18 provides the finance to complete the expansion of Dundonald Primary School. This will complete a primary school expansion programme over eight years that is providing an additional 4,410 places (21 additional forms of entry since 2007/08).

Following the latest demographic information and admissions data, no further primary school expansions are planned or funded in the capital programme.

Secondary school places

The significant increase in demand for school places reached the secondary phase from September 2015, with significant increases at secondary age transfer up to 2018/19 that will flow into all secondary age groups.

However, it is expected the extra demand for places can be met through existing accommodation for the first two years. School expansion and a new school will be required to provide sufficient places thereafter so significant budget is proposed for this from 2016-17.

The capital programme for 2017/21 includes £19.6 million for expansions in the borough's existing secondary schools and the first phase of a new secondary school. However, the council is working with the Education

Funding Agency to ensure that significant funding for the new 'Harris Wimbledon' school is provided by central government.

Due to the difficulty of accurately forecasting the specific level of pupil transfer from the last year of primary school to secondary school the level of secondary school expansion required will be subject to regular reviews over the capital programme period. There is therefore uncertainty over the size, timing and cost of the secondary expansion, this includes a lack of clarity regarding government funding.

Special school places

The increase in demand for special school provision is proportionally greater for special schools than mainstream schools, though the numbers involved are significantly smaller. Capital funding is provided in the 2017/21 programme for expansion, including ensuring the numbers in the Perseid upper school will match the lower school. Further decisions on specific expansion schemes for special school provision are subject to review.

Other schemes

With regard to other capital schemes, £650,000 per annum is provided for schools this will be limited to urgent health and safety related needs, with the council expecting schools to fund all works below £20,000.

12.3 Environment and Regeneration

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

The individual projects for this department are all listed in Annex 3. Other than the grant funded Transport for London scheme for the upgrade of principal roads, the departments main schemes relate to 12 main areas:

Environment & Regeneration	Updated Budget 17/18	Updated Budget 18/19	Updated Budget 19/20	Updated Budget 20/21
Footways Planned Works	1,000,000	1,000,000	1,000,000	1,000,000
Greenspaces	235,000	335,000	355,000	300,000
Highways General Planned Works	419,000	422,000	427,000	427,000
Highways Planned Road Works	1,500,000	1,500,000	1,200,000	1,200,000
Leisure Centres	9,018,670	2,117,450	257,950	250,000
Regeneration Partnerships	1,145,870	1,000,000	3,000,000	1,000,000
Street Lighting	290,000	509,000	290,000	290,000
Street Scene	60,000	60,000	60,000	60,000
Transport for London	2,064,800	3,864,800	0	0
Traffic and Parking Management	156,000	150,000	150,000	150,000
Transport and Plant	1,686,000	3,070,000	300,000	300,000

Waste Operations	160,500	2,719,500	40,000	40,000
Environment & Regeneration	**17,735,840**	**16,747,750**	**7,079,950**	**5,017,000**

12.3.1 Highways Planned Road Works and Footways Planned Works

These works are based on annual condition surveys of the whole of the borough. As a result, items are prioritised and drawn up in programmes of works. These programmes may be amended as circumstances alter.

12.3.2 Highways General Planned Works

An indicative list of the major works to be done under this budgeted scheme is as follows:

Leisure Centres	**Updated Budget 17/18 £000s**	**Updated Budget 18/19 £000s**	**Updated Budget 19/20 £000s**	**Updated Budget 20/21 £000s**
Surface Water Drainage	69	72	77	77
Highways bridges & structures	260	260	260	260
Maintain AntiSkid and Coloured	90	90	90	90
Total Highways General Planned Works	**419**	**422**	**427**	**427**

12.3.3 Leisure

The major works relate to the authority's three Leisure Centres. The first scheme is for general improvements to the three Leisure Centres. The second scheme, Morden Park Pools, is a major investment for the council, with the replacement of the current centre with a new facility.

Leisure Centres	**Updated Budget 17/18 £000s**	**Updated Budget 18/19 £000s**	**Updated Budget 19/20 £000s**	**Updated Budget 20/21 £000s**
Leisure Centre Plant & Machine	450	300	250	250
Morden Leisure Centre	8,319	567	8	0
Wimbledon Park Lake De-Silting	250	1,250	0	0
Total Leisure Centres	**9,019**	**2,117**	**258**	**250**

12.3.4 Future Merton

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

Environment and Regeneration	**Updated Budget 17/18 £000s**	**Updated Budget 18/19 £000s**	**Updated Budget 19/20 £000s**	**Updated Budget 20/21 £000s**
Regeneration Partnerships				
Mitcham Major Schemes - TfL	700	0	0	0
Industrial Estate Investment	446	0	0	0

Transportation Enhancements	0	1,000	3,000	1,000
Total Regeneration Partnerships	**1,146**	**1,000**	**1,000**	**1,000**

12.4 Community and Housing

12.4.1 This department aims to provide residents with the chance to live independent and fulfilling lives, in suitable homes within sustainable communities, with chances to learn, use information, and acquire new skills. The departmental Capital Programme for 2017/21 comprises:

Community and Housing	**Updated Budget 17/18 £000s**	**Updated Budget 18/19 £000s**	**Updated Budget 19/20 £000s**	**Updated Budget 20/21 £000s**
<u>Libraries</u>				
Library Self Service	0	0	0	350
Colliers Wood Re-Fit	200	0	0	0
West Barnes Library Re-Fit	200	0	0	0
Library Management System	100	0	0	0
<u>Housing</u>				
Disabled Facilities Grant	755	629	280	280
Total Community and Housing	**1,255**	**629**	**280**	**630**

12.5 Overall Programme

12.5.1 The approved Capital Programme for 2017/21 follows at Annex 1, Annex 3 provides an additional breakdown detail of the approved schemes. The summary is as follows:

Merton	**Updated Budget 17/18**	**Updated Budget 18/19**	**Updated Budget 19/20**	**Updated Budget 20/21**
Corporate Services	6,712,000	3,712,000	2,480,000	2,135,000
Community and Housing	1,255,000	628,900	280,000	630,000
Children, Schools & Families	12,920,030	12,116,200	6,236,000	650,000
Environment & Regeneration	17,735,840	16,747,750	7,079,950	5,017,000
Total Merton	**38,622,870**	**33,204,850**	**16,075,950**	**8,432,000**

12.5.2 The funding details for the programme follow at Annex 2

12.5.3 Within the funding details the authority has anticipated some slippage for schemes that require a consultation process or a planning application or where the implementation timetable is not certain. The slippage anticipated reduces the spend in the year it is budgeted but increases the spend in the following year when it is incurred. When slippage from 2016/17 is approved, the 2017/18 Capital Programme will be adjusted accordingly.

12.5.4 Annexe 1 Capital Investment Programme - Schemes for Approval

Annexe 2 Funding the Capital Programme 2017-21

Annexe 3 Detailed Capital Programme 2017-21

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

Annexe 5 Indicative Capital Programme 2021-26

CAPITAL INVESTMENT PROGRAMME - SCHEMES FOR APPROVAL - ANNEX 1

Merton	**Updated Budget 17/18**	**Updated Budget 18/19**	**Updated Budget 19/20**	**Updated Budget 20/21**
Corporate Services	6,712,000	3,712,000	2,480,000	2,135,000
Community and Housing	1,255,000	628,900	280,000	630,000
Children, Schools & Families	12,920,030	12,116,200	6,236,000	650,000
Environment & Regeneration	17,735,840	16,747,750	7,079,950	5,017,000
Total Merton	**38,622,870**	**33,204,850**	**16,075,950**	**8,432,000**

Merton	**Updated Budget 17/18**	**Updated Budget 18/19**	**Updated Budget 19/20**	**Updated Budget 20/21**
Total Business Improvement	816,000	1,377,000	0	0
Total Resources	0	0	0	125,000
Total Information Technology	1,946,000	1,085,000	630,000	1,060,000
Total Facilities Management	3,950,000	1,250,000	1,850,000	950,000
Total Corporate Services	**6,712,000**	**3,712,000**	**2,480,000**	**2,135,000**
Community and Housing				
Housing	755,000	628,900	280,000	280,000
Libraries	500,000	0	0	350,000
Total Community and Housing	**1,255,000**	**628,900**	**280,000**	**630,000**
Children, Schools and Families				
Primary School Expansions	30,000	0	0	0
Secondary School Expansions	8,889,290	6,156,200	4,481,000	0
SEN	3,196,290	5,310,000	1,000,000	0
Other	804,450	650,000	755,000	650,000
Children, Schools & Families	**12,920,030**	**12,116,200**	**6,236,000**	**650,000**

Please note £1million has moved from Secondary Expansions to SEN since November Cabinet

CAPITAL INVESTMENT PROGRAMME - SCHEMES FOR APPROVAL - ANNEX 1 Continued......

Environment & Regeneration	**Updated Budget 17/18**	**Updated Budget 18/19**	**Updated Budget 19/20**	**Updated Budget 20/21**
Footways Planned Works	1,000,000	1,000,000	1,000,000	1,000,000
Greenspaces	235,000	335,000	355,000	300,000
Highways General Planned Works	419,000	422,000	427,000	427,000
Highways Planned Road Works	1,500,000	1,500,000	1,200,000	1,200,000
Leisure Centres	9,018,670	2,117,450	257,950	250,000
Regeneration Partnerships	1,145,870	1,000,000	3,000,000	1,000,000
Street Lighting	290,000	509,000	290,000	290,000
Street Scene	60,000	60,000	60,000	60,000
Transport for London	2,064,800	3,864,800	0	0
Traffic and Parking Management	156,000	150,000	150,000	150,000
Transport and Plant	1,686,000	3,070,000	300,000	300,000
Waste Operations	160,500	2,719,500	40,000	40,000
Environment & Regeneration	**17,735,840**	**16,747,750**	**7,079,950**	**5,017,000**

Please Note

1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2017/18.

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

3) Excludes expenditure budgets relating to Devolved Formula Capital for schools from 2017/18 as grant funding has not been announced.

4) Excludes any expenditure budgets relating to a Housing Company

FUNDING THE CAPITAL PROGRAMME 2016-21

Annex2

Merton	Capital Programme £000s	Funded by Merton £000s	Funded by grant and capital contributions £000s
2016/17 Current Budget	**39,261**	**22,575**	**16,686**
Potential Slippage b/f	0	0	0
2016/17 Revised Budget	**39,261**	**22,575**	**16,686**
Potential Slippage c/f	(5,166)	(4,614)	(552)
Potential Underspend not slipped into next year	(1,262)	(685)	(578)
Total Spend 2016/17	**32,833**	**17,278**	**15,555**
2017/18 Current Budget	**38,623**	**23,876**	**14,747**
Potential Slippage b/f	5,166	4,614	552
2017/18 Revised Budget	**43,789**	**28,490**	**15,299**
Potential Slippage c/f	(3,470)	(2,966)	(503)
Potential Underspend not slipped into next year	(909)	(842)	(67)
Total Spend 2017/18	**39,410**	**24,680**	**14,729**
2018/19 Current Budget	**33,205**	**20,362**	**12,844**
Potential Slippage b/f	3,470	2,966	503
2018/19 Revised Budget	**36,675**	**23,328**	**13,347**
Potential Slippage c/f	(1,469)	(1,239)	(230)
Potential Underspend not slipped into next year	(399)	(336)	(63)
Total Spend 2018/19	**34,807**	**21,752**	**13,054**
2019/20 Current Budget	**16,076**	**10,796**	**5,280**
Potential Slippage b/f	1,469	1,239	230
2019/20 Revised Budget	**17,545**	**12,036**	**5,510**
Potential Slippage c/f	(551)	(540)	(11)
Potential Underspend not slipped into next year	(326)	(312)	(14)
Total Spend 2019/20	**16,668**	**11,185**	**5,484**
2020/21 Current Budget	**8,432**	**7,782**	**650**
Potential Slippage b/f	551	540	11
2020/21 Revised Budget	**8,983**	**8,322**	**661**
Potential Slippage c/f	(101)	(100)	(1)

Potential Underspend not slipped into next year	(348)	(315)	(33)
Total Spend 2020/21	**8,534**	**7,906**	**628**

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

DETAILED CAPITAL PROGRAMME 2017-21 **ANNEX 3**

Department	**Scrutiny**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Corporate Services					
Business Improvement					
Replacement Social Care System	OSC	425,540	350,000	0	0
Planning&Public Protection Sys	OSC	40,000	510,000	0	0
Revenue and Benefits	OSC	0	400,000	0	0
Spectrum Spatial Analyst Replacement	OSC	0	42,000	0	0
Capita Housing	OSC	100,000	0	0	0
Aligned Assets	OSC	0	75,000	0	0
Replacement Document Management System	OSC	0	0	0	0
Electronic Asset Management	OSC	250,460	0	0	0
Customer Contact	OSC	0	0	0	0
Corporate					
Facilities Management					
Invest to Save Schemes	OSC	900,000	300,000	300,000	300,000
Capital Works Facilities	OSC	300,000	300,000	650,000	650,000
Water Safety Works	OSC	150,000	100,000	0	0
Asbestos Safety Works	OSC	250,000	250,000	0	0
Schools PV&Energy conservation	OSC	2,000,000	0	0	0
Civic Centre Boilers	OSC	0	300,000	0	0
Civic Centre Staff Entrance Improvements	OSC	200,000	0	0	0
Civic Centre Lightning Upgrade	OSC	0	0	300,000	0
Civic Centre Block Paving	OSC	75,000	0	0	0
Multi-Function Device	OSC	75,000	0	600,000	0
Information Technology					
Planned Replacement Programme	OSC	1,746,000	510,000	430,000	860,000
IT Enhancements	OSC	200,000	275,000	200,000	200,000
Data Centre Support Equipment	OSC	0	300,000	0	0
Resources					
Replacement of Civica Icon	OSC	0	0	0	125,000
Total Corporate Services		**6,712,000**	**3,712,000**	**2,480,000**	**2,135,000**

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

DETAILED CAPITAL PROGRAMME 2017-21 Continued…. **ANNEX 3**

Department	**Scrutiny**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Community and Housing					
Libraries					
Library Self Service	SC	0	0	0	350,000
Colliers Wood Re-Fit	SC	200,000	0	0	0
West Barnes Library Re-Fit	SC	200,000	0	0	0
Library Management System	SC	100,000	0	0	0
Housing					
Disabled Facilities Grant	SC	755,000	628,900	280,000	280,000
Total Community and Housing		**1,255,000**	**628,900**	**280,000**	**630,000**

Department	**Scrutiny**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Children, Schools and Families					
Primary Expansions					
Dundonald	CYP	30,000	0	0	0
Secondary Expansion					
Secondary School expansion	CYP	30,000	0	0	0
St Marks	CYP	200,000	1,423,600	3,681,000	0
New 6fe School	CYP	5,116,250	2,689,100	0	0
Harris merton	CYP	3,372,980	0	0	0
Harris Morden	CYP	200,060	2,043,500	800,000	0
SEN Expansion					
Perseid	CYP	931,930	650,000	0	0
Secondary School Autism Unit	CYP	200,000	1,160,000	0	0
Further SEN	CYP	2,064,360	3,500,000	1,000,000	0
Other CSF					
Schools Capital Maintenance	CYP	670,000	650,000	650,000	650,000
School Loans	CYP	104,450	0	0	0
Admissions IT	CYP	0	0	105,000	0
Total Children, Schools and Families		**12,920,030**	**12,116,200**	**6,236,000**	**650,000**

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

Please note £1million has moved from St Marks Secondary to Further SEN since November Cabinet

Please Note

1) **Excludes expenditure budgets relating to Disabled Facilities Grant from 17/18.**
2) **Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.**
3) **Excludes expenditure budgets relating to Devolved Formula Capital for schools from 2016/17 as grant funding has not been announced.**
4) **Excludes any expenditure budgets relating to a Housing Company**

DETAILED CAPITAL PROGRAMME 2017-21 Continued…. **ANNEX 3**

Department	Scrutiny	2017-18	2018-19	2019-20	2020-21
Environment and Regeneration					
Footways Planned Works					
Repairs to Footways	SC	1,000,000	1,000,000	1,000,000	1,000,000
Greenspaces					
Parks investment	SC	201,000	307,500	295,000	300,000
Parks Bins - Finance Lease	SC	34,000	27,500	0	0
Pay & Display Machine	SC	0	0	60,000	0
Highways General Planned Works					
Surface Drainage Water	SC	69,000	72,000	77,000	77,000
Highways and Bridges Structures	SC	260,000	260,000	260,000	260,000
Maintain AntiSkid and Coloured	SC	90,000	90,000	90,000	90,000
Highways Planned Road Works					
Borough Roads Maintenance	SC	1,500,000	1,500,000	1,200,000	1,200,000
Leisure Centres					
Leisure Centre Plant and Machines	SC	450,000	300,000	250,000	250,000
Morden Leisure Centre	SC	8,318,670	567,450	7,950	0
Wimbledon Park Lake De-Silting	SC	250,000	1,250,000	0	0
Regeneration Partnerships					
Mitcham Major Schemes - TfL	SC	700,000	0	0	0
Industrial Estate Investment	SC	445,870	0	0	0
Transportation Enhancements	SC	0	1,000,000	3,000,000	1,000,000
Street Lighting					
Street Lighting	SC	290,000	509,000	290,000	290,000
Street Scene					
Street Tree Programme	SC	60,000	60,000	60,000	60,000
Transport for London					
TfL Unallocated	SC	1,844,800	1,864,800	0	0
Morden TfL	SC	220,000	2,000,000	0	0
Transport and Plant					
Replacement Fleet Vehicles	SC	400,000	400,000	300,000	300,000
SWLP Vehicles	SC	1,286,000	2,670,000	0	0
Traffic and Parking Management					
Traffic Schemes	SC	156,000	150,000	150,000	150,000
Waste Operations					
Alley Gating	SC	40,000	40,000	40,000	40,000
Waste Bins - Finance Lease	SC	5,500	5,500	0	0
SWLP IT	SC	42,000	0	0	0
SWLP Depot	SC	73,000	0	0	0
SWLP Wheelie Bins	SC	0	2,674,000	0	0
Total Environment and Regeneration		**17,735,840**	**16,747,750**	**7,079,950**	**5,017,000**

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

Analysis of Growth against Approved Programme 2017/20 and Indicative Programme 2020/21
ANNEX 4

Department	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Corporate Services				
Business Improvement				
Replacement Social Care System	200,000	350,000	0	(150,000)
Planning&Public Protection Sys	(510,000)	510,000	0	0
Electronic Asset Management	0	0	(190,000)	0
Customer Contact	0	0	0	(200,000)
Corporate				
Facilities Management				
Capital Works Facilities	0	0	(50,000)	(50,000)
Resources				
Improving Financial Systems	0	0	0	(700,000)
Total Corporate Services	**(310,000)**	**860,000**	**(240,000)**	**(1,100,000)**
Children, Schools and Families				
Secondary Expansion				
St Marks	(911,800)	(1,257,400)	1,681,000	0
New 6fe School	0	0	(1,979,100)	(6,000,000)
Harris Morden	(1,643,500)	1,343,500	800,000	0
Raynes Park	(100,000)	(1,530,000)	(4,200,000)	0
SEN Expansion				
Secondary School Autism Unit	(960,000)	1,160,000	0	0
Further SEN	(500,000)	500,000	0	0
Total Children, Schools and Families	**(4,115,300)**	**216,100**	**(3,698,100)**	**(6,000,000)**
Environment and Regeneration				
Greenspaces				
Parks investment	0	0	0	(25,000)
Highways Planned Road Works				
Borough Roads Maintenance	0	0	(50,000)	(50,000)
Leisure Centres				
Leisure Centre Plant and Machines	0	0	(50,000)	(50,000)
Regeneration Partnerships				
Transportation Enhancements	0	(4,000,000)	3,000,000	1,000,000
Transport and Plant				
Replacement Fleet Vehicles	(100,000)	(100,000)	(50,000)	(50,000)
Traffic and Parking Management				
Traffic Schemes	0	(25,000)	(25,000)	(25,000)
Total Environment and Regeneration	**(100,000)**	**(4,125,000)**	**2,825,000**	**800,000**
Total Merton	**(4,525,300)**	**(3,048,900)**	**(1,113,100)**	**(6,300,000)**

* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,
** Negative growth in the capital programme is as a result of reduction when compared to the approved (17/20) and indicative (20/21)

INDICATIVE CAPITAL PROGRAMME 2021-26 **ANNEX 5**

Department	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Corporate Services					
Business Improvement					
Replacement Social Care System	0	0	2,100,000	0	0
Planning&Public Protection Sys	0	0	0	0	550,000
Revenue and Benefits	0	0	0	400,000	0
Spectrum Spatial Analyst Replacement	42,000	0	0	42,000	0
Capita Housing	0	100,000	0	0	0
Aligned Assets	0	0	75,000	0	0
Replacement Document Management System	0	0	900,000	0	0
Electronic Asset Management	0	0	0	240,000	0
Customer Contact	2,000,000	0	0	0	2,000,000
Facilities Management					
Invest to Save Schemes	300,000	300,000	300,000	300,000	300,000
Capital Works Facilities	650,000	650,000	650,000	650,000	650,000
Multi-Function Device	0	0	0	600,000	0
Information Tecnology					
Planned Replacement Programme	770,000	560,000	575,000	430,000	860,000
IT Enhancements	200,000	200,000	200,000	200,000	200,000
Resources					
Improving Financial Systems	0	700,000	0	0	0
Total Corporate Services	**3,962,000**	**2,510,000**	**4,800,000**	**2,862,000**	**4,560,000**
Community and Housing					
Libraries					
Library Self Service	0	0	0	0	350,000
Housing					
Disabled Facilities Grant	280,000	280,000	280,000	280,000	280,000
Total Community and Housing	**280,000**	**280,000**	**280,000**	**280,000**	**630,000**
Children, Schools and Families					
Other CSF					
Schools Capital Maintenance	650,000	650,000	650,000	650,000	650,000
Admissions IT	0	0	105,000	0	0
Total Children, Schools and Families	**650,000**	**650,000**	**755,000**	**650,000**	**650,000**

INDICATIVE CAPITAL PROGRAMME 2021-26 Continued………. **ANNEX 5**

Department	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Environment and Regeneration					
Footways Planned Works					
Repairs to Footways	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Greenspaces					
Parks investment	300,000	300,000	300,000	300,000	300,000
Pay & Display Machine	0	0	0	60,000	60,000
Highways General Planned Works					
Surface Drainage Water	77,000	77,000	77,000	77,000	77,000
Highways and Bridges Structures	260,000	260,000	260,000	260,000	260,000
Maintain AntiSkid and Coloured	90,000	90,000	90,000	90,000	90,000
Highways Planned Road Works					
Borough Roads Maintenance	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Leisure Centres					
Leisure Centre Plant and Machines	250,000	250,000	250,000	250,000	250,000
Other E&R					
Replacing Handheld Computers	35,000	0	0	0	0
Street Lighting					
Street Lighting	290,000	290,000	290,000	290,000	290,000
Street Scene					
Street Tree Programme	60,000	60,000	60,000	60,000	60,000
Transport and Plant					
Replacement Fleet Vehicles	300,000	300,000	300,000	300,000	300,000
SWLP Vehicles	0	0	0	0	3,956,000
Traffic and Parking Management					
Traffic Schemes	150,000	150,000	150,000	150,000	150,000
Waste Operations					
Alley Gating	40,000	40,000	40,000	40,000	40,000
SWLP IT	0	0	0	0	42,000
Total Environment and Regeneration	**4,052,000**	**4,017,000**	**4,017,000**	**4,077,000**	**8,075,000**
Total Merton	**8,944,000**	**7,457,000**	**9,852,000**	**7,869,000**	**13,915,000**

* OSC= Overview and Scrutiny Commission, CYP = Children and Young People, HCOP = Healthier Communities and Older People SC = Sustainable Communities,
** Negative growth in the capital programme is as a result of reduction when compared to the approved (17/20)and indicative (20/21) programme.

Please Note

1) **Excludes expenditure budgets relating to Disabled Facilities Grant**
2) **Excludes expenditure budgets relating to Transport for London Grant .**
3) **Excludes expenditure budgets relating to Devolved Formula Capital for schools.**
4) **Excludes any expenditure budgets relating to a Housing Company**

AUTUMN STATEMENT 2016

The new Chancellor of the Exchequer, Philip Hammond, delivered his first Autumn Statement 0n 2016. Following the result of the referendum to leave the European Union, the Statement announced that this presents both new opportunities and new challenges but “in the near term, the UK’s economic outlook has become more uncertain.”

UK Economy
“The Office for Budget Responsibility (OBR) forecasts that GDP growth will slow to 1.4% in 2017, and then recover to 1.7% in 2018, 2.1% in both 2019 and 2020, and 2.0% in 2021. The OBR expects lower business investment and household spending to weigh on GDP in the near term.”

Key Economic & Fiscal Indicators

	2015	2016	2017	2018	2019	2020	2021
Gross domestic product (GDP) (%)	2.2	2.1	1.4	1.7	2.1	2.1	2.0
Public sector net borrowing (£bn)	76.0	68.2	59.0	46.5	21.9	20.7	17.2
Public sector net borrowing (deficit % of GDP)	4.0	3.5	2.9	2.2	1.0	0.9	0.7
Public sector net debt (% of GDP)	84.2	87.3	90.2	89.7	88.0	84.8	81.6
LFS unemployment (% rate)	5.4	5.0	5.2	5.5	5.4	5.4	5.4
Employment (millions)	31.3	31.7	31.8	31.9	32.0	32.2	32.3
CPI Inflation (%)	0.0	0.7	2.3	2.5	2.1	2.0	2.0

Source: H.M.Treasury – Autumn Statement 2016; OBR - Economic & Fiscal Outlook, November 2016

Public finances and fiscal policy
“The OBR’s forecast for the public finances shows a deterioration since Budget 2016, due to disappointing tax revenues over the first half of this year, a weaker economic outlook weighing on receipts from income taxes, and higher spending by local authorities, public corporations, and on welfare benefits. Compared with the OBR’s Budget 2016 forecast, borrowing is higher in every year of the forecast and £32 billion higher in 2020-21. Debt peaks at over 90% of GDP in 2017-18 due to a combination of higher borrowing, lower asset sales, and the impact of the Bank of England’s monetary policy operations.”

Public Spending
“With the deficit still sizeable, control of public spending and delivery of efficiencies is vital. The government is committed to the overall plans for departmental resource spending set out at Spending Review 2015. In the Autumn Statement, new spending initiatives, with the exception of the National Productivity Investment Fund (NPIF), have been fully funded.”

<u>Departmental Expenditure Limits</u>
“Budget 2016 set out that departmental resource spending will continue to grow with inflation in 2020-21. Departmental spending will also grow with inflation in 2021-22. The government will meet the commitments on public spending set out for this Parliament: including commitments to priority public services, to international development and defence, and to pensioners. The government will continue to constrain public spending in the next Parliament to reach a balanced budget and live within its means. The commitments it is able to make on protecting public spending priorities in the next Parliament will need to be determined in light of evolving prospects for the fiscal position. The government will do this at the next Spending Review.”

Table 1.5 (Autumn Statement): Total Managed Expenditure[1, 2] (in £ billion, unless otherwise stated)

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Current expenditure						
Resource AME	370.2	386.9	400.3	407.2	421.1	439.8
Resource DEL excluding depreciation	309.0	304.2	306.3	305.6	311.5	317.6
Ring-fenced depreciation	20.6	21.9	22.8	23.3	21.9	22.8
Total public sector current expenditure	**699.8**	**713.0**	**729.4**	**736.2**	**754.5**	**780.1**
Capital expenditure						
Capital AME	26.6	26.7	25.8	27.3	30.4	32.0
Capital DEL	52.3	57.2	59.2	60.2	70.6	74.2
Total public sector gross investment	**79.0**	**84.0**	**85.1**	**87.5**	**101.1**	**106.3**
Total managed expenditure	**778.8**	**797.0**	**814.5**	**823.7**	**855.6**	**886.4**
Total managed expenditure (% of GDP)	*39.9%*	*39.8%*	*39.1%*	*38.0%*	*38.0%*	*37.8%*

The Chancellor signalled no changes in ring-fencing of protected departments nor in the pensions triple lock during this Parliament but suggested that these would need to be looked at before the next Parliament

National Productivity Investment Fund (NPIF)

The government prioritised capital spending at Spending Review 2015 and is now setting out plans to go further. The Autumn Statement announces a new NPIF which will be targeted at 4 areas that are critical for improving productivity: housing, transport, digital communications, and research and development (R&D). The NPIF will provide for £23 billion of spending between 2017-18 and 2021-22.

Table 3.1 (Autumn Statement): National Productivity Investment Fund (£ million)[1]

	2017-18	2018-19	2019-20	2020-21	2021-22[4]
Housing					
Accelerated construction	285	635	665	380	*
Affordable housing[2]	1,120	1,125	880	340	*
Housing Infrastructure Fund	60	300	945	1,425	*
Transport					
Roads and local transport	365	500	430	650	*
Next generation vehicles	75	100	110	115	*
Digital railways enhancements	30	55	165	285	*
Cambridge-Milton Keynes-Oxford corridor	5	135	0	0	*
Digital Communications[3]					
Fibre and 5G investment	25	150	275	290	*
Research and Development					
Research and Development funding	425	820	1,500	2,000	*
Total	**2,390**	**3,820**	**4,970**	**5,485**	**7,000**

[1] Figures represent the total costs associated with the funding allocations announced at the Autumn Statement, including the impact on Devolved Administration budgets through the application of the Barnett formula.

[2] The affordable housing line includes the impact on Housing Association spending of £1.4 billion extra capital grant from central government to fund 40,000 new homes, and introducing tenure flexibility across the Affordable Homes Programme.

[3] Figures show PSGI impact of policies only, and do not include funding for the Digital Infrastructure Investment Fund.

[4] Capital budgets have not yet been set for 2021-22. Allocation of the £7 billion will be made in due course alongside wider capital budgets.

Source: HM Treasury.

Housing

The government will publish a Housing White Paper shortly, setting out a comprehensive package of reform to increase housing supply and halt the decline in housing affordability. In the Autumn Statement the Chancellor announced a £2.3bn Housing Infrastructure Fund to build 100,000 new houses in areas of high demand. Funded by a new National Productivity Investment Fund (NPIF) and allocated to local government on a competitive basis it is intended to "provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest"
Affordable homes – the government will relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives. The NPIF will provide an additional £1.4 billion to deliver an additional 40,000 housing starts by 2020-21. Affordable housing settlement - The government confirmed the GLA's affordable housing settlement will be £3.15 billion, to deliver over 90,000 housing starts by 2020-21.
Right to Buy – The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with Right to Buy discounts under the pilot.

Business Rates

- The Government's preferred option for the Transitional Relief scheme has been confirmed – with the cap for large businesses being reduced from 45% to 42% in 2017-18 and from 50% to 32% in 2018-19. This benefits London businesses by £46 million in 2017-18 and £33 million in 2018-19 (against aggregate increases of around £1.1 billion a year).
- 100% relief announced for new full-fibre infrastructure for a 5 year period from 1 April 2017.
- Rural rate relief will double to 100% from 1 April 2017.
- Government reconfirmed the Business tax road map – including reducing business rates by £6.7 billion over the next 5 years (previously announced at Budget 2016).

Public Spending and Welfare

The Government remains committed to delivering overall spending plans set at Spending Review 2015. All new announcements in the Autumn Statement, apart from the NPIF, are fully funded. The government intends to deliver the welfare savings already identified but has no plans to introduce further welfare savings measures in this Parliament beyond those already announced.
Universal Credit taper –From April 2017, the taper rate that applies in Universal Credit will be reduced from 65% to 63%. The Government estimates that 3 million households will benefit from this change.
Local Housing Allowance (LHA) rates in social housing
The implementation of the cap on Housing Benefit and LHA rates in the social rented sector will be delayed by 1 year, to April 2019. The cap will be applied to all supported housing tenancies from April 2019, and the government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area. For general needs housing, the cap will now apply from April 2019 for all tenants on Universal Credit, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016.

Employment

National Living Wage and National Minimum Wage rates – Following the recommendations of the independent Low Pay Commission, the Government will increase the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017. This is estimated to mean a pay rise for over a million workers.
Off-payroll working rules – the Government confirmed it will reform the offpayroll working rules in the public sector from April 2017 by moving responsibility for operating them, and paying the correct tax, to the body paying the worker's company. The 5% tax-free

allowance will be removed for those working in the public sector, reflecting the fact that workers no longer bear the administrative burden of deciding whether the rules apply.

Local infrastructure
The Government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England and £492 million of this will go to London and the south east. Awards to individual LEPs will be announced in the coming months. This funding of local infrastructure will improve transport connections, unlock house building, boost skills, and enhance digital connectivity. The government will also consult on lending local authorities up to £1 billion at a new local infrastructure rate of gilts + 60 basis points for three years to support infrastructure projects that are high value for money.

Flood defence and resilience
The government will invest £170 million in flood defence and resilience measures. £20 million of this investment will be for new flood defence schemes, £50 million for rail resilience projects and £100 million to improve the resilience of roads to flooding.

English devolution
The Government will transfer to London, and to Greater Manchester, the budget for the Work and Health Programme, subject to the two areas meeting certain conditions, including on co-funding. The government has also confirmed the Greater London Authority’s (GLA) affordable housing settlement, under which the GLA will receive £3.15 billion to deliver over 90,000 housing starts by 2020-21, and will devolve the adult education budget to London from 2019-20 (subject to readiness conditions). The government will continue to work with London to explore further devolution of powers over the coming months.

Potential Impact on Local Government Funding
In their summation of the Autumn Statement , London Councils concluded that “It is not expected that the policy changes announced will impact on local government funding. The final 2016-17 Local Government finance settlement set out four year funding allocations for local government in February. The £3.5 billion of additional public spending reductions from the “departmental efficiency review” announced in the Spending Review will report in 2018. The government has indicated that £1 billion of this will be reinvested to support “priority areas”, but this will not impact on local government funding.

This page is intentionally left blank

Committee: **Healthier Communities and Older People Overview and Scrutiny Committee**

Date: **10th January 2016**

Wards: **All**

Subjects: Dementia Friendly Merton' and Merton's 'Dementia Action Alliance' (MDAA).

Lead officer: Dagmar Zeuner, Director of Public Health

Lead member: Tobin Byers, Cabinet Member for Adult Social Care and Health

Contact officer: Daniel Butler, Senior Public Health Principal

---

Recommendations:

A That the panel note the updated plans and structures to support a sustainable approach to the delivery of Dementia Friendly Merton

B That the panel note the requirements and actions necessary to enable Merton to register for the national recognition process as a Dementia Friendly Borough

C That the panel note the official launch of Dementia Friendly Merton on 22nd February 2017

D That the panel note the approach taken to engage as many organisations who can help people with dementia and their carers continue to live quality lives in the community

E That the panel note the re-energising of Merton's Dementia Alliance which will lead on implementing the agreed local priorities for Dementia Friendly Merton

---

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. Purpose

a) to set out the requirements for, and actions being taken for Merton to become a formally recognised Dementia Friendly Borough.

b) to set out the proposed structures for Dementia Friendly Merton and its delivery vehicle, Merton's Dementia Action Alliance[1].

c) to raise awareness about the launch of Dementia Friendly Merton and seek support across the Council for Merton's Dementia Action Alliance.

d) to seek support for a range of Dementia Friendly projects across the Council's portfolio.

1.2. Executive Summary

1.2.1 Nationally, 779,528 people (65 and over) in England are predicted to have dementia by 2020. This represents a 14% increase from 2015.

---

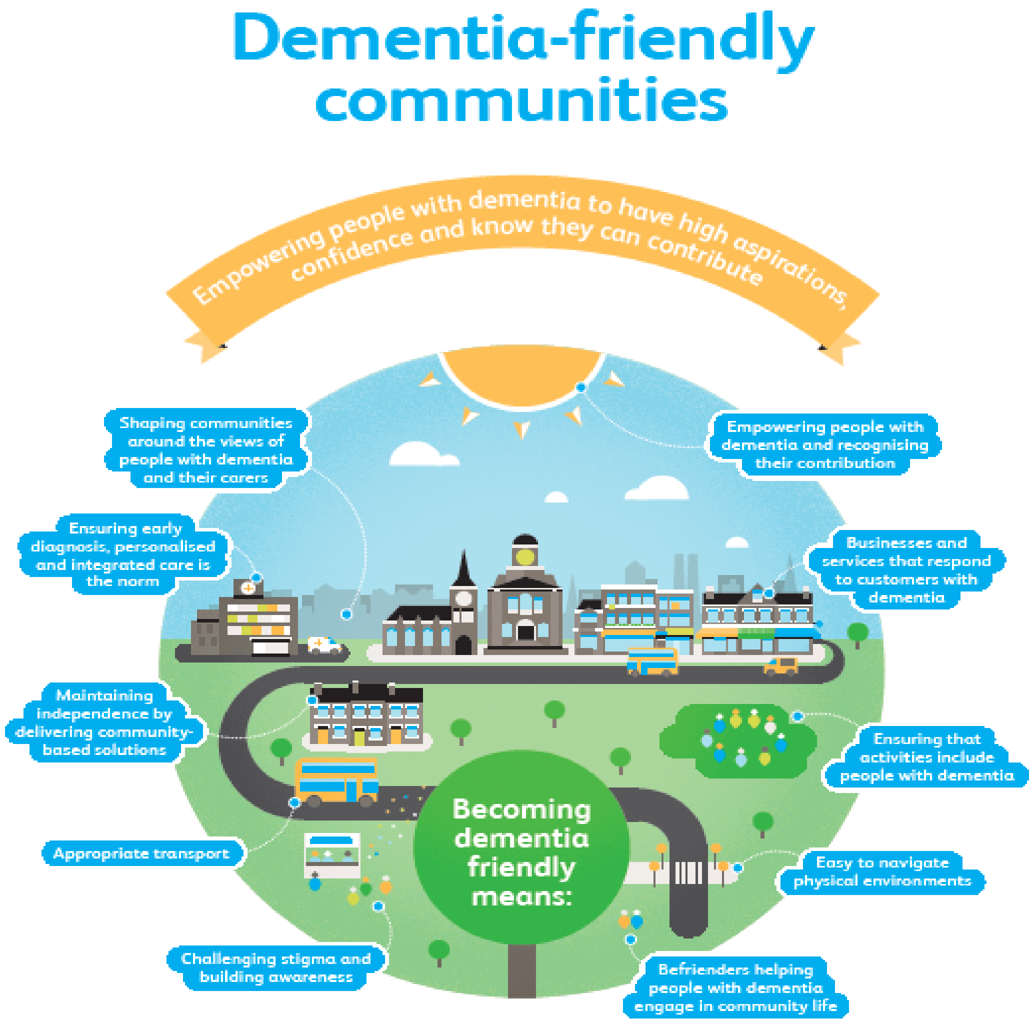
[1] http://www.dementiaaction.org.uk/who_we_are/ldaa_and_dfc

Similarly, in Merton, the predicted number of people with dementia in 2015 (65 and over) was 1782 with an expected rise to 2017 (13%) by 2020[2]. This is 7% of the over 65 population.

1.2.2 Two thirds of people with dementia live in the community, of which nearly a third live on their own. While incredibly important, social care, health and voluntary services alone cannot ensure people with dementia in the community live good quality lives. Support from the wider Council and community are essential. [3]

1.2.3 Being Dementia Friendly is therefore about engaging the whole community and by extension all Council departments in supporting people to live well with dementia.

> '*Everyone, from governments and health boards to the local corner shop and hairdresser, share part of the responsibility for ensuring that people with dementia feel understood, valued and able to contribute to their community*'[4]



[2] http://www.poppi.org.uk/index.php?pageNo=334&areaID=8648&loc=8648
[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/262139/Dementia.pdf
[4] https://www.alzheimers.org.uk/dementiafriendlycommunities

1.2.4 The Dementia Friendly team has also sought support from CMT members. The Council has the opportunity through its roles in areas such as planning, housing, the environment, leisure and schools to play not just an active role through its front facing staff but significantly through its ability to influence the planning and design of neighbourhoods, facilities and services.

1.2.5 Becoming dementia friendly is a long-term project. To be formally recognised as a 'Dementia Friendly Community' Merton needs to demonstrate a sustained commitment to the following:

- the right local structure
- a person responsible for driving forward the work
- a plan to raise awareness about dementia in key organisations and businesses to support people with dementia
- giving a strong voice for people with dementia in the community
- raising the profile of the work to increase reach and awareness
- plans focussed on key areas that have been identified locally
- a plan for 6 monthly updates to the community

1.2.6 Dementia Friendly Merton will be launched on the 22nd February 2017. An essential element of this will be the re-energising of Merton's Dementia Action Alliance (MDAA) which was originally set up in 2014.

1.2.7 Organisations and people who join the Alliance commit to three actions which help deliver the locally agreed priorities to become dementia friendly. Progress on the action plans is reported on six monthly.

1.2.8 This paper sets out the arrangements in place and our future plans to deliver the requirements in 1.2.4. A particular emphasis is being put on establishing a structure based around the Dementia Action Alliance that is sustainable and integrated into existing arrangements such as the Dementia Strategy Steering Group and Aging Well. In part this emphasis results from the learning derived from the original DAA and subsequent slow-down in activities.

2 DETAILS

2.1. Introduction

Whilst this paper focuses on our future plans it is recognised that considerable positive work is already underway as was seen in the paper presented to this Panel in March 2016. These efforts, however, need to be more co-ordinated and focused on an agreed list of locally agreed priorities.

2.1.1 **What is a dementia friendly community?**

A quick reminder that a dementia friendly community is defined as:

> '*A city, town or village where people with dementia are understood, respected and supported, and confident they can contribute to community life.*

'In a dementia friendly community people will be aware of and understand dementia, and people with dementia will feel included and involved, and have choice and control over their day-to-day lives'[5]

People with dementia describe a dementia-friendly community as one that enables them to:

- find their way around and be safe
- access the local facilities that they are used to and where they are known (such as banks, shops, cafes, cinema and post offices)
- maintain their social networks so they feel they belong[6].

It is also important to remember that being dementia friendly need not be complicated. A lead from one Dementia Friendly initiative said quite simply that "*Being dementia-friendly comes down to kindness*."[7]

2.1.2 The principles highlighted here are ones which could apply to other population groups and the work and learning from establishing Dementia Friendly Merton would be transferable to other areas.

2.1.3 **Guiding principles for Dementia Friendly Merton**

Putting the person with dementia and the people that care for them at the very centre is fundamental to being dementia friendly. Merton is therefore mindful in its planning of the following points:[8]

- people with dementia and their carers should stand at the centre of what it means to be dementia friendly.
- the focus of priorities should be on the views of people with dementia[9]
- individuals, businesses, shops, transport, voluntary organisations, health and social care services, faith and community groups can all contribute to making a community Dementia Friendly

2.2. The plans outlined below have been devised to meet the requirements and points outlined in 1.2.4 and 2.1; with the aim of providing sustainable support and impetus to the Dementia Friendly Merton project.

2.2.1 **'The right local structure'**

The body which will take the actions based on locally identified priorities [10] forward is Merton's Dementia Action Alliance (MDAA) which will be chaired by the Director of Public Health. Merton's Alliance existed previously but has not met since the previous coordinator left.

[5] Alzheimer's Society 2013
[6] Developing dementia-friendly communities Learning and guidance for local authorities
[7] roshnisheffield.org.uk.
[8] PAS 1365:2015Code of practice for the recognition of dementia-friendly communities in England
[9] PAS 1365:2015Code of practice for the recognition of dementia-friendly communities in England
[10] http://www.dementiaaction.org.uk/who_we_are/ldaa_and_dfc

Organisations and teams who join Dementia Action Alliances commit to three actions that will actively contribute to making the community more dementia friendly.

DAAs are invaluable for sharing experiences and learning and they also have significant potential for networking, partnerships and advocacy. The more members a DAA has, the more effective these elements are likely to be.

2.2.2 The Dementia Steering Group (soon to become the Older People's Steering Group) will provide the strategic overview for Dementia Friendly Merton as part of its implementation of the Dementia Strategy (draft 2016). The Alliance will provide six monthly updates on the action plan to the Dementia Steering Group.

The Dementia Steering Group will report to the Commissioning Subgroup of the One Merton Meeting.

2.2.3 The Senior Public Health Principal is the operational lead for Dementia Friendly Merton. They will be supported by the Merton Dementia Action Alliance Coordinator (Dementia HUB information worker)

2.3. Raising awareness about dementia in key organisations and businesses that support people with dementia'

2.3.1 The range of stakeholders from the community that guidance says should be engaged with fall into the broad categories listed below. [11]

- arts, culture, leisure and recreation
- businesses and shops
- children, young people and students
- community, voluntary, faith groups and organizations
- fire and police
- health and social care
- housing and planning
- transport

2.3.2 Merton Council has the opportunity through its roles in areas such as planning, housing, the environment, leisure and schools to play not just an active role through its front facing staff but significantly through its ability to influence the planning and design of neighbourhoods, facilities and services.

2.3.3 Feedback from other DAA leads and the London DAA Alzheimer's Society lead is that numbers of members, breadth of organisational representation and diversity of membership is what helps make a DAA successful. Following on from point 2.3.2 above, engagement from teams in a wide range of Council departments would add to the effectiveness of the Alliance.

2.3.4 The key stages in the plan to raise awareness are:

[11] PAS 1365:2015Code of practice for the recognition of dementia-friendly communities in England

- December 2016 to February 2017 - Engage with individuals and organisations across Merton to encourage them to join MDAA. The London lead for Dementia Alliances is providing support and advice for this process.
- Link into existing forums and contacts in the community to raise awareness about Dementia Friendly Merton and joining the Alliance. As an example, the Healthy Workplace lead employed by Merton Chamber of Commerce is happy to give out information and encourage businesses to contact the Dementia Friendly team.
- Mapping activities already underway. For example, the number of trained Dementia Friends and Champions in Council teams and other organisations.
- Launch Dementia Friendly Merton and Merton's Dementia Action Alliance on 22 February 2017.
- Plan a range of activities as part of National Dementia Week in May 2017.
- Throughout 2017 consider longer term engagement plans with organisations and community groups via the MDAA

2.4. 'A strong voice for people with dementia in the community'

Dementia Friendly Merton aims to promote the needs of everyone with dementia in the population and will pay particular attention to giving a voice to the local diverse populations affected by dementia. [12] Formal and informal channels will be used. For example:

- The MDAA membership includes people with dementia and carers of people with dementia.
- In recognition that some people may not wish or be able to attend the Alliance regular informal contact will be maintained with people attending the Dementia HUB and other community organisations
- The Dementia Friendly lead and co-ordinator will also work closely with the Dementia HUB to ensure that any views expressed through the HUB's existing feedback mechanisms are captured.

2.5. 'Increase reach and awareness about Dementia Friendly Merton and Merton DAA to the different groups in the community

The publicity for the launch of Dementia Friendly Merton and DAA will be used to raise the profile across the community in the first instance.

- The engagement plan includes the range of people with dementia, carers and organisations / stakeholders that have been reached or will be contacted.

[12] [12] PAS 1365:2015Code of practice for the recognition of dementia-friendly communities in England

- The team plans to draw on the resources and knowledge held within the Council to ensure that community groups are made aware of the DAA and feel included in the process of developing Dementia Friendly Merton.
- A Communications plan is being developed with the support of the Council communications team.

2.6. 'Plans focussed on key areas that have been identified locally'

What people with dementia and carers say needs to be done to make Merton and the different communities within it more Dementia Friendly will inform Merton's priorities. To achieve this:

- Conversations with people with dementia and carers will be held between November 2016 and January 2017. The output of these will be used to inform the discussions at the launch of Dementia Friendly Merton and the MDAA in February 2017

Priorities will also be informed by the 2016 Dementia Strategy and ongoing discussions and feedback at the MDAA meetings.

2.7. Action planning and reporting

At the first MDAA meeting organisations and individuals will be asked to sign up to the Merton DAA and devise three actions which will help them contribute to the key priorities. The co-ordinator will support organisations in this work. The action plan will be monitored and regular updates given to the Dementia Strategy Steering Group.

2.8. Next steps - Dementia Friendly Merton Launch – February 22nd 2017

The theme for the Launch is **'A day in the life'** of a person with dementia and carer of a person with dementia. There will be an interview with a person with dementia and a carer to draw attention to the daily issues people face.

- Feedback from the pre-consultation activities with people with dementia and their carers and stakeholders will be fed into the Launch.
- Attendees will have the opportunity to take part in a Dementia Friends awareness session.
- The team is consulting with the London Dementia Action Alliance lead on what contributes to a successful Alliance Launch.

2.9. Possible projects for Merton and examples from other communities

A straight forward action is ensuring that as many front facing staff in organisations that people encounter on a daily basis are trained as Dementia Friends. Broader projects for consideration which Merton Council could play an important role are shown in Background paper 1..:

3 **ALTERNATIVE OPTIONS**

N/A

4 **CONSULTATION UNDERTAKEN OR PROPOSED**

The consultation about Dementia Friendly Merton is ongoing and will initially focus on the launch in February 2017 for external organisations. Reports went to ASSM, Housing and Communities DMT and CMT and the Faith and belief Forum in December 2016.

5 **TIMETABLE**

Key timescales include:

February 2017 - Launch of DFM Merton and Merton Dementia Action Alliance

February 2018 - Submit to be formally registered as part of the national Dementia Friendly Community programme

6 **FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

There is a need for an information worker to support the DAA. The costs of this worker will be built into any future specification for the Dementia HUB contract.

7 **LEGAL AND STATUTORY IMPLICATIONS**

N/A

8 **HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

Actions to develop the DAA has positive impacts for the protected characteristics of disability and age. The Dementia Friendly Communities project encourages participation by all diverse groups with dementia and its priorities are based on the needs of those communities. This will include a particular focus on engaging BAME community organisations.

9 **CRIME AND DISORDER IMPLICATIONS**

N/A

10 **RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

N/A

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

N/A

12 **BACKGROUND PAPERS**

Table 1 Possible and example projects

Engagement area (requirements in 2.3.1)	Examples
Arts, culture, leisure and recreation	Dementia Friendly Parks – Richmond upon Thames has received positive feedback from the Alzheimer's Society on their work around parks and there are many opportunities in Merton. Libraries – a dementia friendly library is currently being planned in Merton Cinemas and theatres – one of the chains has developed dementia friendly film sessions and is expanding the project to its other cinemas Leisure activities - Greenwich Leisure (Better) is working nationally on dementia friendly leisure facilities and the Dementia Friendly team is engaging with them locally
Businesses and shops	'Love Wimbledon' are happy to work with us on creating a 'Dementia Friendly High Street' in Wimbledon The same principles could be applied to different neighbourhoods across the Borough
Children, young people and students	Linking into schools' Community Engagement and PHSE programmes. There are also possibilities through the Duke of Edinburgh and citizenship schemes.
Community, voluntary, faith groups and organizations	With the Social Value Act, there are opportunities to build Dementia Friendly actions into Merton contracts
Fire and police	Hampshire police were registered as dementia friendly in 2016. Neighbourhood policing teams are receiving awareness training and police vehicles used by dementia friendly trained staff have dementia friendly stickers
Health and social care	The redevelopment of the Wilson provides an opening to incorporate dementia friendly principles in partnership with the community from the early planning stages. There are opportunities to work in partnership with local NHS organisations through the DAA. St. Helier Hospital was a 2016 finalist for dementia friendly organisation of the year. Kingston Hospital has just opened a dementia friendly ward. Pharmacies now have to have dementia friendly environments as part of their quality premium payment system.
Housing and planning	Working with Future Merton and Master Planning teams to consider dementia friendly principles in development and regeneration projects.
Transport	Working with TFL and local bus companies to ensure people still feel able to use public transport. Other projects include dementia friendly taxi companies

N/A

This page is intentionally left blank

Healthier Communities and Older People Work Programme 2016/17

This table sets out the draft Healthier Communities and Older People Panel Work Programme for 2016/17. This Work Programme will be considered at every meeting of the Panel to enable it to respond to issues of concern and incorporate reviews or to comment upon pre-decision items ahead of their consideration by Cabinet/Council.

The work programme table shows items on a meeting by meeting basis, identifying the issue under review, the nature of the scrutiny (pre decision, policy development, issue specific, performance monitoring, partnership related) and the intended outcomes. The last page provides information on items on the Council's Forward Plan that relate to the portfolio of the Healthier Communities and Older People Panel so that these can be added to the work programme should the Commission wish to.

The Panel is asked to identify any work programme items that would be suitable for the use of an informal preparatory session (or other format) to develop lines of questioning (as recommended by the 2009 review of the scrutiny function).

Scrutiny Support

For further information on the work programme of the Healthier Communities and Older People please contact: -
Stella Akintan (Scrutiny Officer)
Tel: 020 8545 3390; Email: stella.akintan@merton.gov.uk

For more information about overview and scrutiny at LB Merton, please visit www.merton.gov.uk/scrutiny

Meeting Date 28 June 2016

Scrutiny category	**Item/Issue**	**How**	**Lead Member/Lead Officer**	**Intended Outcomes**
Consultation	Proposed closure of Urogynaecology clinic at St Georges Hospital	Verbal update at the Panel	Dr Andrew Rhodes, Acting Medical Director, St George's Hospital	Panel to receive an update on the future of the clinic.
Performance Monitoring	Merton Improving Access to Psychological Therapies Service	Report to the Panel	Commissioning Team, Merton Clinical Commissioning Group. Director of Addaction.	To provide an update on the service
Budget	Merton Public Health Budget – 2016/17	Report to the Panel	Dagmar Zeuner, Director of Public Health	To review budget decisions

Meeting date – 06 September 2016

Page 96

Scrutiny category	**Item/Issue**	**How**	**Lead Member/ Lead Officer**	**Intended Outcomes**
Consultation	Epsom and St Helier University NHS Trust – Update on current priorities	Verbal update to the Panel	Daniel Elkeles, Chief Executive, Epsom and St Helier	Panel to receive an update on the Trust Estate Strategy
Policy Development	Merton Clinical Commissioning Group – Update on current priorities.	Verbal update to the Panel	Dr Andrew Murray, Chair, Merton Clinical Commissioning Group.	Update on the work of MCCG
Scrutiny Review	Diabetes Task Group	Report to the Panel	Councillor Brian Lewis Lavender	To consider the report and recommendations arising from the review
Scrutiny Review	Draft task group scoping document on Learning Disability Day Centres	Report to the Panel	All Panel	To discuss the scope of the review.

Meeting date – 20 October 2016

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
Policy Development	Impact of welfare reform	Report to the Panel	Merton Centre for Independent Living, Faith in Action,	To review the impact of welfare reform on vulnerable residents.
Policy Development	Sustainability and Transformation Plan	Report to the Panel	Dr Andrew Murray, Chair Merton Clinical Commissioning Group	To review the progress in developing a Sustainability and Transformation Plan for Merton

Meeting Date – 08 November 2016

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
Policy Development	Physical activity for the 55 plus	Report to the Panel	Dagmar Zeuner, Director of Public Health	Review the progress with this work.
Performance Monitoring	Business Plan Update 2017-2021	Report to the Panel	Caroline Holland, Director of Corporate Services	To review savings proposals.
Performance Monitoring	Merton Improving access to psychological therapies service	Report to the Panel	Patrice Beveney Senior Mental Health Commissioning Manager NHS Merton Clinical Commissioning Group	To review progress with the service

Meeting date – 10 January 2017 BUDGET

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
Performance Monitoring	Budget	Report to the Panel	Caroline Holland, Director of Corporate Services	To comment on the council's draft budget
Policy Development	Making Merton a dementia Friendly Borough	Report to the Panel	Dagmar Zeuner, Director of Public Health	Review the progress with this work.
	Impact of the savings in adult social care	Report to the Panel	Simon Williams, Director of Community and Housing	To consider the impact of the savings.

Meeting date – 07 February 2017

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
Policy Development	Care in the community for older people and support when they are released from hospital.	Report to the Panel		To review the support available to people when they leave hospital
Performance Monitoring	CCG report - Wilson walk in Centre	Report to the Panel	Merton Clinical Commissioning Group	To review future plans for Wilson Walk in Centre
Scrutiny Review	Diabetes Action Plan	Report to the Panel		
Scrutiny Review	Feedback from the Learning Disability Day Centres review	Report to the Panel	Councillor Sally Kenny, Task Group Chair.	Review the activities in Learning Disability Day Centre

Meeting Date - 17 March 2017

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes

Performance Monitoring	immunisations		NHSE	
Policy Development	GP Federation/ future of GP services	Report to the Panel	MCCG	
Policy Development	Update on Mental Health Services	Report to the Panel	Public Health, MCCG and Mental Health Trust	
Policy Development	Support for People who have been affected by brain injury	Report to the Panel	Adult Social Care/ Merton CCG	Review services and recommend improvements if/where necessary
Scrutiny Review	Preventing loneliness in Merton Task Group report	Report to the Panel	Councillor Sally Kenny, Task Group Chair.	To consider the findings and recommendations from the scrutiny task group review of preventing loneliness in Merton

This page is intentionally left blank