

Merton Council

Sustainable Communities

Overview and Scrutiny

Panel



Date: 9 January 2019
Time: 7.15 pm
Venue: Committee Rooms C, D & E - Merton Civic Centre, London Road, Morden
SM4 5DX

AGENDA

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**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.**

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Sustainable Communities Overview and Scrutiny Panel Membership

Councillors:

Laxmi Attawar (Chair)
Daniel Holden (Vice-Chair)
Stan Anderson
Ben Butler
Joan Henry
Russell Makin
Nick McLean
Anthony Fairclough

Substitute Members:

Nigel Benbow
Mark Kenny
Hina Bokhari
David Dean
Billy Christie

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 matter 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 4035 or by e-mail on scrutiny@merton.gov.uk. Alternatively, visit www.merton.gov.uk/scrutiny

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Agenda Item 3

All minutes are draft until agreed at the next meeting of the committee/panel. To find out the date of the next meeting please check the calendar of events at your local library or online at www.merton.gov.uk/committee.

SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY PANEL

1 NOVEMBER 2018

(7.15 pm - 10.20 pm)

PRESENT Councillors Councillor Laxmi Attawar (in the Chair),
Councillor Daniel Holden, Councillor Stan Anderson,
Councillor Ben Butler, Councillor Joan Henry,
Councillor Russell Makin, Councillor Nick McLean and
Councillor Anthony Fairclough

Anita Cacchioli, Chris Lee (Director of Environment and
Regeneration) Pat DeJesus (Waste Engagement and
Enforcement Officer), Paul McGarry (FutureMerton Manager),
James McGinlay (Managing Director of Merantun Development
Limited) and Doug Napier (Leisure and Culture Greenspaces
Manager) Stella Akintan (Scrutiny Officer)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

There were no apologies for absence

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interests

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The minutes were agreed as a true and accurate record of the meeting.

The Chair said there were two issues arising from the last meeting:

The Director of Environment and Regeneration was asked to provide an update on Christmas parking. He reported that Members expressed concern about the benefits of the scheme, therefore the provision had been reduced which represents a saving for the council. The saving will show in the budget savings in January and the changes will be operation from this year.

Councillor Russell Makin said he and Councillor James Holmes had met with officers to discuss the recommendations from the climate change task group and they were satisfied that officers had completed the work. This Panel would be kept updated on any further developments.

4 SINGLE USE PLASTICS SCRUTINY TASK GROUP - VERBAL UPDATE ON TERMS OF REFERENCE (Agenda Item 11)

Councillor Aidan Mundy gave an overview of the first meeting in which the following draft terms of reference were agreed:

- 1) Review the council's procurement of single use plastics.
- 2) How behaviour change amongst council staff and visitors in council buildings can be promoted
- 3) Consider as a pilot how local businesses in Morden town centre can be encouraged to reduce single use plastics.

A panel member asked for recommendation three to be changed from 'reduce' to 'stop'. Cllr Mundy reported that commercial alternatives to non-recyclable plastics are still being developed and it is important to be realistic about what the task group can achieve.

In response to questions Councillor Mundy confirmed that the task group will be speaking to a wide range of witnesses as part of the review and will be meeting experts within the council at the next meeting.

RESOLVED

The task group were thanked for their work

5 PERFORMANCE MONITORING: GROUNDS MAINTENANCE (Agenda Item 8)

The Panel received a presentation from Richard Burton, id Verde, setting out challenges and successes over the last 18 months.

The Chair invited Tony Burton from the Independent Merton Green Spaces Forum to address the Panel. He reported that the organisation was set up in 2016 in response to outsourcing of the contract, they offer a community perspective and wanted to raise three main issues:

- Basic horticultural skills are lacking, shards of glass caused by mowers are not cleared. A high staff turnover leads to lack of basic knowledge of the parks. Idverde are slow in responding to concerns and complaints by local groups
- Merton council are asked to enforce the contract with idverde more vigourously.
- Idverde are asked to take responsibility for the shortcomings within the service and make improvements.

The Leisure and Culture Greenspaces Manager gave an overview of the report which is focused on the performance of the contract. The main areas of underperformance have been grass cutting and litter clearance. Id Verde also need to consider how it deploys staff seasonally.

A panel member asked if there are enough staff to monitor both contracts given the demand on staff generated by the Waste service change. Id Verde reported additional staff have and are been employed to support the roll out of the Veolia contract.

A panel member asked where to direct their enquiries it was reported there is a dedicated enquiry line which will be shared with councillors. ACTION: Leisure and Culture Greenspaces Manager

In response to questions from the Panel it was reported that:

There had been health and safety concerns related to the quality of children's playground inspections. Furthermore a training exercise was carried out in relation to water safety testing as the council needed to be satisfied that all Id Verde staff were competent.

Fees and charges are a council decision, with advice taken from id Verde

RESOLVED

The Chair thanked officers for their report.

6 BUSINESS PLAN UPDATE 2019-2023 (Agenda Item 4)

The Director of Environment and Regeneration reported that there are no savings for the department in this round. Proposals will go to Cabinet in December and will be presented at the scrutiny panels in January.

A panel member asked why there has been a large increase in taxi card concessionary fares. It was reported the Director of Corporate Services will respond to this query. ACTION: Director of Corporate Services.

The Panel discussed and commented on the report and RESOLVED that:

“This Panel recommends to Cabinet to consider increasing the capital spend on street trees and other associated landscaping by 10% to help improve the Borough's air quality offset by reducing equivalent spend on fleet vehicles. “

In introducing the motion, Councillor Daniel Holden said the purpose of the motion is to meet aspirations of Mayor of London which is to reduce the number of vehicles and increase trees to improve air quality.

The motion was seconded by Councillor Russell Makin.

The Panel took a recorded vote on the motion. 4 members voted in favour (Councillors Laxmi Attawar, Nick McLean, Daniel Holden and Russell Makin); 2 voted

against (Councillors Ben Butler and Joan Henry) and there were 2 abstentions (Councillors Anthony Fairclough and Stan Anderson).

The Director of Environment and Regeneration said increasing revenue on trees could be beneficial but there is a revenue cost for maintenance so it is important to take a balanced approach. Fleet vehicles are the cheapest way of taking children to school, The department is working towards reducing transport cost by investing in clean and efficient vehicles.

RESOLVED

The motion to be forwarded to the Overview and Scrutiny Commission

7 THE WORK OF THE ENVIRONMENTAL ENFORCEMENT TEAM (Agenda Item 5)

A panel member raised concern that there seemed to be a reluctance to use covert operations. The Enforcement & Community Waste Partnerships Manager reported that we need to manage the resources available but overall Merton get good results.

The Cabinet Member for Environment and Regeneration thanked the team for their hard work and client officers for finding the identity of culprits in rubbish bags which is an unpleasant task. Merton has a successful conviction rate and we need people to come forward as witnesses to fly tipping to help modify poor behaviour.

Councillor McLean thanked officers for their work and offered to join staff on an environmental enforcement visit ACTION: The Enforcement & Community Waste Partnerships Manager

A panel member asked if there are other opportunities to identify culprits in order to deter others. The Enforcement & Community Waste Partnerships Manager reported information is publicised after a court appearance.

A Panel asked about the impact of school education, it was reported that staff accompany pupils on litter picks and they are educated on the impact of dropping litter.

A panel member asked if volunteers can be trained to work alongside the enforcement team. The Enforcement & Community Waste Partnerships Manager reported there are street champions who do litter picks and are the eyes and ears of the community.

8 MORDEN REDEVELOPMENT - VERBAL UPDATE (Agenda Item 6)

The Head of futureMerton gave an overview of the presentation and reported that recommendations will be presented at scrutiny in Spring 2019. The aim is to go to the market and seek a development partner. Early 2019 procurement process will begin, this will be 12 month process with the aim to have a partner by 2020 and begin building works by 2021.

A panel member asked if detailed site plans had been discussed how this would impact on the Local Plan. It was reported that this has not been discussed with development partners

A panel member said it is a challenging time for high streets how are we selecting the appropriate retail outlets.it was reported that there is no criteria for retail yet. Successful high street consist of a mix of outlets creating a flexible space.

RESOLVED

The Chair thanked officers for their presentation

9 MERANTUN - VERBAL UPDATE (Agenda Item 7)

The Managing Director of Merantun Development Limited gave an overview of the presentation.

A panel member asked if there were any delays in the commencement of activities, it was reported that the revenue stream had slipped by six months but a contingency had been built in.

A panel member asked if there would be liaison with the planning committee and others in the council on design. The Managing Director of Merantun Development Limited reported that design is an important part of the final product and there will be pre-application meetings and consultation with residents. The business model stands on quality of final product.

A panel member asked if there is a conflict with Clarion. The Director of Environment and Regeneration said there is potential for interest in the same sites. The Council will assess what Merantun can deliver and what can be sold on the private market to ensure the council tax payer gets the best return.

In response to questions it was reported that Merantun can buy sites in the future depending on the business case.

A Panel member asked if alternative car parking spaces will be provided for users of the nursery and GP surgery. The Managing Director of Merantun Development Limited said there will be a transport analysis as part of planning application. This area has always been earmarked for development in the Local Plan. There is a requirement to provide transport information but not to provide alternative parking options.

RESOLVED

The Chair thanked the Managing Director of Merantun Development Limited for his report.

10 PERFORMANCE MONITORING (Agenda Item 9)

Councillor McLean, performance monitoring lead for the Panel gave an overview of his concerns including:

Housing needs figures(– as noted at the last meeting, the service is seeing an increase in clients as a result of the Housing Reduction Act but this hasn't impacted on performance. Officers are continuing to monitor closely.

Library visitor figures (SP480) are still below the challenging target but numbers are up 20,000 on last year.

Regulatory services (SP041), % service requests responded to within 5 days. Under-performance is exacerbated by the inclusion of complaints and member enquiries alongside. Recommend that these are removed from the measure next year to achieve a better understanding of service request performance.

Street cleaning inspections (CRP048), % sites below standard continues to be below target and missed refuse collection (CRP093) figures are still higher than target – these are of concern to residents and will continue to be scrutinised by the Panel.

Fly tipping has increased (CRP094), partly due to actual increase and partly due to better reporting

Resident survey satisfaction measures – recommend that more challenging targets are set – current targets are 72% satisfaction with recycling facilities, 73% with refuse collection and 76% with parks

The Director of Environment and Regeneration said Veolia performance is challenging and the contract is being monitored closely. Merton is also learning lessons from other areas. Good results are expected in the future including an increase in recycling.

Panel members raised concerns about the service roll-out and queried if repeated issues including bins not being returned to properties, issues in flats and missed collections can be monitored and measured. The Interim Assistant Director of Public Space reported they are aware of the situation, there are some challenges as the system embeds, improvements are being made as the number of complaints are in decline

The Cabinet Member for Environment and Street Cleanliness said he meets regularly with Veolia to oversee the rollout. It was reported that there had been systems failure resulting in a backlog in delivering containers. The rollout has run smoothly for the vast majority of the borough.

A panel member said he would like to see higher more aspirational targets and an increase in targets in some areas. The Director of Environment and Regeneration said aspirational targets need to be set alongside extra resources to ensure they are realistic. Current targets are based on historical trends and benchmarked against comparable boroughs.

After some discussion about the remits of setting more challenging targets the Chair said targets should be realistic and it is recommended this is monitored and could be reconsidered when the Panel looks at the service plans in January.

RESOLVED

11 PUBLIC SPACE PROTECTION ORDERS (Agenda Item 10)

A panel member raised concerns about the Public Spaces Protection Order specifically Article 2c on dog fouling and the potential for being fined for not having a device or means to remove faeces. It was thought that articles 2A and 2B were sufficient sanctions and 2C would not be required. Panel Members were asked if they shared these concerns. Panel Members confirmed they were happy with the document and did not have any further concerns.

A panel member noted that people could only walk four dogs at a time and had consideration be given to those who have more dogs. The Greenspaces Manager said that whereas some people may have more dogs, a reasonable limit needed to be set and four was the accepted maximum that emerged from the consultation.

A panel member asked when the new protection order will be advertised and implemented. The Greenspaces Manager said there would be a period of grace to educate people before the changes come into full effect.

RESOLVED

Panel supported implementation of the Public Space Protection Order and initiatives to implement new dog controls in the borough.

12 WORK PROGRAMME (Agenda Item 12)

The Chair reported that the Panel had received a reference from Council to consider the following issue:

Council resolves to ask that the Sustainable Communities Overview and Scrutiny Panel looks at undertaking a report as part of its work programme which highlights key accessibility issues at local stations, but also outlining collective actions that Merton could take to help to improve access. It also asks that it invites key witnesses from Transport for London, Network Rail and South West Trains to the panel if a report is brought".

As a result the Panel agreed to hold an additional meeting in April to consider accessibility at local stations. This meeting will also consider a number of other items from the work programme, to alleviate the pressure on the agenda. ACTION: Head of Democracy Services

The Panel also agreed to ask for a report on homelessness in March 2019 to include the following:

Update on the impact of the Homelessness Reduction Act, and also looking at Merton's support for renters given homelessness is affected significantly by the end of tenancies. ACTION: Head of Democracy Services

RESOLVED

The Panel to hold an additional meeting in April 2019 and include support for renters in the homelessness reduction report for March 2019.

Committee: Sustainable Communities Overview and Scrutiny Panel

Date: 9th January 2019

Agenda item: Do not complete

Wards: All

Subject: Public health, air quality and sustainable transport- a strategic approach to parking charges 2

Lead officer: Chris Lee, Director Environment & Regeneration & Dagmar Zeuner, Director of Public Health-Merton, Community & Housing

Lead members: Cllr Whelton (Cabinet Member Cabinet member for Regeneration, Housing and Transport)
Cllr Byers (Cabinet Member for Adult Social Care and Health)

Contact officer: Ben Stephens, Head of Parking Services

Recommendations:

1. Further to the Cabinet Meeting of 10th December 2018, Cabinet have referred this matter to the Sustainable Communities Overview and Panel for consideration. The Panel is asked to discuss and comment on the report and agree any reference it wishes to make to Cabinet. This reference will be presented at the Cabinet meeting 14th January 2019, and will be considered in advance of any changes with regard to proposed charges for on and off street parking and permits including visitor permit sales.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Merton parking service already contributes to; and helps deliver the key policies set out in: Merton's Health and Wellbeing Strategy; Merton's Air Quality Action Plan; the Council's Local Implementation Plan; and the Mayor of London's Transport Strategy.
- 1.2. The purpose of this report is to inform Members of the key strategic drivers that will affect parking policy for the future (set out in full in the November Cabinet report), and inform Members of the evidence based approach to support the proposed charges set out in this report.

- 1.3. Members are asked to exercise their statutory duty to secure the expeditious, convenient and safe movement of traffic and the provision of suitable and adequate parking facilities in the context of the public health agenda, the shift to more active and sustainable transport modes (such as walking, cycling and public transport) the impact of vehicle emissions and congestion on air quality, and demand for kerbside space which form the backdrop of the policy direction set out below.
- 1.4. The report sets out the justification for the recommended Parking charges with the aim to adjust driver behaviour and to ensure that we can provide a modern, efficient and environmentally sustainable transport policy for residents, visitors, businesses now in the future.

2 KEY STRATEGIC COUNCIL PRIORITIES RELEVANT TO PARKING SERVICES

2.1.1 PUBLIC HEALTH

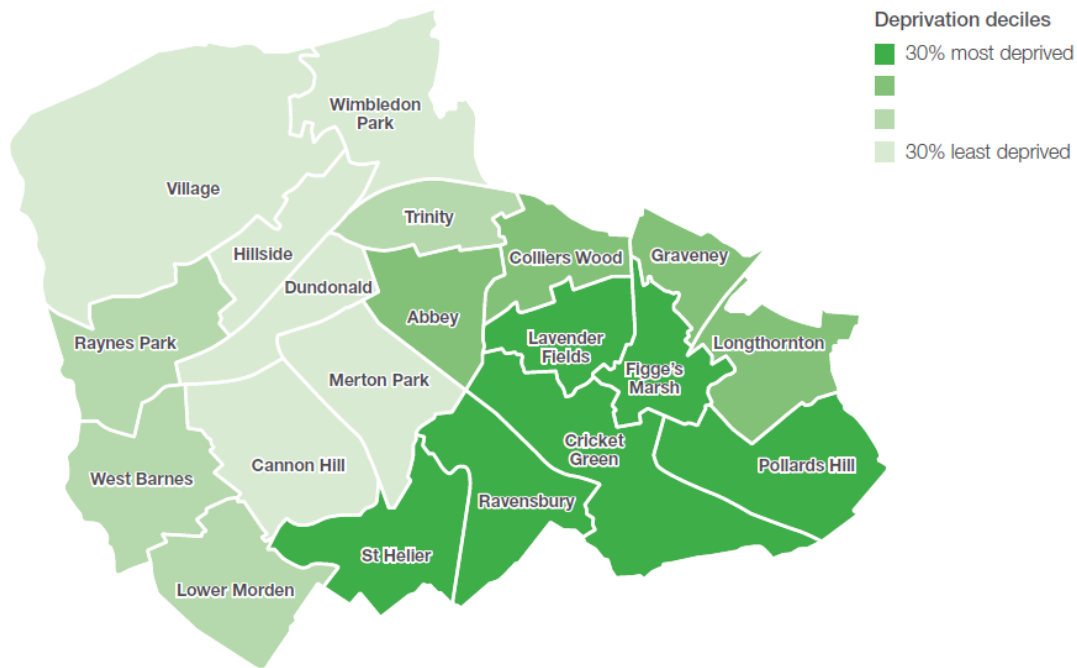
Parking and Public Health

Public Health and inequality

1. Public Health has a vision to protect and improve physical and mental health outcomes for the whole population in Merton throughout the life course, and to reduce health inequalities.
2. Deprivation is a key determinant of health and is worse in the east of the borough. See figure 1. This translates into deep rooted and damaging health inequalities; for example there is a difference of **more than 9 years of healthy life** between people living in the most and least deprived areas of Merton.¹

Figure 1: Index of Multiple Deprivation (IMD) 2015 for Merton wards

¹ <https://www2.merton.gov.uk/Annual-Health-Report2018.pdf>



Who holds the levers to improve the public's health?

3. Many, if not all, Council departments, hold the levers to improving people's health in Merton. Council levers can be deployed to create healthy environments that make the 'healthy choice the easy choice' for Merton residents; for example, by limiting the advertising of unhealthy food in Council-owned areas, or by incentivising people to walk, cycle and use public transport.
4. To improve the health of Merton residents, efforts must be rebalanced towards population level prevention. Parking Services have a role to play in this, for example by incentivising residents towards more sustainable and active modes of transport such as walking and cycling, and by reducing congestion and improving air quality.

The environment and health

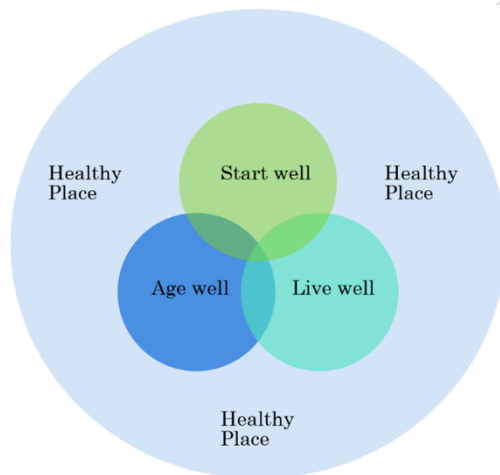
5. Evidence shows the environment has a strong influence on people's behaviours. It does this by affecting a non-conscious set of processes in our brains that affect behaviours such as travelling to work and craving unhealthy food. For example, it could be an advert in the street for a high sugar soft drink, an escalator beside a set of stairs, or a two-for-one offer on a packet of biscuits. All of these environmental cues affect people's behaviours through non-

conscious processes.² They can be summarised by ‘making the healthy choice the easy choice’.

Merton’s Health and Wellbeing Strategy 2019-24

6. A key theme for the Health and Wellbeing Strategy, which is currently being refreshed to cover 2019-24 (led by the Health and Wellbeing Board), is **Healthy Place**. We want to focus on how we can create an environment that allows all Merton residents to flourish, see figure 2 below.

Figure 2: Themes of Health and Wellbeing Strategy refresh 2019-24



What Merton residents want

7. Merton residents are aware of the importance of Healthy Place. A recent Healthy Places Survey led by the Council’s Environment and Regeneration department³ revealed the top priorities identified by Merton residents for creating healthy places in Merton include air quality, green infrastructure and open spaces including parks, and good cycling and walking routes, paths and lanes.

POTENTIAL BENEFITS TO THE PUBLIC’S HEALTH RELATING TO PARKING SERVICES

² Marteau, T. *Changing minds about changing behaviour*. The Lancet. 2018. Available from: <https://www.thelancet.com/action/showPdf?pii=S0140-6736%2817%2933324-X>

³ Survey data available here: <https://www.merton.gov.uk/assets/Documents/Healthy%20Places%20survey%20responses%20Jan18.pdf>

‘Reforms in planning for parking may be the simplest, cheapest, quickest and most politically feasible way to achieve many important policy goals’

Donald Shoup, Parking and the City

There are many potential public health benefits related to parking policy, some of which are listed below.

- 8. Better air quality: Improving air quality is important because 6.5% of mortality in Merton is attributable to poor air quality.**⁴ By helping to reduce vehicle emissions and supporting the shift to sustainable and active modes of transport, parking policy can improve air quality, which in turn will have positive benefits for people’s health.

In March 2017 the Local Government Association (LGA), in collaboration with others, published a report highlighting the important role local government has in improving air quality. From a Public Health perspective, the report highlights the effects air pollutants have on our bodies, sources of air pollutants and the business case for health.

<https://www.local.gov.uk/air-quality-briefing-directors-public-health>

There is ample evidence on the impact of air quality on health. Over time, poor air quality is associated with a range of mortality and morbidity outcomes. Exposure to poor air quality is associated with a range of cardiovascular, respiratory and cerebrovascular health effects⁵ and recent evidence suggests there may be a link between air pollution and a person being at increased risk of developing dementia.⁶ Evidence suggests a link between exposure to air

⁴ Data available here:

<https://fingertips.phe.org.uk/search/air%20pollution#page/0/gid/1/pat/6/par/E12000007/ati/101/are/E09000002/iid/30101/age/230/sex/4>

⁵ WHO, *Health risks of air pollution in Europe-HRAPIE project. New emerging risks to health from air pollution-results from the survey of experts.* 2013. Available here:

http://www.euro.who.int/__data/assets/pdf_file/0017/234026/e96933.pdf?ua=1

⁶ Carey IM, Anderson HR, Atkinson RW, et al. *Are noise and air pollution related to the incidence of dementia? A cohort study in London, England.* *BMJ Open* 2018;8:e022404. doi: 10.1136/bmjopen-2018-022404. Available here: <https://bmjopen.bmj.com/content/8/9/e022404>

pollution and cognitive performance.^{7 8} In Scotland a recent study found spikes in poor air quality to be associated with increased hospital admissions and GP surgery visits.⁹

9. **Safer, less congested roads:** In 2016 there were 579 people slightly injured and 44 people killed or seriously injured due to road traffic accidents in Merton.¹⁰ By reducing congestion and incentivising people to use sustainable modes of transport parking charges can help to reduce the number of road traffic accidents in Merton, leading to fewer deaths from road traffic accidents and a reduction in hospital-related admissions from road traffic injuries.

The INRIX 2017 Global Traffic Scorecard ranked the UK as the 10th most congested country in the world and the 3rd most congested in Europe. London has remained the UK's most congested city for the 10th year in a row, ranked second in Europe after Moscow.¹¹ Demand-based parking charges for on street parking can help reduce the congestion caused by drivers cruising the streets in search of a place to park. This is also good for the economy- it has been estimated that motorists in London spend around 74 hours per year in congestion at peak times, costing them individually £2, 430 per year, or £9.5 billion across the city.¹²

10. **Improved physical and mental health of Merton residents:** In Merton, levels of physical activity has dropped by two percentage points in two years.¹³ Furthermore based on Department for Transport statistics for 2016/17 the proportion of adults doing any walking or cycling once a week is 77.9% down from 81.5% for 2015/16.

⁷ Zhang et al. *The impact of air pollution on cognitive performance*. Proceedings of the National Academy of Sciences Sep 2018, 115 (37). Available here:

<http://www.pnas.org/content/115/37/9193>

⁸ Cipriani. G et al. *Danger in the Air: Air Pollution and Cognitive Dysfunction*. American Journal of Alzheimer's Disease and other Dementias. Volume: 33 issue: 6, page(s): 333-341 . Sept 2018. Available here:

https://journals.sagepub.com/doi/full/10.1177/1533317518777859?url_ver=Z39.88-2003&rfr_id=ori%3Arid%3Acrossref.org&rfr_dat=cr_pub%3Dpubmed

⁹ Goeminne. P et al. *The impact of acute air pollution fluctuations on bronchiectasis pulmonary exacerbation: a case-crossover analysis*. European Respiratory Journal Jul 2018, 52 (1) 1702557; DOI: 10.1183/13993003.02557-2017. Available here:

<http://erj.ersjournals.com/content/52/1/1702557>

¹⁰ Travel in London 10 supplementary Information

¹¹ <http://inrix.com/scorecard/>

¹² <http://inrix.com/press-releases/scorecard-2017-uk/>

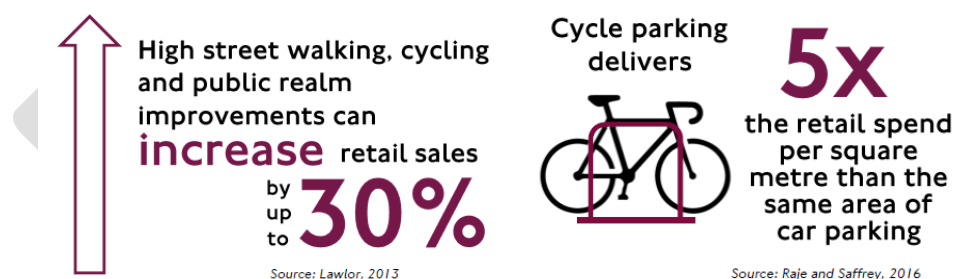
¹³ Levels of physical activity has dropped from 38 percent of residents doing at least two x 10 minutes of active travel a day in 2013/14 to 2015/16 to 36 percent in 2014/15 to 2016/17.

By supporting the shift to more sustainable and active modes of transport, improving air quality and generally making streets more pleasant places for Merton residents to spend their time, parking policy can help increase the physical and mental health of Merton residents. This can help reduce levels of childhood and adult overweight and obesity; a key issue in Merton. In Merton, one in five children entering reception are overweight or obese and this increases to one in three children leaving primary school in Year 6 who are overweight or obese.

11. **Healthy places:** The ‘**healthy streets**’ approach defines a healthy street as one with: things to see and do; places to stop and rest; shade and shelter; clean air; and pedestrians from all walks of life. It must be easy to cross; and feel safe, relaxing and not too noisy. Put simply, it needs to be an environment in which people choose to walk and cycle. Action against these indicators ultimately improves health, and parking policy has a role to play for example, by helping improve air quality, and incentivising people to walk, cycle and use public transport.

A recent report by TfL (November 2018) demonstrates the economic benefits of walking and cycling. This is discussed in further detail in this paper- see 2.3.11 and 2.3.12. See figure 3 below for some infographics from the TfL report.

Figure 3: Infographics on economic benefits of walking and cycling



Over a month, people who walk
to the high street spend up to

40%
more



than people who drive
to the high street

Source: TfL, 2013

- 12. Example of healthy places and the role parking services can play:** Parking Services are already working jointly with Public Health on the School Neighbourhood Approach Pilot (SNAP). This pilot recognises that there isn't one solution to complex challenges and that many different government departments hold the levers to improving the urban environment and therefore the public's health. The pilot involves identifying the levers the Council has to improve the urban environment in the 400 metres around a school, and then working with a selected school to take action on issues that matter to them, such as air quality and an obesogenic environment, with the ultimate aim of reducing health inequalities.

We need to consider what we can do as a borough to 'make the healthy choice the easy choice', to improve public services and encourage residents to choose active travel options more often, and to reduce congestion and improve air quality.

2.2. MERTON AIR QUALITY ACTION PLAN 2018-2023

- 2.2.1 Air pollution is recognised as a major contributor to poor health with more than 9000 premature deaths attributed to poor air quality in London. Air pollution is associated with a number of adverse health impacts: it is recognised as a contributing factor in the onset of heart disease and cancer. Additionally, air pollution particularly affects the most vulnerable in society: children and older people, and those with heart and lung conditions. There is also often a strong

correlation with equalities issues, because areas with poor air quality are often less affluent.

2.2.2 Air quality has been identified as a priority both nationally and within London, where pollution levels continue to exceed both EU limit values and UK air quality standards. Pollution concentrations in Merton have historically and continue to breach the legally binding air quality limits for both Nitrogen Dioxide (NO₂) and Particulate Matter (PM₁₀). The air quality monitoring network run by Merton has shown that the UK annual mean NO₂ objective (40µg/m³) continues to be breached at a number of locations across the borough. In some locations the NO₂ concentration is also in excess of the UK 1-hour air quality objective (60µg/m³) which indicates a risk not only to people living in that area but also for those working or visiting the area.

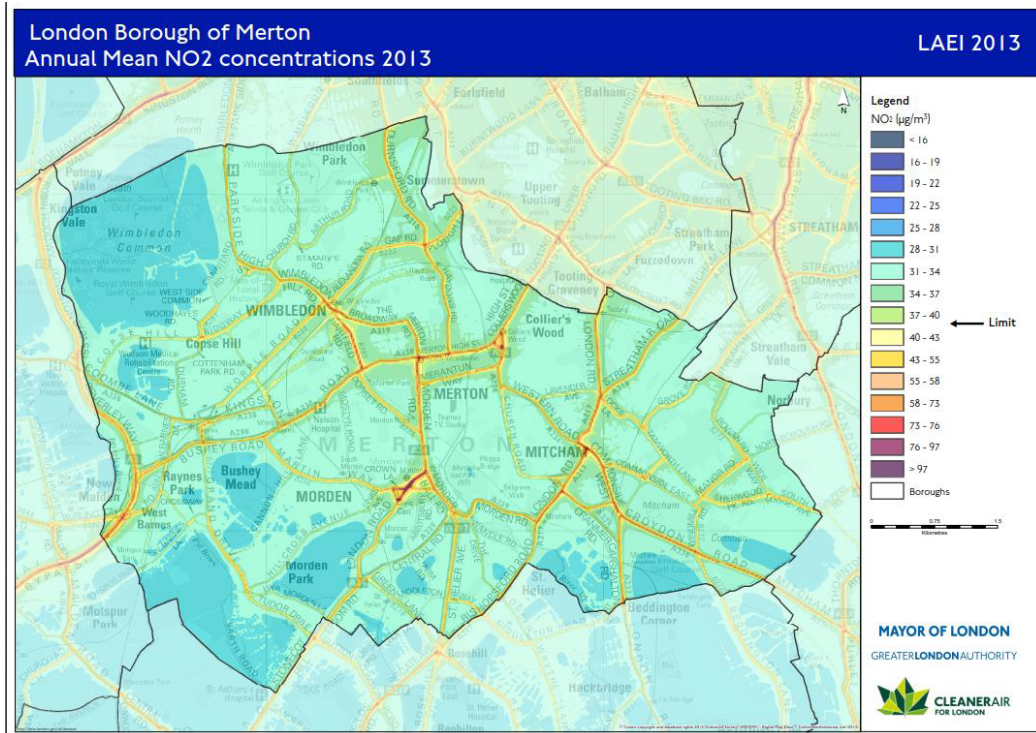
Table A. Summary of National Air Quality Standards and Objectives

| Pollutant | Objective (UK) | Averaging Period | Date ¹ |
|------------------------------------|--|------------------|-----------------------|
| Nitrogen dioxide - NO ₂ | 200 µg/m ⁻³ not to be exceeded more than 18 times a year | 1-hour mean | 31 Dec 2005 |
| | 40 µg/m ⁻³ | Annual mean | 31 Dec 2005 |
| Particles ** - PM ₁₀ | 50 µg/m ⁻³ not to be exceeded more than 35 times a year | 24-hour mean | 31 Dec 2004 |
| | 40 µg/m ⁻³ | Annual mean | 31 Dec 2004 |
| Particles - PM _{2.5} | 25 µg/m ⁻³ | Annual mean | 2020 |
| | Target of 15% reduction in concentration at urban background locations | 3 year mean | Between 2010 and 2020 |

Note: ¹by which to be achieved by and maintained thereafter

2.2.3 Pollution in Merton comes from a variety of sources. It includes pollution originating outside the borough, and, in the case of particulate matter, a significant proportion comes from outside London and even outside the UK. Obviously the Council has limited control over this, however local sources are primarily from road transport and from development/buildings.

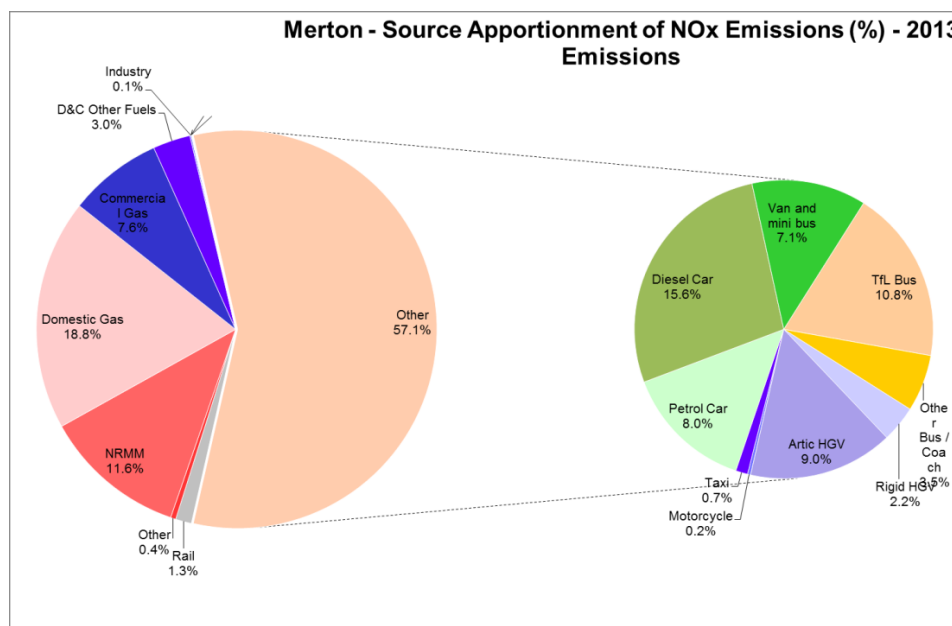
Figure 2: Modelled map of annual mean NO₂ concentrations (from the LAEI 2013)



The modelled NO₂ concentrations clearly identify the contribution of road traffic emissions with exceedance of the NO₂ annual mean objective closely correlated with the main transit routes and busy junctions within the borough.

- 2.2.4 Of the pollution that originates inside the borough the main sources of **NO₂** are **transport (57.1%)**, domestic gas boilers (18.8%) and static non-road mobile machinery (11.6%).
- 2.2.5 In respect of the transport sources the LAEI source apportionment data for the borough indicates that diesel vehicles contribute approximately 90% of the NO_x emissions and 80% of the PM₁₀ emissions (based on 2013 modelled data). This supports the evidence from the dispersion modelling (Figures 1, 2 & 3) which indicates that the highest concentrations of both NO₂ and PM₁₀ are most closely associated with the main traffic routes and road junctions within the borough.

Figure 6: NO_x Emissions by source and vehicle type (from the LAEI 2013)



AQMAs and Focus Areas

2.2.6 In Merton an Air Quality Management Area (AQMA) has been declared for the whole borough. The AQMA has been declared for the following pollutants:

2.2.7 **Nitrogen Dioxide:** we are failing to meet the EU annual average limit for this pollutant at some of our monitoring stations and modelling indicates it is being breached at a number of other locations. We may also be breaching the UK 1-hour Air Quality Objective based on measured concentration for NO₂ being in excess of 60µg/m³ at some locations within the borough.

2.2.8 **Particulate Matter (PM₁₀)** – whilst monitoring data from the automatic monitoring station at South Wimbledon indicates we are complying with the UK Objectives and EU Limits, the wider modelling data indicates that we are likely to be breaching the 24-hour and annual mean PM₁₀ Objectives at a number of locations across the borough. We are also exceeding World Health Organisation air quality guideline for this pollutant, and we have a formal responsibility to work towards reductions of PM_{2.5}.

2.2.9 An Air Quality Focus Area is a location that has been identified as having high levels of pollution and human exposure. There are four focus areas in the borough. These are in the main centres of Mitcham, Morden, Raynes Park and Wimbledon.

Figure 5: Map of London Borough of Merton Focus Areas (2013)

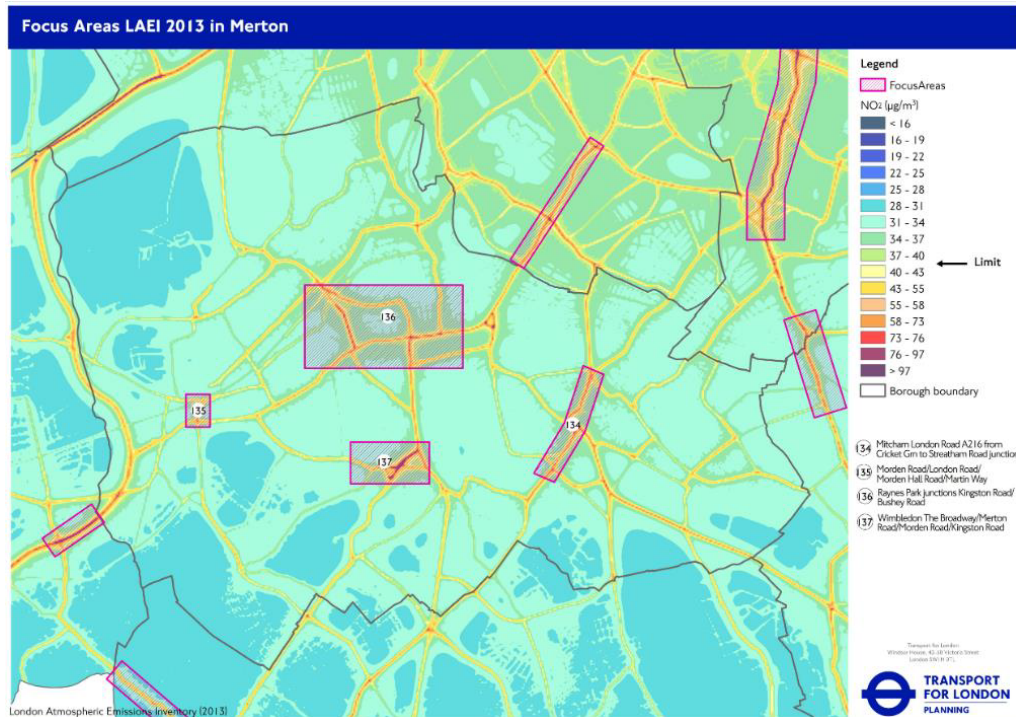
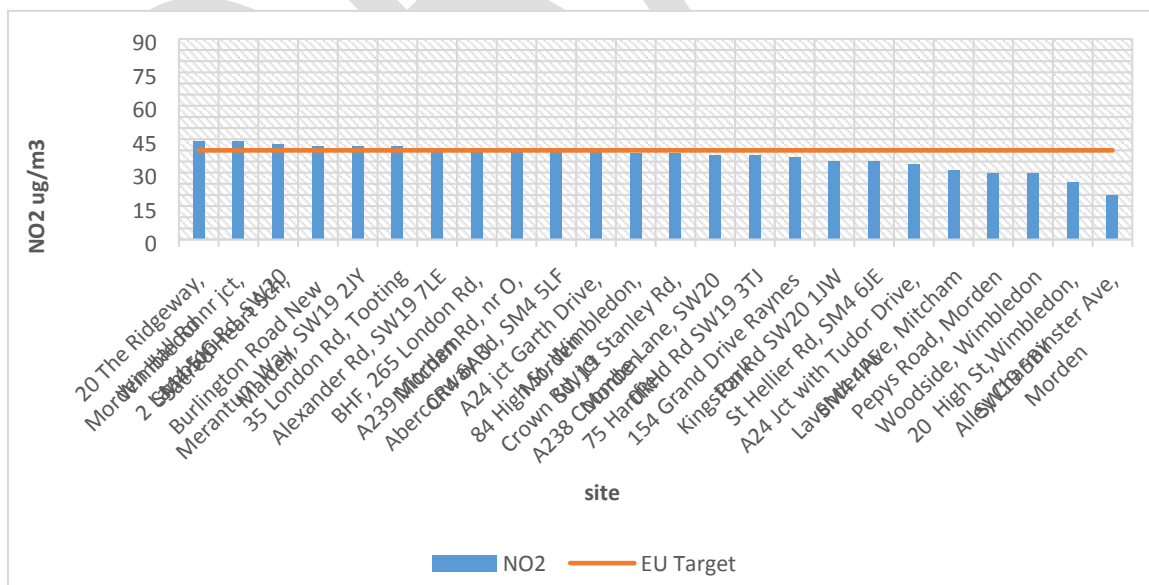
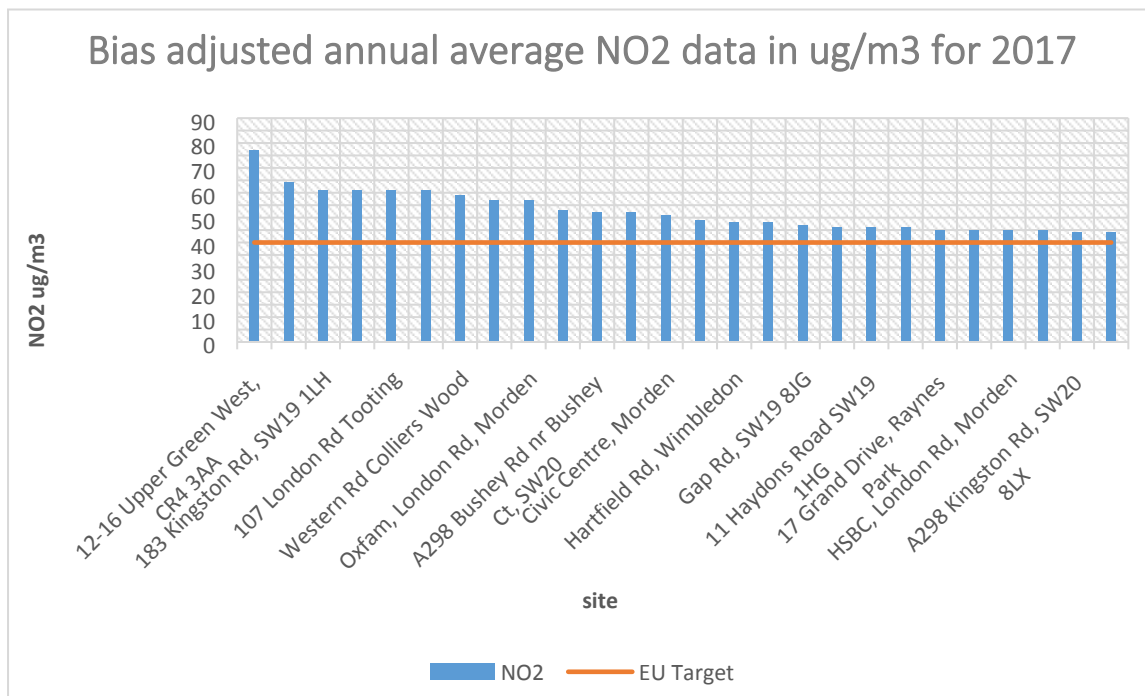


Figure 4: London Borough of Merton GLA Focus Areas (2013)

| Focus Area Ref. | Location |
|-----------------|--|
| Focus Area 134 | Mitcham - London Road A216 from Cricket Green to Streatham Road junction |
| Focus Area 135 | Morden - Morden Road/London Road/Morden Hall Road/Martin Way |
| Focus Area 136 | Raynes Park - junction Kingston Road/Bushey Road |
| Focus Area 137 | Wimbledon - The Broadway/Merton Road/Morden Road/Kingston Road |

Nitrogen Dioxide Bias Adjusted Annual Average Concentrations for all sites for 2017 (split over 2 graphs)



2.2.10 The London Borough of Merton is committed to reducing the exposure of people in Merton to poor air quality. The updated Air Quality Action Plan identifies Merton Council’s priorities for tackling air quality over the next 5 years and is supported by the departmental Heads of Service for

Environmental Health, Transport, and Planning; the Director of Public Health and Cabinet members.

- 2.2.11 Road transport accounts for approximately 60% of emissions of NO₂ in our borough. This contribution increases significantly when closer to busy main roads. Transport emissions contribute heavily to air pollution in the borough, as well as being a major contributor to London wide pollution.
- 2.2.12 Tackling pollution from road transport is predominantly carried out in two ways. The first and most effective way is to reduce our use of vehicles, and move towards more sustainable and active modes of transport, such as cycling, walking and public transport. This also has positive health and lifestyle benefits beyond just the reduction of air pollution. As a borough we can help to create an environment that is welcoming and promotes walking and cycling as a means of travel, as well as for leisure and to promote healthy lifestyles.
- 2.2.13 In addition, the second way is to tackle road transport itself by trying to move away from the most polluting vehicles by use of incentives and to build infrastructure that provides for the electric vehicle revolution which is starting to emerge.
- 2.2.14 Merton's ambition (by 2021/22) is to facilitate 125 electric charge vehicle points across the borough, including fast, rapid and residential charge points.
- 2.2.15 We recognise that people own and choose to use private vehicles, whether this is for convenience, necessity or by choice. We need to consider what we as a borough can do to encourage our residents and visitors to move away from polluting vehicles.
- 2.2.16 The Mayor of London is taking similar action with the new and proposed Ultra Low Emissions Zones which have the ambition to push the change towards cleaner vehicles as quickly as possible.
- 2.2.17 Following an in depth study in 2016/17, we took the difficult step of introducing a diesel levy linked to our parking permit system, this was one of the few actions we as a council could take to influence the move away from the most polluting vehicles in our borough. We are already seeing a national reduction of 30% less uptake in diesel vehicles, and it is specifically this type of brave action that is pushing this change.
- 2.2.18 We accept that there is much more to do. We will review our diesel levy in 2019 to ensure that this is pushing change and reducing emissions in the borough. We will carry out in depth air quality audits in these areas, which will review traffic and building sources, traffic management, parking, obstructions and deliveries. We will also assess the contributions made by individual vehicle types and their impact upon air quality, which will then influence what actions can be taken in these areas over the coming years.
- 2.2.19 Merton's Air Quality Action Plan 2018-2023 strongly supported by Members is a key policy document which clearly sets out the links between vehicle use

and air quality in the Borough. Within the plan there is a specific point number 32 which states, Review the impact of our diesel levy* and consider a review of parking and charges to help reduce combustion engine vehicle use and the consequent emissions. **Note: The Sustainable Communities and Transport Overview and Scrutiny Panel to conduct pre-decision scrutiny on the scope of any reviews on parking levies.*

- 2.2.20 Since the diesel levy was introduced in April 2017 the proportion of permits issued to diesel vehicles has fallen and the full effect of the levy will be reviewed in early 2019.
- 2.2.21 Consideration will also be given to a full emission-based charging scheme for permits as referred to in the AQAP. Emissions have a direct relationship to air quality and emissions-based charging conforms to the 'polluter pays' principle. There is a clear logic which is now commonplace in London for a higher premium to be charged for vehicles that have high emissions, and a lower charge for cars that have lower emissions. This principle will be reviewed along with the diesel levy in early 2019 and reported back to Members.
- 2.2.22 The review will also consider options for emission based charging based on individual parking sessions which take place on a day to day basis in our car parks and on street. Technology is developing quickly to be able to deliver this form of charging and the 2019 report will update Members.
- 2.2.23 It is clear in this context the vital role that Parking must play in moving motorists towards more sustainable modes of transport and less polluting vehicles. Most Parking charges have been frozen for a number of years and there is now a need to assess them in order to change behaviour and reduce car usage. The new charges are designed to reflect the key policies and objectives set out in this report and the previous report to Cabinet in November.

2.3. Parking and Transport Management

The role of parking and transport policy to deliver sustainable transport, public health and air quality objectives

- 2.3.1 The council has traditionally set parking restrictions and charges to manage demand and enable more effective management of the kerbside for residents, businesses and visitors alike. This is necessary to balance the finite supply of available spaces for an ever-increasing range of pedestrians, cyclists, bus users, motorcyclists, delivery drivers, taxis and other users. Parking controls are an integral part of the council's overall transport strategy and the success of other transport policies depends on them.
- 2.3.2 Parking management serves a vital strategic and local function in regulating the amount of traffic attracted to an area. This is intended to discourage car

use in congested areas where journeys are equally well served by public transport or other sustainable forms of transport, such as walking and cycling. As set out elsewhere in this and the November Cabinet report, the role of Parking can be very clearly linked to matters of Public Health and air quality.

2.3.3 Notwithstanding the above the Council acknowledges that convenient parking should be provided for residents to enable them to park near their homes, where practicable, and parking provision is also necessary to meet the needs of people who have no other alternative other than to use their vehicle e.g. individuals with disabilities. There are also areas where public transport is either not available or no very convenient.

2.3.4 Parking provision also has to consider the overall use of the highway network and space which could otherwise be used for alternative social, environmental or economic uses e.g. improved facilities for pedestrians or cyclists.

Car Clubs in Merton

2.3.5 Car clubs can provide you with a safer, cleaner and cheaper way of accessing a car when you need one, without all the cost or hassle of owning one yourself. Merton is aiming to ensure that every resident has access to car club vehicles. You can find car club cars parked on-street throughout Merton.

2.3.6 There are three types of car clubs in Merton - round-trip (or station-based), one-way (or flexible) and point to point. **Round-trip (or station-based) car clubs** - You need to return round-trip vehicles to their original parking bay when you've finished using them. **Floating Car Club (Flexible)** - You can pick up and drop off a vehicle at any authorised parking space within the scheme's operating area. Users locate parked vehicles via an app. **Point to Point** – You can pick a car and return to a destination parking space rather than to base.

2.3.7 There are approximately 193,500 car club members in London and around ten car clubs. Transport for London (TfL) has committed to aiming for one million members by 2025. Most members hire cars for leisure purposes, while only a small minority use car clubs for commuting. They offer a convenient and affordable service, while at the same time reducing overall car usage – which can help reduce traffic congestion and air pollution.

2.3.8 Car clubs what's the future? was an extensive piece of work undertaken on behalf of the London Mayor in 2017. The Mayors Transport Policy addresses a number of questions which Members may have. The theme of the 2017 work did ask a number of interesting questions, including; what gap in the transport system do car clubs aim to fill? Do car clubs discourage people from cycling or using public transport? Are car clubs placing pressure on parking provision? Should car clubs be an option in TfL's journey planner and could they be paid for using an Oyster card?

2.3.9 This an area which will show rapid growth over the coming years and Parking Services and colleagues in Future Merton will continue to monitor and ensure car clubs form part of our future sustainable transport policy.

Walking and Cycling

2.3.10 In line with the Mayor's Strategy to drive a shift away from non-essential car travel, walking and cycling improves the health of Londoners and also can achieve considerable economic benefits.

2.3.11 On the 19th November 2018 TfL (in collaboration with partners) published research about the economic benefits of the Healthy Streets Approach. <https://tfl.gov.uk/corporate/publications-and-reports/economic-benefits-of-walking-and-cycling>

2.3.12 Research shows that when streets and public spaces in London's town centres and high streets are improved, retail rental values increase, more retail space is filled and there is a 93 per cent increase in people walking in the streets, compared to locations that have not been improved. The research has also found that people walking, cycling and using public transport spend the most in their local shops, 40 per cent more each month than car drivers. This is illustrated in Appendix 6.

The role of parking management

2.3.13 Parking Management refers to the process through which local authorities accommodate the need for parked vehicles without compromising their economic, social and environmental responsibilities and policy objectives.

2.3.14 A comprehensive 2018 policy report by London Councils 'Benefits of Parking Management in London August 2018' addressed many of these key principles. <https://www.londoncouncils.gov.uk/node/34485> The report stated that:

2.3.15 The private car is widely accepted to be the least sustainable mode of travel. This is principally because it is more polluting and takes up more space per user than every other mainstream mode of surface transport. Simply put, the externalities that car use generates are more pronounced and more wide ranging.

2.3.16 Limiting car use and therefore restricting the demand for parking is not only good for the economy and the environment, there is increasing evidence that alternative forms of travel make us happier and healthier too.

2.3.17 The latest MTS for London (TfL 2018) is predicated on an agenda known as 'The Healthy Streets Approach' and includes the ambitious targets of ensuring that all Londoners get the 20 minutes of exercise needed each day to be considered 'healthy' from their transport choice alone and; that 80% of trips are undertaken by walking, cycling or public transport, both by 2041.

Achieving these goals will require fundamental changes to the mobility fabric of the City.

- 2.3.18 While it is not possible or practical to try and quantify precisely the potential contribution that parking management could make to reducing physical inactivity directly, what is clear is that parking management will play an increasingly important role in London over the next two decades if the Mayor's aspirational targets for mode shift are to be met, particularly in Outer London.
- 2.3.19 The Mayor's pledge to get more people walking and cycling is principally at the expense of car use and herein parking management practices would be required to get tighter, either in terms of the controls themselves, pricing, or in all likelihood, both. It is and will continue to be, a fundamental part of London's transport policy discourse.

Legal and regulatory requirements of Parking and transport management.

- 2.3.20 Local authorities are not permitted to use parking charges solely to raise income. When setting charges, we must instead focus on how the charges will contribute to delivering the Council's traffic management and key sustainability objectives.
- 2.3.21 The Road Traffic Regulation Act 1984 specifies that the overall objective of parking management measures should be 'to secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking facilities on and off the highway'. In exercising the functions set out in the 1984 Act we must have regard to the following matters:
- a) The desirability of securing and maintaining reasonable access to premises;
 - b) The effect on the amenities of any locality affected and (without prejudice to the generality of this paragraph) the importance of regulating and restricting the use of roads by heavy commercial vehicles, so as to preserve or improve the amenities of the areas through which the roads run;
 - c) The strategy prepared under Section 80 of the Environment Act 1995 [National Air Quality Strategy]
 - d) The importance of facilitating the passage of public service vehicles and of securing the safety and convenience of persons using or desiring to use such vehicles.
 - e) Any other matters appearing to the local authority to be relevant.
- 2.3.22 Under Section 45 of the Road Traffic Regulation Act 1984 (RTRA 1984) local authorities may designate parking places and may make charges for vehicles left in a parking place so designated. In exercising its functions under the

RTRA 1984, including the setting of charges for parking places, the Council must do so in accordance with Section 122 of the RTRA 1984.

In accordance with the council's statutory responsibility under Section 122, the Council must have regard to the relevant considerations in the setting of charges. Setting pricing levels to restrain demand and enable more effective management of the kerbside for wider transport and environmental benefits is generally consistent with the requirements of the Act (provided that countervailing factors are also taken into consideration, as they are in the present proposals).

- 2.3.23 Pay and display parking charges have not been fundamentally reviewed since 2009, however minor adjustments were made in 2015, when linear charging was introduced on street.
- 2.3.24 On-street spaces have become less expensive in real terms over time and this has affected how we control demand. A consequence is the impact on the turnover of spaces needed to ensure that shoppers can access local retail centres, GP surgeries, and other amenities. The revised charging structure aims to encourage motorists to consider other forms of active or more sustainable transport. In essence, it aims to deliver parking provision that is "suitable" for Merton in the light of the air quality, public health, and other issues outlined in this and the November report.
- 2.3.25 Some justified variations in pricing levels have been retained to reflect local economic factors and traffic management and eliminate unwarranted anomalies. The proposals aim to ensure that where space is put under pressure charges will reflect this to help manage occupancy/capacity levels.
- 2.3.26 It is recommended that the new charges should come into effect following appropriate consultation. Once the revised charging system is in place, a review to measure its overall impact on parking demand and behaviour would be undertaken 6 months to 1 year after implementation. This would help to inform future strategy, and provide an early opportunity to take corrective action if demand has fallen significantly at any particular locations, or if the LIP and Air Quality Strategy objectives are not being met

2.4. **Car Park management and standards to achieve policy aims**

- 2.4.1 The council is committed to greater use of sustainable and active transport, but acknowledges car use is still a significant proportion of travel within and to the borough. Therefore, in order to reduce kerbside congestion and reduce emissions the review looked at ways in which we can encourage further use of the council's car parks.
- 2.4.2 Any offer that the council is providing to our customers must be of the highest standard, which also include enhanced and easy to use communication channels where customers must be clearly and obviously informed where the car parks are located and the facilities they offer. To achieve these improvements colleague have been working together with the intention of

improving lighting, provision of secure bicycle and motorcycle parking and achieve a nationally recognised standards for our car parks

- 2.4.3 To help make users feel safe and want to use our car parks, the standard of lighting must also be of an excellent standard. Parking officers undertook an initial survey and as a result Conway's have been commissioned to undertake a lighting survey in all car parks and will make formal recommendations in early 2019. It is acknowledged in many cases lighting could be improved and investment in this area will deliver significant customer benefit.
- 2.4.4 Parking Services are working with the British Parking Association to achieve 'Park Mark' standard, in each of our car parks. This is a nationally recognised standard led by the British Parking Association, who work with the police to consider a number of key requirements including, lighting, cleanliness and an assessment of crime and anti-social behaviour figures. The standard also takes into consideration actions taken by the council to reduce crime including, CCTV, lighting and layout.
- 2.4.5 In addition, the British Parking Association are assessing our car parks for the Disabled Parking Accreditation, which is closely linked to the Park Mark award. The standard looks at the facility more closely from a Disabled Persons Act perspective. We expect the final report to be submitted to us early January 2019 with a number of recommendations we will be required to act upon.
- 2.4.6 Electric vehicle charging points (EVCP's) - Car parks lend themselves as logical places to locate EVCP's, as they are designed for, and traditionally used by 'longer stay' customers. Charging times required for electric vehicles are often 2 hours plus (in most cases) for a reasonable charge, albeit quicker charging technologies are being developed. Parking Services are working with colleges with a view to introducing electric charging bays in our car parks in early 2019. It is anticipated 1 or 2 bays may be installed initially with provision for this number to increase in the future.
- 2.4.7 Cycling - as part of an integrated transport solution and to contribute to modal shift. Working with colleagues in Future Merton a number of options and costings are being considered including covered cycle parking areas with improved security and lighting in each of our car parks, again with the view to increasing the provision in the future.
- 2.4.8 Motorbike security is a serious concern for motorcyclists. A review of the use and location of bays on street and in our car park is being undertaken. Aligning location of bays and security improvements 'ground anchors' with existing CCTV infrastructure and improved lighting will offer greater reassurance to riders and promote this more sustainable form of transport.
- 2.4.9 The benefits of offering clean, well lit facilities, which meet all of the needs of our customer groups must be paramount. The revised charging mechanism will need to reflect a provision which increases usage of the existing assets and moves drivers away from congested high street locations. This will deliver clear benefits in relation to the council's aspirations of improved air quality and

the public health agenda. Consideration will be given to the revenue and capital cost of funding any improved standards.

2.5. **APPROACH TO SETTING PARKING CHARGES**

2.5.1 The November Cabinet report set out in detail the traffic management approach to parking charges, specifically the contribution appropriate charges can make in contributing to the objectives set out in the Merton Public Health Strategy, the Air Quality Action Plan, The Mayor of London's Transport Plan and the Merton Local Implementation Plan.

2.5.2 Building on these principles, a number of key factors were considered in the review of on and off-street parking and permits, which include:

(i) Ease of access to public transport:

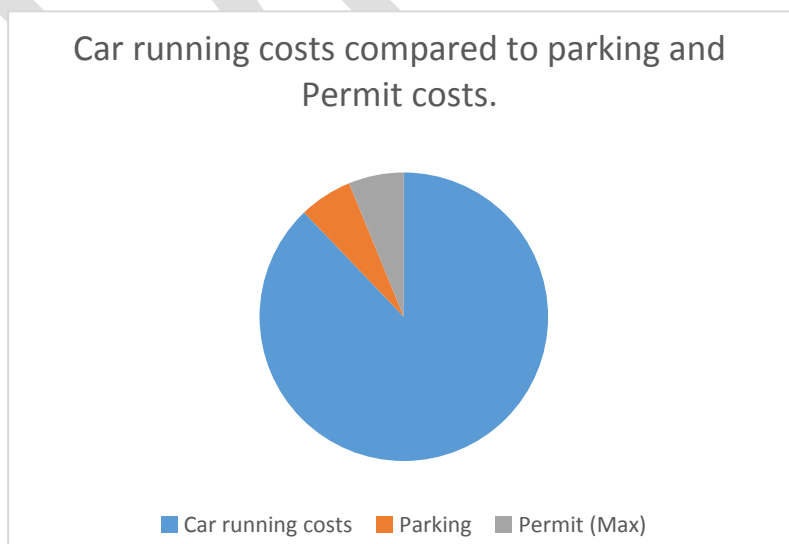
(ii) Air Quality

(iii) Areas of high congestion

(iv) Enforcement requirements

2.5.3 A number of anomalies have developed over the years. The review of charges will seek to allow for a simplification of charges and location discrepancies to be resolved. A charging level which is too low will result in bays remaining occupied with little turnover. Vehicles circulating looking for spaces, cause congestion and contribute to poor air quality.

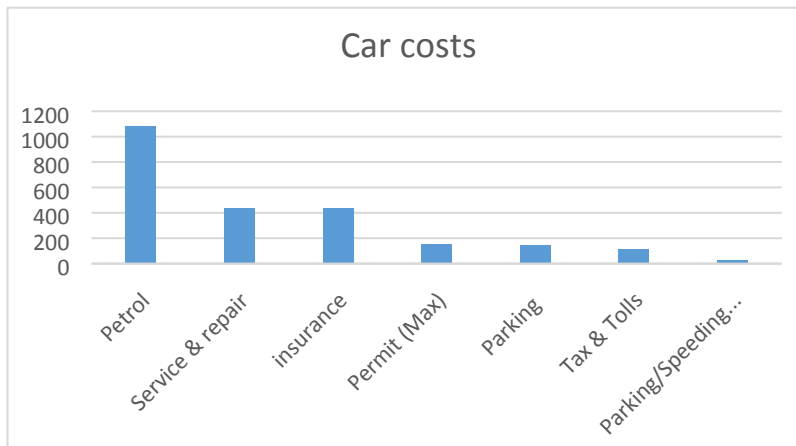
2.5.4 The review also considered the relative cost of owning a car and also transport cost. A recent RAC survey set out the cost of car ownership. There are a number of instances where charges have been reduced or removed totally, particularly in respect of electric vehicles, and evening parking, when demand in some car parks is low. But in the context of owning and running a car in London, the air quality and public health challenges we face and by comparing the benchmarking data, the charges remain balanced.



The above shows the average person spend on parking in London per year.

The cost of the highest proposed maximum charge for a Permit in Merton for 1st car.

Cost of running a car in London.



Breakdown of car running costs.

Ease of access to public transport:

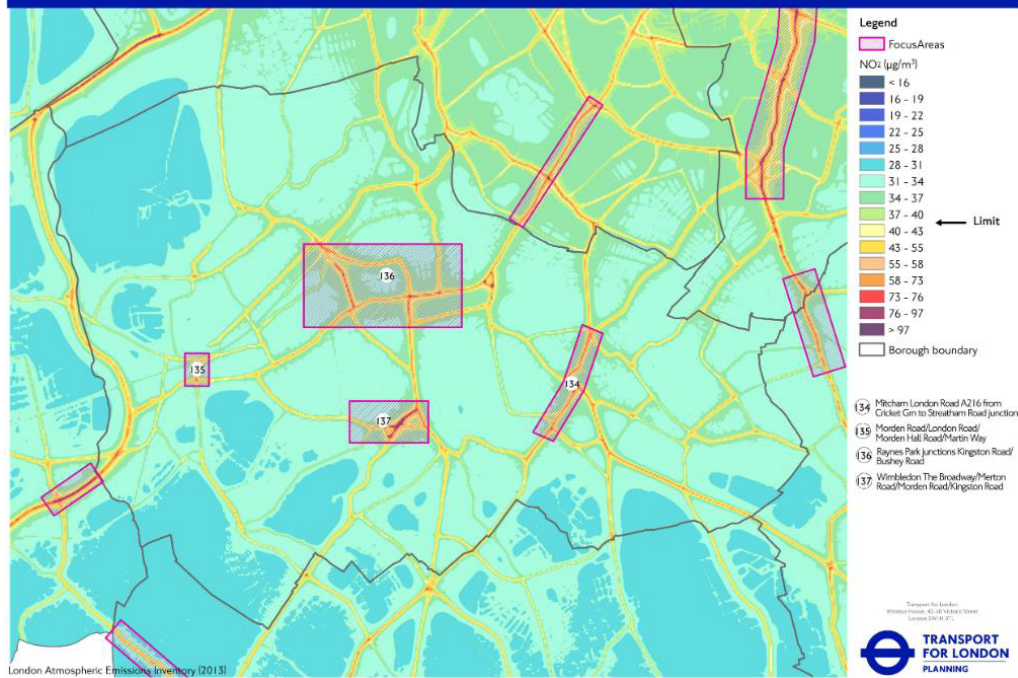
2.5.5 There is a significant difference in transport infrastructure and accessibility dependent on where a resident lives within the Borough. For example Wimbledon is better served than Colliers Wood and South Wimbledon for example, which in turn is better served than for example in Mitcham. This is presented in the form of a 'Public Transport Accessibility Levels' (PTAL) as set out by TfL and formed part of the review. Shown in Appendix 3. TfL have grading's for each area of London – ranging from the highest to the lowest.

2.5.6 It is therefore easier in principle for a person living in Wimbledon Town Centre to use alternative sustainable or active modes of transport, compared to residents in the east of the borough, where the 'need' to own a car could be argued as being higher. It is of course accepted that in some cases cars are needed for certain purposes, particularly those with physical mobility issues. But in a high number of cases using public transport or active transport is a very viable option, which drivers 'choose' not to use.

Air Quality indicators

2.5.7 There are key focus areas within set out above in detail and shown again on the map below for convenience. The review considered these focus areas which align themselves with some of the more congested areas of the borough, and support the recommendations which aim to address air quality issues.

Focus Areas LAEI 2013 in Merton



2.5.8

Parking demand and space availability

2.5.9 Parking demand varies within the zones and for the purpose of this report each area can be categorised as high, medium/high and medium. A sample of 36 sites was taken. Total sales were divided against bays available and to determine demand. Where more parking sessions were being sold than bays available (during peak time, 11am – 3pm) demand was considered high.

- 0-70% Lower demand
- 71%-100% Medium/high demand
- >100% High demand

2.5.10 The higher the percentage the greater the level of ‘cruising’ (looking for spaces), and the greater effect on congestion and subsequently air quality. The recent London Council policy paper shown below in italic address the seriousness of this point, including the economic impact on shown centres.

2.5.11 This issue is further referenced by London Councils ‘Benefits of Parking Management in London August 2018.

Proposed on street charging structure.

2.5.12 Based on the above criteria the summary table below shows the proposed charging structure. It is therefore recommended that on street parking is

categorised into 4 broad zones as set out in the table below and shown in Appendix 1. Broadly this still reflects the current structure and eliminates a number of anomalies.

2.5.13

| Zone No. | No. of on Street bays | Description | Air Quality focus area | PATAL level. Access to transport. | Parking demand |
|-----------------|------------------------------|---|-------------------------------|--|-----------------------|
| Zone 1 | 255 | Wimbledon Town Centre – Primary Shopping zone, Broadway and Wimbledon Bridge & Hill | 137 | 6b,a & 5 | High >100 |
| Zone1 a | 120 | Roads near/off High Street Wimbledon Village to serve as a reduced cost parking area, including The Causeway, South Side Common, | | 2 & 1 | Medium/ High 71%-100% |
| Zone 2 | 2547 | North of the Borough. Including Wimbledon Village, Wimbledon Park, South Wimbledon, Raynes Park. Colliers Wood, | Part 137 | 5, 4 & 3 | Medium/ High 71%-100% |
| Zone 3 | 722 | South including, Mitcham, Morden and other areas not specified. | Part 134, 135. | Morden Centre 5, Mitcham 4, Other areas, 3, 2, & 1 | 0-70% Lower demand |

Zone 1 – On Street Parking.

2.5.14 Wimbledon Town Centre and has the highest demand for on-street parking in the borough, and greater stimulus will be necessary to manage this compared to on-street locations elsewhere within the Borough. A key issue has been identified at peak times where vehicles wait for on-street spaces to be freed up, adding to congestion problems. Existing periods of maximum stay would be retained to further help manage turnover of spaces and reduce congestion. In this area there are 255 on street parking bays where the higher charge of £4.50 per hour is applicable. This in comparison to

approximately 1805 other pay and display bays in the wider Wimbledon area and approximately 3644 pay and displays across the borough.

Zone 1 a - On-Street Parking

There are no car parks in Wimbledon Village and therefore no obvious alternatives for customer to park anywhere other than at the kerbside. To facilitate parking in the vicinity, but off the High Street itself, a lower charge is recommended for the bays in The Causeway and South Side Common to provide an obvious alternative to parking on the congested High Street, but help maintain the vitality of the area. Of course the use of sustainable transport or active transport is always preferred, but it is recognised cars must be catered for. There are approximately 120 spaces in this area which it is proposed to set the lower charge of £1.50 ph to encourage parking away from the High Street.

Zone 2 & 3 - On-Street Parking

- 2.5.15 The same principles apply as in Zone 1, but demand and capacity are not as high. Charges are proposed in Zone 2 at £3.00 & level 3 at £1.50 a charge that is not a deterrent to customers to visit and undertake their desired activity, but achieves a healthy turnover of spaces, and nudges drivers towards considering alternative more sustainable forms of transport. Many of the shops and business in this area serve local residents, which in many cases are within walking distance.

On Street Charges

- 2.5.16 Paragraphs 2.5.7 to 2.5.19 provide details, reasons and justification for the proposed charging zones which are shown in the table below. Members should note all three key considerations (1) access to transport links (2) air quality indicators, (3) demand and capacity issues, alongside good practice relating to parking management and the use of kerbside space were considered as a whole and balance against each criteria.
- 2.5.17 In the example of the Morden Town Centre, although transport links are considered good in the immediate area of the Underground, (PTAL level 6a, para. 2.5.13 & 2.5.14) the capacity of on street paid for parking is very low.
- 2.5.18 Members will note later in the report, off street (Car Park) charges have been set higher in Morden due to the level of rail heading and the desire to move motorists to more sustainable modes of transport.
- 2.5.19 However in the surrounding roads/area of Morden, such as Central Road (PTAL level 3 & 2) there is a reliance on passing car trade to support the shops, as this area is less well served by public transport and therefore a lower charge. In all cases we are seeking to increase active transport and particularly to local shops.

2.5.20 A number of charging mechanisms and charges have evolved over the years and met the needs for specific areas and schemes at that time. Minor adjustments were made in 2015, however in this review the opportunity to further simplify the charges was undertaken. Likewise the proposals seek to further strengthen and develop the links between Public Health, air quality and how future charges can moderate parking behaviour.

Members are reminded there are a high number of locations within the borough that offer 20 minutes free parking to help with the vitality of primarily local shopping parades. The council subsidises these bays at a cost of circa £300k per year. Many of these bays are in fact the most congested bays in the borough causing significant ‘cruising’ and related congestion. There is no intention to review this provision at this stage.

2.5.21 Table of charges.

| On-street pay & display | Per Hour |
|--|-----------------|
| Zone 1 255 bays in Wimbledon town centre | £4.50 |
| Zone 2 Wimbledon Village, Wimbledon Park, South Wimbledon Raynes Park. Colliers Wood, | £3.00 |
| Zone 3 Mitcham, Morden and other areas not specified. | £1.50 |
| Zone 1a Wimbledon Common | £1.50 |

Note: Areas shown are general description. Please refer to appendix 1 for geographic representation.

2.5.22 Benchmarking table of charges 20018/19. These charges are subject to review by many other authorities for 2019/20. Merton is shown 11th in the table, with the proposed increase the changes will show Merton remains very competitive against other boroughs.

| Highest hourly on-street pay and display rates in London | | |
|--|----------------------|-----------------------|
| Rank | Council | Highest hourly charge |
| 1 | Southwark | £6.00 |
| 2 | Islington | £6.00 |
| 3 | Camden | £5.55 |
| 4 | Westminster | £4.90 |
| 5 | Kensington & Chelsea | £4.90 |
| 6 | City of London | £4.80 |

| | | |
|------------|--|--------------|
| 7 | Lambeth | £4.80 |
| 8 | Hackney | £4.80 |
| 9 | Tower Hamlets | £4.70 |
| n/a | Merton (recommended highest) | £4.50 |
| 10 | Merton (current highest charge) | £3.60 |
| 11 | Haringey | £3.30 |
| 12 | Hillingdon | £3.20 |
| 13 | Wandsworth | £3.10 |
| 14 | Greenwich | £3.00 |
| 15 | Richmond | £3.00 |
| 16 | Hammersmith & Fulham | £2.80 |
| 17 | Harrow | £2.40 |
| 18 | Bexley | £2.10 |
| 19 | Brent | £2.00 |
| 20 | Newham | £2.00 |
| 21 | Waltham Forest | £1.70 |
| 22 | Bromley | £1.70 |
| 23 | Enfield | £1.50 |
| 24 | Barking & Dagenham | £1.50 |
| 25 | Havering | £1.00 |

2.6. Off street (Car Park) charges

- 2.6.1 Existing hourly charges in the borough's car parks vary from 30p to £1.50 per hour across the borough. The review considered these charges and have made recommendations which link to the geographic area and ability to travel to an area by public transport and the congestion at each car park.
- 2.6.2 The better the transport links and more severe the congestion the higher the charge has been set. If customers have a genuine and easy choice to use public transport, or active transport, this should be encouraged. A higher charge is set at a level which requires the 'customer to consider' their mode of transport is a proven and appropriate transport management tool.
- 2.6.3 To ensure the usage of the car parks are maximised, lower charges have been set off street than on street, by geographical area. This incentive will

help prevent congestion on high streets and busy town centres, resulting in reduced emissions, but addressing key air quality issues in the borough.

2.6.4 In respect of Queens Road and St Georges Road Wimbledon, in order to continue help promote the evening economy and manage over demand in the centre of the town centre, free parking is being proposed.

2.6.5 Table of charges.

| CAR PARK (Inclusive of VAT). | Current hourly rate/flat fee | Proposed hourly rate/flat fee |
|--|---|--|
| <u>WIMBLEDON</u> | | |
| Broadway | £1.00 | £2.00 |
| Hartfield Road | £1.50 | £2.00 |
| Queens Road | £1.00 | £1.50 |
| St Georges Road | £1.40 | £1.50 |
| | | |
| <u>RAYNES PARK</u> | | |
| Coombe Lane | £0.30 | £0.60* |
| | | |
| <u>MORDEN</u> | | |
| Kenley Road (flat fee) | £3.50 | £7.00 |
| Morden Park (hourly) | £0.40 | £0.60 |
| Morden Park (flat fee) | £5.00 | £7.00 |
| Peel House Lower | £0.40 | £0.60 |
| Peel House Upper (flat fee) | £5.00 | £7.00 |
| Peel House Upper (hourly) | £0.50 | £0.60 |
| York Close (flat fee) | £5.00 | £7.00 |
| York Close (hourly) | £1.00 | £1.20 |
| | | |
| <u>MITCHAM</u> | | |
| Elm Nursery | £0.50 | £0.60 |
| Raleigh Gardens | £0.50 | £0.60 |
| St Marks Road | £0.40 | £0.60 |
| Sibthorpe Road | £0.70 | £0.90 |

*Subject to negotiation with Waitrose.

2.6.6 Benchmarking. Merton is currently 18th in the table below. A proposed £2.10 per hour would keep Merton very competitive in terms of charges set by other authorities and town centres. Data for a number of central London boroughs is difficult to obtain, and in some cases will be due to how the car parks are managed and who owns them.

2.6.7 The information in the table is for council owned car parks only. There are of course a number of privately operated car parks.

2.6.8 NCP Car Park in Morden 70 spaces. £4.00 ph.

Centre Court Wimbledon – £2.50 for up to 2 hours

NCP Wimbledon Bridge 1.50 ph.

| Rank | Council | Highest flat fee | Highest rate per hour |
|------------|--------------------------------|------------------|-----------------------|
| 1 | City of London | | £10.00 |
| 2 | Bromley | | £3.00 |
| 3 | Lambeth | - | £3.00 |
| 4 | Tower Hamlets | | £3.00 |
| 5 | Wandsworth | £25.00 | £2.70 |
| 6 | Greenwich | | £2.50 |
| 7 | Richmond | | £2.35 |
| 8 | Hammersmith & Fulham | | £2.20 |
| 9 | Kingston | £12.00 | £2.20 |
| 10 | Barnet | | £2.00 |
| 11 | Sutton | £5.00 | £2.00 |
| 12 | Newham | | £2.00 |
| n/a | Merton Highest proposed | £7.00 | £2.00 |
| 13 | Harrow | | £1.60 |
| 14 | Croydon | £12.80 | £1.60 |
| 15 | Hackney | | £1.60 |
| 16 | Barking & Dagenham | | £1.50 |
| 17 | Brent | | £1.50 |
| 18 | Merton | £5.00 | £1.50 |
| 19 | Ealing | | £1.50 |
| 20 | Redbridge | | £1.50 |
| 21 | Lewisham | | £1.40 |
| 22 | Waltham Forest | | £1.30 |
| 23 | Haringey | | £1.25 |
| 24 | Bexley | | £1.20 |
| 25 | Enfield | | £1.20 |
| 26 | Havering | | £1.20 |
| 27 | Hillingdon | | £1.00 |
| 28 | Southwark | | £0.90 |
| | Camden | | Unknown |
| | City of Westminster | | Unknown |

| | | | |
|--|----------------------|--|---------|
| | Hounslow | | Unknown |
| | Islington | | Unknown |
| | Kensington & Chelsea | | Unknown |

Car park season tickets (commuter with onward journey – rail heading)

- 2.6.9 The cost of a car park season ticket has been frozen for 14 years.
- 2.6.10 In real terms there has been a significant reduction in the cost of season tickets. The review considered an appropriate charge to be one that is comparable with other authority charges, and challenges motorists to consider other more sustainable forms of transport, but recognises the car is still in many cases a requirement.
- 2.6.11 However the current charge for a 12 month season ticket in a Morden car Park is £445. This equates to £1.78 per full days parking, (based on 250 working days per year), a price which does not support our aspirations of sustainable transport.
- 2.6.12 The table below above sets out the proposed charges for day parking. It is recommended there is a clear link between the day charge and a season ticket price. It is recommended the cost of the season ticket is based on the proposed day charge for each car park x 250 (working days in a year).
- 2.6.13 It is recommended the following discounts should be applied.
- (i) 10% discount for a customer purchasing a 3 month permit,
 - (ii) 20% discount for 6 months and
 - (iii) 30% for a 12 months season ticket.
- 2.6.14 The discount recognises that not all employees work every day at their office or place of work for various reasons including annual leave. Without a discount there would be no incentive for customers to buy season tickets which is a convenience for them and helps reduce cash having to be collected and banked.
- 2.6.15 An example of the revised cost would be in Morden Town centre a commuter with an onward journey would be required to pay £5.25 per day up from the current £1.78. As referenced in 2.6.17 a local resident or local worker would in the revised charging structure be required to pay the equivalent of £2.80 per day if they bought a 12 month season ticket in a Morden car park.
- 2.6.16 It is recommended the principle of a significant reduced charge (£20 total fee) in our car parks is also offered to ‘fully electric vehicles’ for season ticket sales as a direct incentive to change the nature of vehicle ownership. This offer could give a saving of up to approx. £1,300 per year.
- 2.6.17 The diesel surcharge on parking permits is not currently applied to car park season tickets. It is recommended the diesel surcharge should be applied to

customers applying for a season ticket in the same way as a resident purchasing a permit for a CPZ zone.

| Area for commuter with onward journey – rail heading. | Current price | Proposed commuter with onward journey – rail heading |
|--|----------------------|---|
| Mitcham | | |
| 12 months with 30% discount | £300 | £525 |
| 6 months with 20% discount | £150 | £300 |
| 1 month with 10% discount | £25 | £62.50 |
| Morden | | |
| 12 months with 30% discount | £445 | £1,313 |
| 6 months with 20% discount | £222.50 | £750 |
| 3 months with 10% discount | £111.25 | £422 |
| Queens Road (Wimbledon) | | |
| 6 months (based on local competition) | £480 | £600 |
| 3 months (based on local competition) | £240 | £300 |

Car park season tickets for residents and local workers

2.6.18 It is recommended that the needs of motorists who drive to their place of work and park within the borough should not be overly disadvantaged in this review. Their contribution to the local economy has to be balanced against the objectives of the LIP and Air Quality agenda.

2.6.19 On balance it is believed appropriate that for:

- a) Merton residents who use our car parks, and
- b) Customers who have a primary place of work within the Borough.
 - (Checks will be made in the same way permits are processed to ensure validity).

that:

- (i) 20% discount for a customer purchasing a 3 month season ticket,
- (ii) 40% discount for 6 months and
- (iii) 60% for a 12 month season ticket.

2.6.20 Table of charges for season tickets.

| Area - for residents and local workers | Current price | Local price Residents/local workers |
|---|----------------------|---|
| Mitcham | | |

| | | |
|---------------------------------------|---------|--------|
| 12 months with 60% discount | £300 | £300 |
| 6 months with 40% discount | £150 | £225 |
| 1 month with 20% discount | £25 | £62.50 |
| Morden | | |
| 12 months with c. 60% discount | £445 | £700 |
| 6 months with c. 40% discount | £222.50 | £500 |
| 3 months with 20% discount | £111.25 | £375 |
| Queens Road (Wimbledon)* | | |
| 6 months (based on local competition) | £480 | £500 |
| 3 months (based on local competition) | £240 | £250 |

*Traffic Management Order only permits 3 & 6 month duration.

Note: St Georges Road Wimbledon is not permitted under the lease agreements to sell season ticket to the public.

2.6.21 Benchmarking data. The table below shows the cost of the highest season tickets sold by local authorities. Some larger authorities are absent from the list due to car park ownership policies or lack of advertised information. However the table does show Merton's current highest priced 12 month season ticket is £960 (Queens Rd 2 x 6 month). The proposed charges would place Merton in a comparable position to Bromley and Sutton.

2.6.22 In comparison to private sector competitors LB Merton's most expensive charge for a 'rail heading commuter' in Morden will be £1,313, or a local worker/resident £700. In NCP Car Park in Morden 70 spaces. Annual £880, Quarterly £240.

2.6.23 In respect of Queens Road Wimbledon, a car park with some capacity the only location LB Merton sell season tickets in the town centre, the cost is recommended as £1,000 per year.

Centre Court Wimbledon – Annual corporate £1,000

NCP Wimbledon Bridge £900 per year.

Benchmarking data for season tickets

| Rank | Council | Highest Season |
|------------|--|----------------|
| 1 | Camden | £3,831 |
| 2 | Kingston | £2,592 |
| 3 | Richmond | £2,284 |
| 4 | Hillingdon | £1,680 |
| 5 | Sutton | £1,600 |
| n/a | Merton proposed highest commuter charge | 1,313 |
| 6 | Bromley | £1,274 |
| 7 | Haringey | £1,130 |

| n/a | Merton proposed highest local/resident charge | £1,000 |
|-----|---|--------|
| 9 | Merton | £960 |
| 10 | Greenwich | £925 |
| 11 | Croydon | £900 |
| 12 | Havering | £800 |
| 13 | Newham | £780 |
| 14 | Redbridge | £780 |
| 15 | Ealing | £750 |
| 16 | Enfield | £660 |
| 17 | Waltham Forest | £575 |
| 18 | Southwark | £541 |
| 19 | Brent | £400 |

2.7. PARKING PERMITS

2.7.1 Resident permit charges have been frozen since 2009.

2.7.2 The review considered an appropriate price to be one that challenges motorists to consider other more sustainable forms of transport, but recognises the car is still in many cases a requirement.

2.7.3 It is further recognised that the sale and cost of permits is another way the council can influence car/vehicle use within the borough and directly contribute to the MTP, LIP and AQAP objectives.

Resident parking permits

2.7.4 Residents' parking permits are priced at £65 in all CPZs (Controlled Parking Zones), irrespective of the size and hours of control. This charge is for the first permit issued to a household – the second permit is charged at £110, and the third (or subsequent) permit at £140. The purpose of this charging scheme is to discourage the keeping of multiple cars at one address. In the case of houses with multiple vehicles and permits it is considered reasonable that some form of car sharing could be considered by those sharing the property. It is recommended this principle remains and details if incremental charges are set out below.

2.7.5 It is recommended to align charges with the hours of operation of the permit bays. For example, permits for a CPZ that is controlled for a shorter period of time should cost less than permits for zones that are controlled for a longer period. There is a direct cost of enforcement depending on the length of time a scheme is operational and this should be reflected in the cost of a permit.

2.7.6 As part of the review consideration was given to the location of the Controlled Parking Zone. There is a significant difference in transport infrastructure and accessibility dependent on where a resident lives within the Borough. For example Wimbledon is considered to be better served than, Colliers Wood and South Wimbledon, which in turn is better served than for example in Mitcham. This is presented in the form of a 'Public Transport Accessibility Levels' as set out by TfL and formed part of the review. Shown in Appendix 3

2.7.7 As such it is easier in principle for a person living in areas of very good transport to use alternative sustainable modes of transport, compared to other areas where accessibility is less good, where the 'need' to own a car could be argued as being higher.

2.7.8 Considering the significant period since Permit charges were reviewed, length of time a zone is operational, and accessibility to transport link, it is recommended the charges set out below are approved.

2.7.9 The full list of charges is shown in appendix 4, a plan of the zone in appendix 5, with a summary table below:

| Zone duration | Tier 1 zones Wimbledon | Tier 2 zones Part Colliers Wood/ South Wimbledon/ Raynes Park/ Morden | Tier 3 zones Mitcham/ Part Colliers Wood | *100% electric vehicles All zones |
|-----------------------|----------------------------------|---|--|---|
| Long (12 to 14.5 hrs) | £150 | £130 | £90 | £20 |
| Medium (6 to 10 hrs) | £120 | £110 | £80 | £20 |
| Short (1 to 4 hrs) | £110 | £100 | £70 | £20 |

- The £20 fee is a reduction of £5 on the existing charge.

2.7.10 The Council is keen to continue to promote the use of electric vehicles and the new recommended charge for a permit for an electric vehicle is £20.

2.7.11 Note: it is recommended a second permit at the same property should incur a £50 surcharge, a third property a £100 surcharge, a 4th permit at £150, etc. This principle is already in operation.

Benchmarking data based on 2018/19 charges.

The table below shows the cost of permits across London. Boroughs charge in a variety of ways. For the purpose of this benchmarking exercise, the highest Co2 based charge or highest charge is highlighted. The table shows if the highest proposed charge (£150) is approved, Merton would be 11th in London. However the lowest tier 3 charge would result in Merton being 28th.

Members should note this benchmarking data is based on 2018/19 charges and a number of boroughs are known to be increasing third charges for 2019/20

| Rank | Council | CO2 Lowest | CO2 highest or base price if no CO2. | Diesel surcharge | 2nd (Prices shown are on top of 1st permit price) | 3rd (Prices shown are on top of 2nd permit price) |
|------|---|------------|--------------------------------------|------------------|---|---|
| 1 | Islington | Free | £475 | £99.65 | n/a | n/a |
| 2 | Enfield | £55 | £330 | No | n/a | n/a |
| 3 | Lambeth | £35 | £299 | £40.00 | n/a | n/a |
| 4 | Camden | £100 | £296 | 21.60 - 63.67 | £59.12 | £29.26 |
| 5 | Haringey | £20 | £280 | No | 34.20 - 57 | 34.20 - 58 |
| 6 | Brent | £25 | £237 | No | 15 - 40 | 40 |
| 7 | Kensington & Chelsea | £84 | £228 | £43.00 | £73.00 | £73.00 |
| 8 | Hackney | £10 | £214 | £50.00 | n/a | n/a |
| 9 | Tower Hamlets | £6 | £181 | No | £50.00 | £100.00 |
| 10 | Sutton | £40 | £150 | No | £25.00 | £25.00 |
| n/a | Merton (Proposed Tier 1 (Long CPZ zone)) | £20 | £150 | £150.00 | £50.00 | £50.00 |
| 11 | Wandsworth | | £146 | | £35.00 | |
| 12 | Westminster | Free | £145 | No | n/a | n/a |
| 13 | Hounslow | Free | £130 | £50.00 | £80.00 | £80.00 |
| n/a | Merton (Proposed Tier 2 (Long CPZ zone)) | £20 | £130 | £150.00 | £50.00 | £50.00 |
| 14 | Southwark | | £125 | | n/a | n/a |

| | | | | | | |
|-----------|---|------------|-------------|----------------|---------------|---------------|
| 15 | Ealing | £50 | £125 | £50.00 | £50.00 | £50.00 |
| 16 | Lewisham | | £120 | | n/a | n/a |
| 17 | Waltham Forest | £13 | £120 | No | £29.50 - £90 | £23 - £70 |
| 18 | Bexley | | £120 | | n/a | n/a |
| 19 | Hammersmith & Fulham | | £119 | | £378.00 | n/a |
| 20 | Barnet | £15 | £115 | £10.00 | £15.00 | £15.00 |
| 21 | Richmond | | £109 | | £54.00 | £55.00 |
| 22 | Greenwich | | £100 | | n/a | n/a |
| 23 | Kingston | | £90 | | n/a | n/a |
| n/a | Merton (Proposed Tier 3 (Long CPZ zone)) | £20 | £90 | £150.00 | £50.00 | £50.00 |
| 24 | Bromley | | £80 | | n/a | n/a |
| 25 | Croydon | | £80 | | £46.00 | |
| 26 | Harrow | | £75 | | 35 | 35 |
| 27 | Barking & Dagenham | Free | £74 | No | 20 - 75 | £20 - £13.50 |
| n/a | Merton (Tier 3 (Short CPZ zone)) | £25 | £70 | £150.00 | £50.00 | £50.00 |
| 28 | Merton | | £65 | 150 | 45 | 30 |
| 29 | Redbridge | | £45 | | £37 | £26 |
| 30 | Havering | | £35 | | £60 | £85 |

Business and other permits

- 2.7.12 Business and other permits have evolved over a number of years to meet specific needs of the various organisations and businesses. A fuller review of these permits will take place in 2019.

Virtual permits and visitor permits

- 2.7.13 The council is committed to the introduction of virtual visitor. This is where a physical permit is not required to be displayed in a vehicle, but instead the Civil Enforcement Officer will know through his or her handheld device that the vehicle has a valid virtual permit that is stored on the parking system. Although this is not possible at the present time, the council is currently procuring a new permit system which will be in place in 2019.
- 2.7.14 Consideration will also be given to the appropriate period for which visitor permits are valid. The current scratch card permits are sold in half-day and full-day denominations. Selling visitor vouchers on an hourly basis, as other London authorities do, may be more appropriate.

2.7.15 We will continue to sell paper visitor permits for those who are unable to purchase over the internet, but consideration will be given to phasing physical permits out over time.

2.7.16 As set out above the key principles of considering the significant period since Permit voucher charges were reviewed, length of time a zone is operational and accessibility to transport link, it is recommended the charges set out below are approved.

| Tier | Half day | Full day |
|--------------|----------|----------|
| Tier 1 zones | £3.50 | £5 |
| Tier 2 zones | £3 | £4 |
| Tier 3 zones | £2 | £3 |

2.7.17 **Benchmarking information 2018/19 for visitor vouchers.**

The table below shows the cost of visitor vouchers for full day periods. The table shows, if the highest proposed charge (£6) is approved, Merton would be 3rd in London. However the proposed lowest charge would result in Merton being 13th.

Members should note this benchmarking data is based on 2018/19 charges and a number of boroughs are known to be increasing third charges for 2019/20

| | Council | Full day VP | Hourly rate |
|------|--------------------------------|---------------|-------------|
| Rank | Hammersmith & Fulham | £14.40 | £1.80 |
| | Islington | £14.25 | £1.00 |
| 1 | Wandsworth | £7.70 | - |
| 2 | Camden | £7.03 | £1.01 |
| 3 | Lewisham | £5.60 | £1.00 |
| 4 | Newham | £1.20 - £5.00 | - |
| n/a | Merton (highest option) | £5.00 | |
| 5 | Lambeth | £4.60 | - |
| 6 | Brent | £4.50 | |
| 7 | Ealing | £4.50 | |
| 8 | Croydon | £4.00 | |
| 9 | Haringey | £3.50 | |

| | | | |
|-----------|-------------------------|--------------|-------|
| 10 | Hackney | £3.30 | |
| 11 | Southwark | £2.70 | |
| 12 | Richmond | £2.65 | |
| 13 | Merton (Current) | £2.50 | |
| 14 | Bromley | £2.30 | |
| 15 | Harrow | £1.75 | |
| 16 | Tower Hamlets | £1.55 | |
| 17 | Kingston | £1.50 | |
| 18 | Enfield | £1.50 | |
| 19 | Barking & Dagenham | £1.38 | |
| 20 | Havering | £1.30 | |
| 21 | Bexley | £1.00 | |
| 22 | Barnet | £1.00 | |
| 23 | Greenwich | £0.70 | |
| 24 | Redbridge | £0.63 | |
| 25 | Hillingdon | £0.50 | |
| 26 | Waltham Forest | - | £0.50 |
| 27 | Hounslow | - | £0.75 |
| 28 | Sutton | - | £0.61 |

2.7.18 Note, the diesel levy and emission-based charging will be reviewed in early 2019 in respect of permits. The review will also include this principle for visitor vouchers or electronic based vouchers.

2.7.19 **Annual visitor vouchers**, approximately 2700 of these vouchers sold per year and used for residents who have a high number of visitors or staff. The current charge is £110. It is recommended the cost of these vouchers are as set out in appendix 4a.

PAYMENT METHODS AND CASHLESS PARKING

2.7.20 Cashless parking has been operation in Merton for 4 years. Its introduction and subsequent update has been very successful and well received by customers. Cashless payments now account for 49% of all paid for transactions and this continues to grow. The service is provided by RingGo and the same service is available in 22 of the 32 London boroughs.

2.7.21 There has been a natural conversion by customers towards the use of cashless both locally and nationally. Some boroughs have used a number of initiatives to further increase the use of cashless. This includes removal of machines from location where there are multiple machines, additional

signs at P&D locations, and advertising on the back of P&D machines and tickets to raise awareness.

- 2.7.22 Savings can be achieved by increasing the proportion of parking payments made through cashless systems rather than through the cash-only ticket machines. Which could be as little as 1 user per week.
- 2.7.23 Removing lesser-used ticket machines will reduce maintenance, repair, cash collection and banking charges while also reducing opportunities for theft or criminal damage. Analysis of usage patterns has established that many machines take a trivial amount of cash; some less than £10 per calendar month.
- 2.7.24 It is recommended Members in due course approve a considered and carefully managed rationalisation of Pay and Display machines over the next few years, to achieve a higher percentage of cashless transaction. Cash alternatives will always be possible within the borough, either through local shops selling parking sessions which works well in other boroughs, or sale of parking time in advance through a voucher system.

3 ALTERNATIVE OPTIONS

- 3.1. The purpose of this report is to inform Members of the key existing strategic drivers that will affect parking policy for the future. The public health agenda, the shift to more active and sustainable transport modes (such as walking, cycling and public transport) the impact of vehicle emissions and congestion on air quality and demand for kerbside space form the backdrop of the policy direction set out in this report.
- 3.2. Key strategic Council plans such as the Health and Wellbeing Strategy, Merton's Air Quality Action Plan, Merton's Local Implementation Plan include visions and interventions which will help to achieve key Council goals of improving population health, reducing inequalities between east and west Merton, improving air quality and shifting to more sustainable modes of transport. However, they will have limited impact without concurrent changes to parking provision for the future.
- 3.3. The review looked at a wide range of options to support the above strategic drivers as well as a series of charging options for the future. A lower level of increases, or a 'do nothing' approach, would not make any or any significant contribution towards the Council's strategic objectives. A higher level of increases would, in the view of officers, show insufficient regard for countervailing considerations (such as the need to make provision for those for whom, at the moment, car use remains the only realistic option).

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Members have the opportunity to comment on the principles as set out in this report. A further report will be presented to Sustainable Communities and Healthier Communities Overview and Scrutiny Panels in January.

- 4.2. The next stage, if members approve the taking forward of the approach set out in this report, is to initiate the statutory process for amending the parking charges. In theory it is possible for the Council to amend most parking charges (although not those connected with parking permits) without any consultation at all; simple notification is all that is required. The Parking Places (Variation of Charges) Act 2017 contains provisions relating to statutory consultation, but the Secretary of State has not yet made the necessary regulations to bring the 2017 Act into force. As it stands, therefore, there is no mandatory consultation requirement when it comes to increasing parking charges.
- 4.3. Officers consider, however, that the changes proposed do warrant a degree of focussed public consultation, in addition to the consultation that has already been undertaken before they are implemented. For that reason, the proposal is to use in all cases the order making procedure for implementing the proposed changes. This optional procedure does carry with it statutory consultation requirements. Those requirements and the way in which they are discharged by the Council are set out in appendix 6.
- 4.4. The intention is to synchronise consultation on each of the orders that will need to be made, so that responses can address both the underlying principles of the review and also any site or area specific changes that may be required. This report will be among the consultation documents to which attention will be drawn in the consultation process.
- 4.5. Once officers have considered and formulated a response to public comments received, the matter will be returned to cabinet for final decision in the light of the consultation exercise.
- 4.6. Members should note that various consultations have been undertaken by different Council departments during the process of approving a number of strategy and policy documents that are relevant to Parking Services. What matters to Merton residents, including:
- 4.7. **Healthy Places Survey:** Top priorities identified by Merton residents for creating healthy places in Merton included air quality, green infrastructure and open spaces including parks, and good cycling and walking routes, paths and lanes. Results available here
- 4.8. **Travel and Movement Survey:** Responses from Merton residents reveal that around 70% agree that we should actively pursue measures to reduce overall traffic levels. In this survey, residents said that traffic discourages them from walking more and that too many fast vehicles, fumes, noise and air pollution make it less attractive to walk. Results available here: <https://www.merton.gov.uk/assets/Documents/Healthy%20Places%20survey%20responses%20Jan18.pdf>
- 4.9. **The Great Weight Debate (2017):** 74% of Great Weight Debate Merton respondents (over 2,100 people) felt that tackling Childhood Obesity should be given top or high priority. Respondents felt that children in Merton could be better supported to lead healthier lives through: cheaper healthier food

and drink (51%); making parks safer & more accessible for people to be active in (35%); less marketing and advertising of high fat and sugary food and drink (33%); more places for children to be active in (31%).

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1. Any increase in parking charges will inevitably have an effect on parking Income. This, however, is difficult to accurately predict since we are seeking to change motorists behaviour and reduce car usage. As such the MTFs has reflected an uplift in parking income in the Budget revenue changes of an estimated increase of 1.9 million for the year 2019/2020 and a further 1.9 million in 20/21 that are currently before Cabinet and Scrutiny for consideration. These are a best estimate at this stage taking into account the changes proposed and the potential changes in motorists behaviour that we expect to achieve. The above will be subject to the outcome of the TMO consultation process in 2019.

6 LEGAL AND STATUTORY IMPLICATIONS

- 6.1. The Council introduces and maintains charges for on and off-street parking under the provisions of the Road Traffic Regulation Act 1984, as amended, and the Road Traffic Act 1991. The proper approach to consideration of the matter under the Road Traffic Regulation Act 1984 has been set out above, in section 2.3. As explained above, there are two alternative procedures by which parking charges can be increased.
- 6.2. Under the first of these alternatives, the Council is required to issue a Notice of Variation. Under Section 35C and 46A of the Road Traffic Regulation Act 1984, a Local Authority has powers to vary off and on-street parking charges respectively. In both cases a Notice is published in a newspaper circulating in the local area giving at least 21 days' notice of the variation. The Notice does not invite representation, and its effects become operational at the end of the Notice period.
- 6.3. Under the second of these alternatives, the Council makes an order that is subject to the statutory consultation and other requirements detailed in appendix 7.
- 6.4. In terms of any income that may be generated by the increased charges, the Traffic Management Act 2004 amends section 55 (4) of the Road Traffic Regulation Act 1984 and directs that income should be used:
- (a) to make good any payment used for parking places,
 - (b) for the provision of or maintenance of off street parking (whether in the open or not) and

- (c) where off street parking provision is unnecessary or undesirable:
 - (i) to meet the costs of provision of or operation of public passenger transport services, or
 - (ii) for highway or road improvement projects within the borough, or
 - (iii) for meeting costs incurred by the authority in respect of the maintenance of roads maintained at the public expense by them, or
 - (iv) for the purposes of environmental improvement in the local authority's area, or
 - (v) any other purposes for which the authority may lawfully incur expenditure.

The Council is mindful of the guidance of Mrs Justice Lang in the case of *R (otao David Attfield) v the London Borough of Barnet 2013*. Surplus funds may only be used in accordance with section 55 of the Road Traffic Regulation Act 1984, and there can be no wider use of the funds under section 122. The purpose of section 122 is to impose a duty on local authorities to exercise their functions under the 1984 Act in accordance with the objects set out therein. The 1984 Act is not a revenue-raising statute. The decision follows *R v Camden LBC ex p.Cran 1996*. It follows that members should ignore any benefit in terms of the revenue that may be generated by these proposals when making the decision as to whether to proceed or not.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1. An equalities impact assessment has been undertaken and is shown in appendix 8.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1. Removing cash-only pay and display ticket machines will reduce the frequency of thefts and damage.

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1. There are no health and safety implications associated with this report at present.

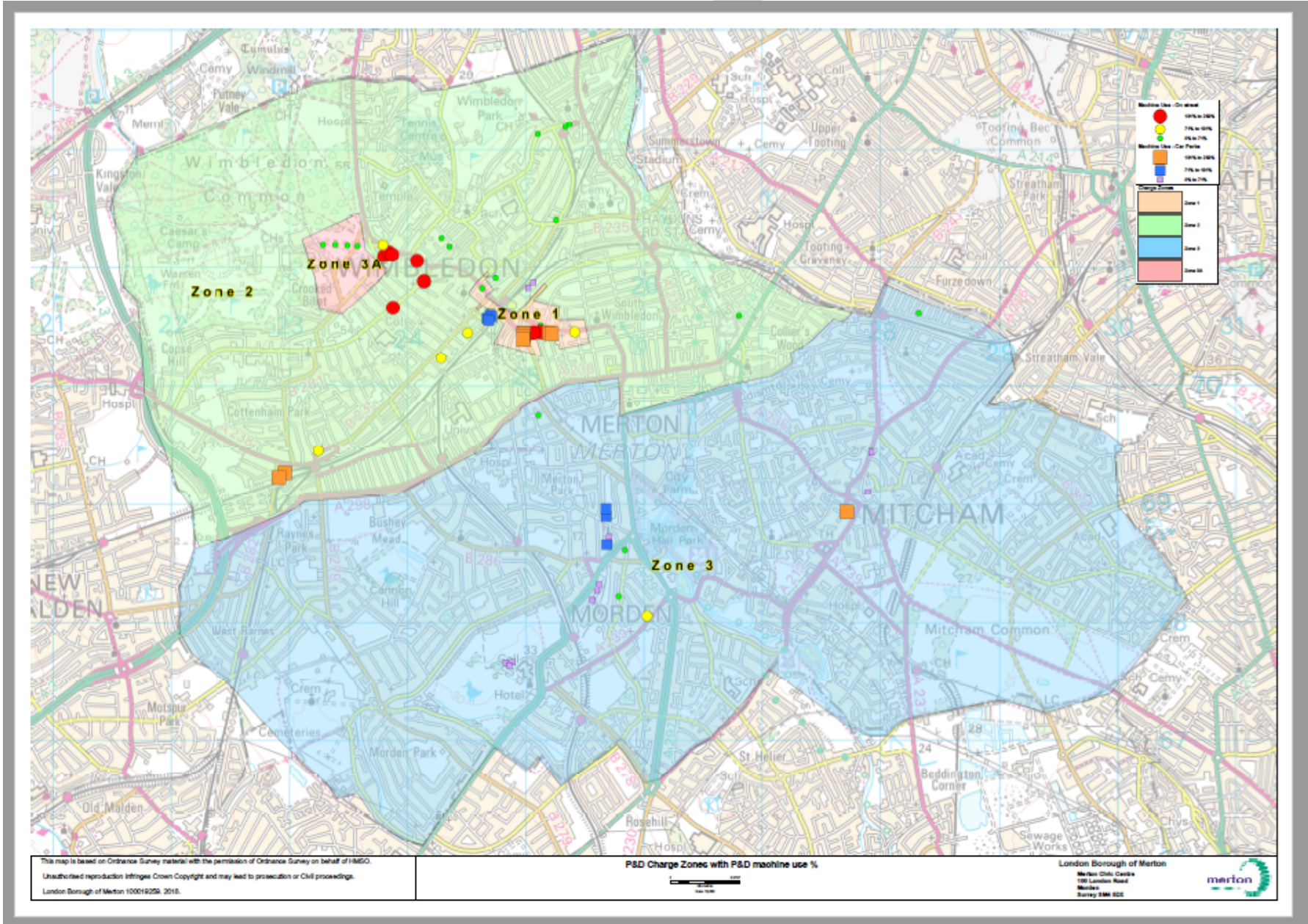
10 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 10.1. Appendix 1 – Plan of on street charging zones and congestion area.
- 10.2. Appendix 2 – Plan of on street charging zones and congestion hot spots for Wimbledon Town Centre.
- 10.3. Appendix 3 – Public Transport Accessibility Levels. (PTAL)
- 10.4. Appendix 4a,b,c – Details of Permit charges, zones and annual visitor voucher costs.
- 10.5. Appendix 5 – Map of CPZ zones

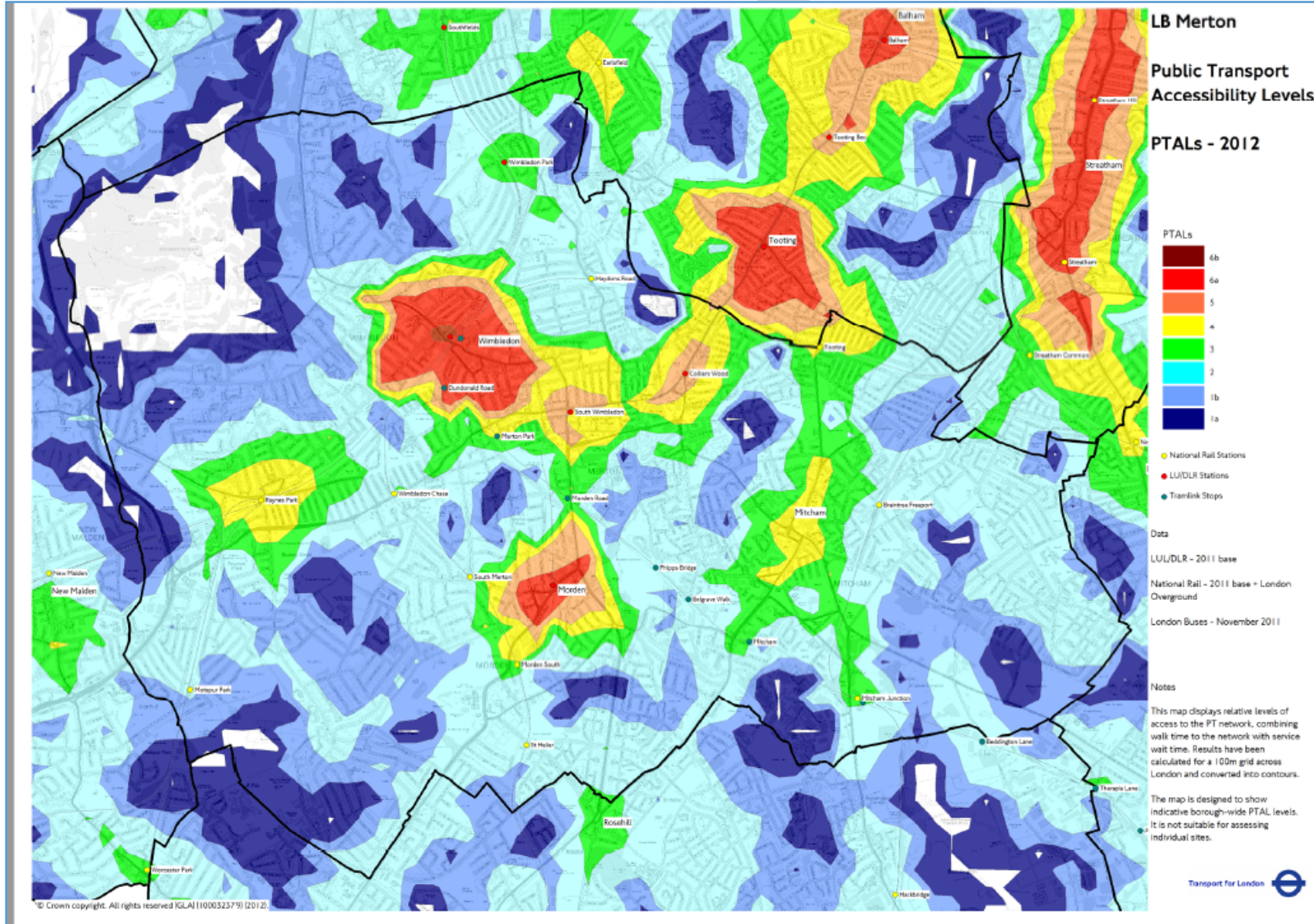
- 10.6. Appendix 6 Benefits of walking and cycling.
- 10.7. Appendix 7 – Proposed consultation process
- 10.8. Appendix 8 – Equalities Impact Assessment.

11 BACKGROUND PAPERS

- **London Borough of Merton’s Air Quality Action Plan 2018-2023**, available here: <https://www2.merton.gov.uk/Merton%20AQAP%2020182023.pdf>
- **Annual Public Health Report 2017-18**, available here: <https://www2.merton.gov.uk/health-social-care/publichealth/annualpublichealthreport.htm>
- **Merton’s Health and Wellbeing Strategy 2015-2018** (please note this is currently being refreshed), available here: <https://www2.merton.gov.uk/merton-health-and-wellbeing-strategy-web.pdf>
- **Mayor’s Transport Strategy 2018**, available here: <https://www.london.gov.uk/sites/default/files/mayors-transport-strategy-2018.pdf>
- **Mayor’s Health Inequalities Strategy 2018**, available here: https://www.london.gov.uk/sites/default/files/health_strategy_2018_low_res_fa1.pdf
- **‘Benefits of Parking Management in London August 2018’**. <https://www.londoncouncils.gov.uk/node/34485>







Controlled Parking Zone charges level 1

| Zone | Area | Level | Time Group | Permit price | New Charge | Hours per weekday | Annual visitor charge |
|------|-------------------|---------|------------|--------------|------------|-------------------|-----------------------|
| W3 | Wimbledon | Level 1 | Long | £65 | £150 | 14.50 | £400 |
| W4 | Wimbledon | Level 1 | Long | £65 | £150 | 14.50 | £400 |
| | | | | | | | |
| 2F | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| 3E | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| 3F | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| 4F | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| 5F | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VC | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VN | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VOn | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VOs | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VOt | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VSW | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| VSW2 | Wimbledon Village | Level 1 | Medium | £65 | £120 | 10 | £370 |
| W1 | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| W2 | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| W5 | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| W6 | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| W7 | Wimbledon | Level 1 | Medium | £65 | £120 | 10 | £370 |
| P3 | Wimbledon Park | Level 1 | Medium | £65 | £120 | 7 | £370 |
| VNe | Wimbledon Village | Level 1 | Medium | £65 | £120 | 6 | £370 |
| VNs | Wimbledon Village | Level 1 | Medium | £65 | £120 | 6 | £370 |
| | | | | | | | |
| P1 | Wimbledon Park | Level 1 | Short | £65 | £110 | 4 | £360 |
| P2 | Wimbledon Park | Level 1 | Short | £65 | £110 | 4 | £360 |
| P2S | Wimbledon Park | Level 1 | Short | £65 | £110 | 4 | £360 |
| VSW1 | Wimbledon Village | Level 1 | Short | £65 | £110 | 4 | £360 |
| VQ | Wimbledon Village | Level 1 | Short | £65 | £110 | 3 | £350 |

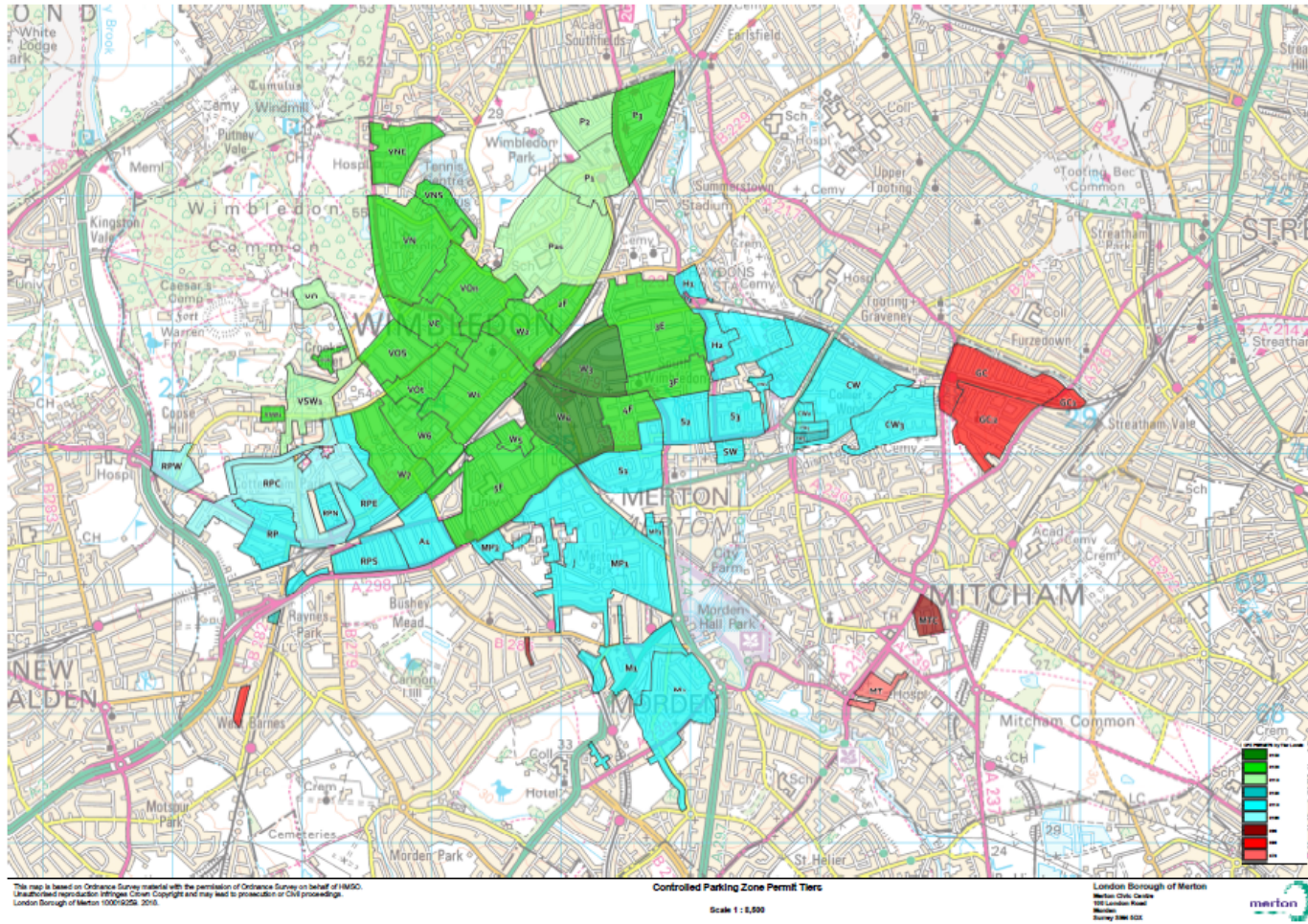
Appendix 4b

Controlled Parking Zone charges level 2

| Zone | Area | Level | Time Group | Permit price | New Charge | Hours per weekday | Annual visitor charge |
|------|------------------|---------|------------|--------------|------------|-------------------|-----------------------|
| CW5 | Colliers Wood | Level 2 | Long | £65 | £130 | 12.5 | £380 |
| | | | | | | | |
| CW | Colliers Wood | Level 2 | Medium | £65 | £110 | 10 | £360 |
| CW1 | Colliers Wood | Level 2 | Medium | £65 | £110 | 10 | £360 |
| CW2 | Colliers Wood | Level 2 | Medium | £65 | £110 | 10 | £360 |
| CW4 | Colliers Wood | Level 2 | Medium | £65 | £110 | 10 | £360 |
| M1 | Morden | Level 2 | Medium | £65 | £110 | 6 | £360 |
| M2 | Morden | Level 2 | Medium | £65 | £110 | 6 | £360 |
| M3 | Morden | Level 2 | Medium | £65 | £110 | 10 | £360 |
| MP2 | Merton Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| MP3 | Merton Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| S1 | South Wimbledon | Level 2 | Medium | £65 | £110 | 10 | £360 |
| S2 | South Wimbledon | Level 2 | Medium | £65 | £110 | 10 | £360 |
| S3 | South Wimbledon | Level 2 | Medium | £65 | £110 | 10 | £360 |
| SW | South Wimbledon | Level 2 | Medium | £65 | £110 | 10 | £360 |
| MP1 | Merton Park | Level 2 | Medium | £65 | £110 | 6 | £360 |
| A1 | Raynes park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| RP | Raynes Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| RPE | Raynes Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| RPN | Raynes Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| RPS | Raynes Park | Level 2 | Medium | £65 | £110 | 10 | £360 |
| H1 | Haydon Road SW19 | Level 3 | Medium | £65 | £110 | 10 | £360 |
| H2 | Haydon Road SW20 | Level 3 | Medium | £65 | £110 | 10 | £360 |
| | | | | | | | |
| RPW | Raynes Park | Level 2 | Short | £65 | £100 | 4 | £320 |
| RPC | Raynes Park | Level 2 | Short | £65 | £100 | 1 | £320 |
| RPC1 | Raynes Park | Level 2 | Short | £65 | £100 | 1 | £320 |

Controlled Parking Zone charges level 3

| Zone | Area | Level | Time Group | Permit price | New Charge | Hours per weekday | Annual visitor charge |
|------|---------------|---------|------------|--------------|------------|-------------------|-----------------------|
| MTC | Mitcham | Level 3 | Long | £65 | £90 | 14.50 | £340 |
| CH | Cannon Hill | Level 3 | Long | £65 | £90 | 12 | £340 |
| WB1 | West Barnes | Level 2 | Long | £65 | £90 | 12 | £340 |
| | | | | | | | |
| CW3 | Colliers Wood | Level 3 | Medium | £65 | £80 | 10 | £330 |
| GC | Mitcham | Level 3 | Medium | £65 | £80 | 10 | £330 |
| GC1 | Mitcham | Level 3 | Medium | £65 | £80 | 10 | £330 |
| GC2 | Mitcham | Level 3 | Medium | £65 | £80 | 10 | £330 |
| WB2 | West Barnes | Level 3 | Medium | £65 | £80 | 6 | £330 |
| | | | | | | | |
| MT | Mitcham | Level 3 | Short | £65 | £70 | 4 | £320 |



Benefits of walking and cycling.

Please see attached document.

DRAFT

TMO CONSULTATIONS

(Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996

TMO consultation is as follows:-

1. Notice of proposal is published in the Wimbledon Times (the local newspaper) and in the London Gazette. The public are given 21 days to respond with their representations or objections.
2. On or before the day of publication the notice of proposal is sent to a list of consultees (regulation 6 of the Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996 along with the draft Order, statement of reasons and a relevant plan showing the lengths of roads that would be affected by the Order. Consultees are requested to respond with their representations or objections by the end of the 21 day notice period.

3. Consultees must include:-

Met Police,
London Fire Brigade
London Ambulance Service
Freight Transport Association
Road Haulage Association

and may also include. (*Given the nature of the proposed changes in the report all bodies and organisations listed below will be written to.*)

- AA Roadwatch (for major schemes)
- Age Concern (for certain schemes)
- British Motorcyclists Federation (if it affects motorcycles)
- Bus and Coach Council/ Confederation of Passenger Transport (if it affects buses or coaches)
- Confederation of Passenger Transport
- Friends of the Earth (if it affects cyclists or pedestrians or large shopping centre plans or environmental improvement schemes)
- Licensed Taxi Drivers' Association (for certain schemes)
- London Tramlink (for certain schemes)
- London Travel Watch (only if affects buses)

- Merton Community Transport (for certain schemes)
 - Neighbouring local authorities (if they are affected)
 - Taxi Ranks (Public Carriage Office) – Transport for London
 - Trafficmaster (RAC) (for certain schemes)
 - Transport for London (buses)
4. Notices are displayed on site in roads or places that would be affected by the order before or on publication date.
 5. For major schemes, Traffic engineers / council officers would consult with:
 - a. All Merton Councillors,
 - b. Residents Association informing them of the statutory TMO consultation, with the address to respond to and the closing date of the consultation.
 - c. Business Associations.
 6. The notice of proposal, draft Order, statement of reasons and a relevant plan are left on deposit from the publication date in the Merton Civic Centre and may also be deposited in public libraries.
 7. 8. Any objections made as part of the consultation process must be considered. Officers will have regard to all representations made which will form part of a further report to for Members/committee (as appropriate), to consider as part of any decision made.
 8. 9. If the Council decide to overrule the objections and proceed in full or in part with the Order, they must notify the objectors of the decision to proceed with the Order and include in that notification the reasons for the decision. Unless they retracted their objections or where the objection were clearly addressed in a report to members summarising the consultation process.
 9. Once the Order is made, notice of its making is published in the Wimbledon Times and London Gazette and notices placed on site as applicable. The notice of making and made Order are placed with the other deposit documents for 6 weeks.

Please see attached Equalities Impact Assessment.

DRAFT

Walking & cycling: the economic benefits

Page 631



What is this pack?

This pack outlines the economic benefits of encouraging more walking and cycling in cities. It sets out the strongest evidence from London and elsewhere, grouped into six major topic areas.

It is aimed at policy makers, local communities, officers in local and national government, business networks and everyone else who is interested in how investment in walking and cycling can create more prosperous cities.

This pack has been produced by Transport for London (TfL) as part of an ongoing collaboration with partners across London, and has been published as part of TfL's online hub for the economic benefits of walking and cycling. We are particularly grateful to representatives from the Department for Transport, the University of Westminster, GlaxoSmithKline, the London Boroughs of Enfield, Hackney and Southwark, the Bicycle Association, Sustrans, the London Cycling Campaign, Cycling UK and Living Streets for their support in developing this evidence base.

OVERVIEW

Investment in walking and cycling helps encourage more Londoners to travel in a greener and healthier way. It also brings significant benefits for the economy:

Boosting the high street and local town centres:

walking and cycling improvements can increase retail spend by up to 30%.

Page 653

Reducing absences and increasing productivity:

People who are physically active take 27% fewer sick days each year than their colleagues.

Attracting employees and businesses:

Businesses see walking and cycling as key to attracting and retaining the staff they need to thrive

Keeping the city moving for business:

New cycle lanes in London have helped some streets carry up to 5% more people at the busiest times.

Wider Economic Benefits:

Investing in walking and cycling can prevent billions of pounds worth of health and environmental damage.

Helping everyone share the benefits:

Active travel is accessible and inclusive. Making it easier to walk and cycle means that more Londoners can enjoy the benefits

Walking & cycling is good for the high street

Page 58

People walking and cycling visit high streets more frequently and spend more money there compared to people in cars

High streets that are nice places to walk, cycle and spend time in attract more shops, making the high street more economically viable and vibrant

HIGHER SPENDS

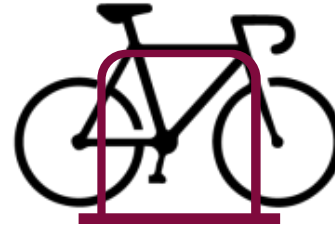


High street walking, cycling and public realm improvements can

increase retail sales
by up to **30%**

Source: Lawlor, 2013

Cycle parking delivers



5x

the retail spend per square metre than the same area of car parking

Source: Raje and Saffrey, 2016

People who walk and cycle take more trips to the high street over the course of a month

Average number of visits to local town centre each month, by mode



16 visits



12 visits



8 visits

Source: TfL, 2014

Over a month, people who walk to the high street spend up to

40% more



than people who drive to the high street

Source: TfL, 2013

Walking and cycling helps create
thriving high streets



As well as more customers, this brings benefits to the local community



Making it easy to walk and cycle to high streets means that more Londoners can enjoy these opportunities

SOCIAL VALUE

45%

of visitors to London high streets visit for **social and community** reasons

Source: Hall et al, 2017



Improving London high streets for walking and cycling led to a

216%

increase in people **stopping, sitting or socialising**

Source: Carmona et al, 2018



THRIVING HIGH STREETS

Retail vacancy was **17% lower** after high street and town centre improvements...



...and retail rental values **rose by 7.5%**

Source: Carmona et al, 2018

Businesses may overestimate their customers' car use

Page 697

Businesses on Lea Bridge Road think their customers travel to the area:

However, visitors said they travelled:

by car **63%**  by car **20%** 

walk **49%**   **64%** walk

public transport **41%**   public transport **54%**

cycle **12%**   cycle **12%**

Source: London Borough of Waltham Forest

What do BIDs say?

9 in 10

say walking and cycling creates vibrant areas

83%

say it attracts more customers

Source: Aldred & Sharkey, 2017



GLOBAL EVIDENCE

A study of businesses in **Portland** found people walking and cycling spent more in a month than drivers.

Source: Clifton et al., 2012

Streets with dedicated cycle lanes in **New York** saw a larger rise in retail sales compared to the surrounding area.

Source: New York DOT, 2014

Businesses on two **Dublin** shopping streets overestimated how many customers travel by car and underestimated how many cycle.

Source: O'Connor et al., 2011

People who walk and cycle in **San Francisco** visit shops more often and spend more in a month than drivers.

Source: Bent and Singa, 2009

In **Los Angeles** sales tax revenue rose by two thirds after cycle lanes were built – 14% higher than unimproved areas.

Source: McCormick, 2012

For every square metre of parking space in **Bern**, customers who cycled generated 7,500 EUR compared to 6,625 EUR from car drivers.

Source: [Fahrradportal](#) (online)

People who cycle to shops and supermarkets in **Copenhagen** spend more each year than people who drive. Two thirds of shopping trips and half the total revenue comes from customers on foot and cycle.

Source: Copenhagen Bicycle Account, 2012

Walking & cycling boosts productivity

Page 579

People who walk and cycle regularly have been shown to take less sick days, be more productive at work and enjoy their job more

Encouraging more people to walk and cycle more can help give London's economy a big productivity boost

REDUCED ABSENTEEISM

Employees who are physically active take

27%



fewer sick days

than their colleagues

Source: National Institute for Health and Care Excellence, 2012

Pages 58

Employees who cycle regularly take



fewer sick days each year than those who don't...

... this is worth

£128m

every year to the national economy

Source: Hendriksen, et al, 2010

Source: Grous, 2011

INCREASED PRODUCTIVITY



73% of employees who cycle felt it makes them **more productive** at work

Page 581

Source: The Prince's Responsible Business Network, 2011

54%



of people who cycle to work

feel **happy** & **energised**

during their commute - more than any other mode

Source: CycleScheme, 2015

People who walk to work report



greater job satisfaction

and wellbeing – which in turn leads to increased employee retention and reduced costs to businesses.

Source: Chatterjee, 2017

Businesses see real value in walking & cycling

People want to live and work in areas that offer a high quality of life. For many, this means places where they can walk and cycle

Creating great places for walking and cycling strengthens London's talent pool and give businesses a competitive advantage

More and more businesses around the capital are voicing their support for walking and cycling

ATTRACTING AND RETAINING STAFF

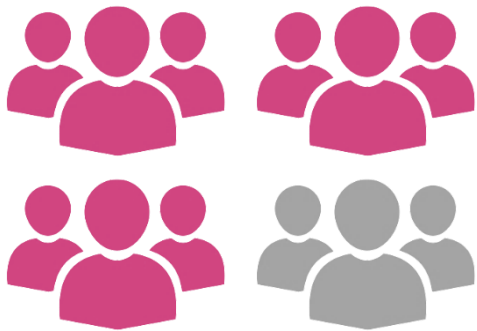
“ Our network of offices will be knitted together by Cycle Superhighways. We look forward to using the protected routes to help us attract and retain the people we need to thrive ”

Michael van der Bel, former CEO of Microsoft UK

Source: Cycling Works, 2014

Page 583

By 2025 3 in 4 workers will be **millennials**



Millennials are more focussed on the **environment** and **use cars less**

Source: Deloitte, 2014

73% of London BIDs say **walking and cycling** are important for **attracting and retaining staff**

Source: Aldred & Sharkey, 2017

BUSINESS BENEFITS

85%



think that cycling is important

10099588

Business Improvement Districts agree that active travel is important for their business performance

95%



think that walking is important

Why do BIDs think walking and cycling is important for business?



Attracting more customers



Creating vibrant areas



Attracting and retaining staff

Businesses are **prioritising** offices with high-quality cycling facilities

Source: British Council of Offices, 2017



BUSINESS SUPPORT

“Cycling is a fundamental part of the future city and has been a critical factor in Google’s decision to invest in King’s Cross and London. Cycling has an important role to play in attracting and retaining talent”

Dan Cobley, former CEO of Google UK

“Businesses in London Bridge are keen to make it a safe and attractive place to walk and cycle. With continued growth in the area, creating a street environment that makes cycling convenient, safe and attractive is more pressing than ever”

Nadia Broccado, CEO of Team London Bridge BID

BUSINESS SUPPORT

In 2014 over

180

major London employers
came together to support plans
for new protected cycle routes

Page 58

“ *The proposed north-east and east-west routes will help us **attract and retain the employees our business needs to thrive**. They will also make London a **more attractive city** in which to build and run our business* ”

John Ridding, CEO of Financial Times

Walking & cycling keeps London moving

Page 597

Congestion costs London's economy £9.5bn each year, and the challenge will grow as the city's population grows and travel increases

Walking and cycling, along with public transport, are the most efficient uses of limited road space. By encouraging walking and cycling we can move more people on our streets. This keeps the city moving for everyone

KEEPING STREETS MOVING

London is growing by...

6 new residents
every hour



That's a car load
every 40 minutes



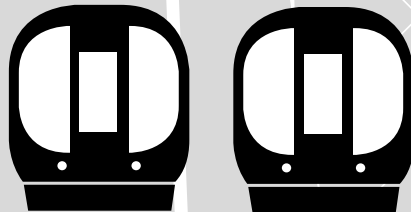
or

2 Buses
every day



or

2 Tube trains
every week



Today the population is

8,800,000

and by 2030, it will be

10,000,000

Congestion
costs London's
economy



£9.5bn
every year

Source: INRIX, 2017

KEEPING STREETS MOVING

One car takes up the same space as...



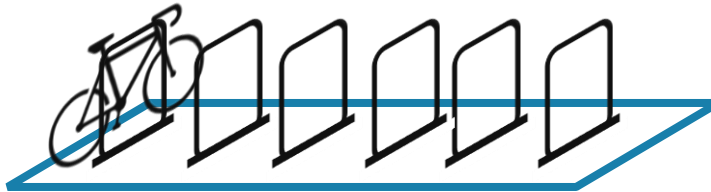
5 people cycling

or



20 people walking

or



12 cycle parking spaces

The average car in London carries:



1.56 people

KEEPING STREETS MOVING

Segregated cycle lanes on Blackfriars Bridge help the street move

5% more people

in the am peak than before

Progress

Source: TfL analysis

Businesses using **cycle freight save** between

39 and **64%**
on **delivery costs**

Source: Raje and Saffrey, 2016

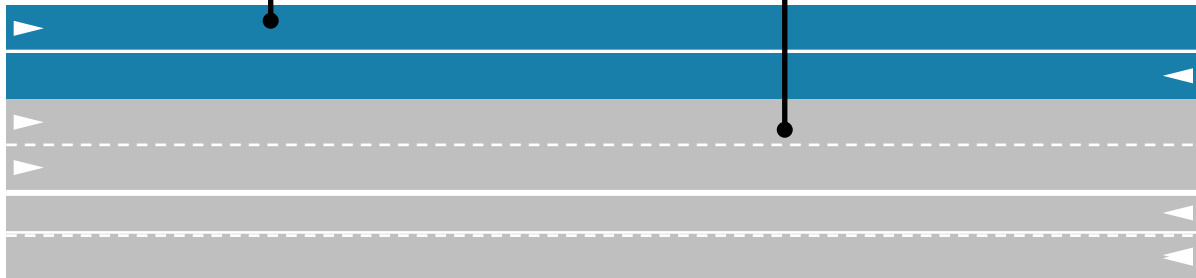


Cycle lane north:

1,938 people per hr

Vehicle lanes north:

1,542 people per hr



BLACKFRIARS BRIDGE, AM PEAK 08:00 – 09:00

Walking & cycling helps the wider economy

Page 891

Walking and cycling already make an important contribution to Britain's economy, and encouraging more people to walk and cycle will provide a further boost

Investment in walking and cycling is a cost-effective way to unlock these benefits, including significant savings to the NHS

VALUE FOR THE ECONOMY

13:1 is the average 'Benefit Cost Ratio' for walking and cycling projects

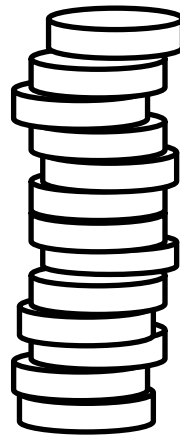
this means for every

Page 592

£1 spent on walking and cycling,



→ **£13** of benefits are returned to the economy



“ Based on the BCRs reported ... one can confidently conclude that sustainable travel and cycling and walking in particular regularly offer

high and very high value for money ”

Source: Department for Transport, 2015

Cycling contributes

£5.4bn



each year to the UK economy

...more than

3x



the contribution of the UK steel industry

Source: Newson and Sloman, 2018

SUPPORTING THE NHS

If every Londoner walked or cycled for 20 minutes each day, this would save the NHS

£1.7bn

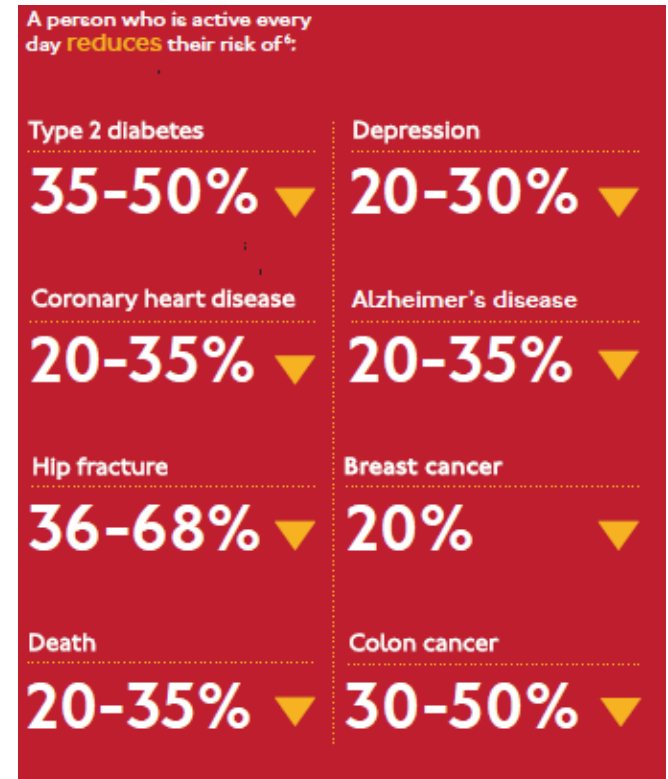
in treatment costs over 25 years

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If as a nation we keep piling on the pounds around the waistline, we'll be piling on the pounds in terms of future taxes needed just to keep the NHS afloat.

I don't think it's any exaggeration to say that the health of millions of our fellow citizens, the sustainability of the NHS, and the economic prosperity of Britain now depends on a radical upgrade in prevention and public health. ”

Simon Stevens, NHS Chief Executive



Source: Department of Health, 2011

SUPPORTING NEW DEVELOPMENT

As the Cycle Hire scheme has expanded outside of central London and into areas that are a lengthy walk from the Tube, we have seen a dramatic increase in tenant enquiries for those areas ”

Marc von Grundherr, Director, Benham & Reeves Residential Lettings

Source: Steer, 2017



The fact that buyers expect cycle storage in new developments affects saleability and desirability of the property ... if we did not provide cycle parking, desirability of the properties would be negatively affected ”

Linden Homes

Source: Steer, 2017

Everyone shares the benefits

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Everyone should be able to benefit from London's economic success

Walking and cycling are inclusive ways to travel that can help people access employment and opportunities easily and cheaply

The economic benefits of walking and cycling are not constrained to central London: businesses in all parts of the Capital can benefit from making it easier to walk and cycle

ACCESSIBILITY AND AFFORDABILITY

The economic benefits of walking and cycling can be enjoyed by everyone in London

Page 598



81% of Londoners say they **can cycle**, including...

3 in 4 older people (aged 65+)

76% of disabled people

Source: TfL customer research, 2017

Active travel is more affordable
Average cost of travel each year:



£0



£250

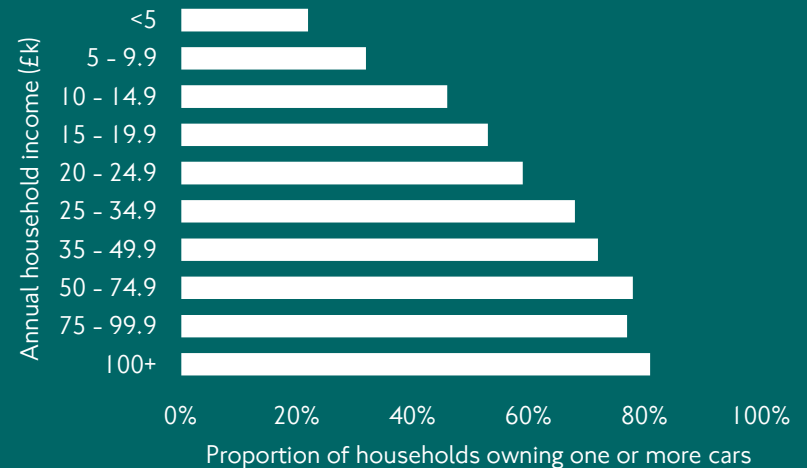
Cost of a quality cycle, lights and lock



£7,300

Yearly cost of running a car in London

Car ownership in London increases with household income



Source: TfL analysis, 2010, figures adjusted for inflation

Source: London Travel Demand Survey, 2013/14

SUPPORTING BUSINESSES ACROSS LONDON

The economic benefits of walking and cycling can be enjoyed everywhere in London

Page 897
Over



99%

of London employers are **small and medium-sized enterprises**

SMEs provide

1/2

London's jobs

2 in 3

 London jobs are outside central London

Every Londoner

lives within a 10 minute walk of a high street



SUMMARY

The evidence in the pack shows that investment in walking and cycling has the potential to bring significant benefits across a number of facets of the economy.

In London, TfL and boroughs are working to make walking and cycling easier for everyone by investing in initiatives to address the barriers to walking and cycling, including improved streets and community grants. The evidence in this pack can be used to support this investment by:

- Making the case for overall investment in walking and cycling to decision makers;
- Informing the strategic narrative for walking and cycling business cases;
- Supporting consultation and engagement around specific schemes and projects.

The pack can be used in its entirety, or specific content can be extracted to contribute to presentations or other documents. A full reference list is provided, and further information can be found on the economic benefits of walking and cycling [online hub](#).

We would like to keep the pack regularly updated with the latest research, evidence and case studies on the economic impacts of walking and cycling.

Please email activetravel@tfl.gov.uk with any suggestions or additional evidence.

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Equality Analysis



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

| | |
|---|---|
| What are the proposals being assessed? | A review of the charges levied by Parking Services for on street pay and display charges, off street pay and display charges and permit charges to help deliver key strategic council priorities including public health, air quality and sustainable transportation. |
| Which Department/ Division has the responsibility for this? | Parking Services, Environment and Regeneration |

Stage 1: Overview

| | |
|---|---|
| Name and job title of lead officer | Ben Stephens, Head of Parking |
| 1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc) | The Council is being asked to consider its approach to future parking services in the context of the public health agenda, the shift to more active and sustainable transport modes, the impact of vehicle emissions, congestion and demand for kerbside space. The report sets out the justification for the recommended parking tariffs and charges with the aim to adjust driver behaviour and to ensure that we can provide a modern, efficient and environmentally sustainable transport policy for residents, visitors and businesses, now and in the future. |
| 1.1 About the proposed policy changes | <p>Purpose of the policy</p> <p>The purpose of the proposed policy is to adjust Parking tariffs and charges. The aim is to adjust driver behaviour and ensure that Merton provides a modern, efficient, healthy, and environmentally sustainable transport environment for Merton residents, visitors and businesses, through an evidence based approach.</p> |

Who the policy is intended to benefit

The policy is intended to benefit all Merton residents, visitors and businesses, by supporting a shift to more active and sustainable modes of transport (such as walking, cycling and public transport) and reducing the impact of vehicle emissions and congestion on air quality.

1. Reduced congestion
2. Improved road safety
3. Improved air quality
4. Ensurance of good access and accessibility
5. Promotion of the local economy
6. Maximisation of the productive use of land resource
7. Promotion of health and wellbeing through travel choice
8. Providing funding for parking and wider transport scheme improvements

The proposed policy changes clearly contribute to the Council’s corporate priorities.

Why the policy is needed

There has been no increase in the cost of parking, either on-street, off-street or in relation to the cost of the varying types of permits issued by Parking Services for 9 years. As a result of the high demand for parking in town centres in conjunction with the high levels of air pollution, it has become imperative that a review is undertaken of the charges levied with the aim of rationalising the cost of parking, while also encouraging residents and visitors to use more sustainable forms of transport.

2. How does this contribute to the council’s corporate priorities?

Merton’s Health and Wellbeing Strategy 2019-24

1. **A key theme for the Health and Wellbeing Strategy, which is currently being refreshed to cover 2019-24 (led by the Health and Wellbeing Board), is Healthy Place.**
 Merton residents are aware of the importance of Healthy Place. A recent Healthy Places Survey led by the Council’s Environment and Regeneration department¹ revealed the top priorities identified by Merton residents for creating healthy places in Merton include air quality, green infrastructure and open spaces including parks, and good cycling and walking routes, paths and lanes.

¹ Survey data available here: <https://www.merton.gov.uk/assets/Documents/Healthy%20Places%20survey%20responses%20Jan18.pdf>

2. Better air quality: Improving air quality is important because 6.5% of mortality in Merton is attributable to poor air quality.²

By helping to reduce vehicle emissions and supporting the shift to sustainable and active modes of transport, parking policy can improve air quality, which in turn will have positive benefits for people's health.

There is ample evidence on the impact of air quality on health. Over time, poor air quality is associated with a range of mortality and morbidity outcomes. Exposure to poor air quality is associated with a range of cardiovascular, respiratory and cerebrovascular health effects³ and recent evidence suggests there may be a link between air pollution and a person being at increased risk of developing dementia.⁴ Evidence suggests a link between exposure to air pollution and cognitive performance.^{5 6} In Scotland a recent study found spikes in poor air quality to be associated with increased hospital admissions and GP surgery visits.⁷

3. Safer, less congested roads:

In 2016 there were 579 people slightly injured and 44 people killed or seriously injured due to road traffic accidents in Merton.⁸ By reducing congestion, incentivising people to use sustainable modes of transport, and using the revenue raised through parking charges to improve transport infrastructure, parking charges can help to reduce the number of road traffic accidents in Merton, leading to fewer deaths from road traffic accidents and a reduction in hospital-related admissions from road traffic injuries.

The INRIX 2017 Global Traffic Scorecard ranked the UK as the 10th most congested country in the world and the 3rd most congested in Europe. London has remained the UK's most congested city for the 10th

² Data available here:

<https://fingertips.phe.org.uk/search/air%20pollution#page/0/gid/1/pat/6/par/E12000007/ati/101/are/E09000002/iid/30101/age/230/sex/4>

³ WHO, *Health risks of air pollution in Europe-HRAPIE project. New emerging risks to health from air pollution-results from the survey of experts*. 2013. Available here:

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⁴ Carey IM, Anderson HR, Atkinson RW, et al. *Are noise and air pollution related to the incidence of dementia? A cohort study in London, England*. *BMJ Open* 2018;8:e022404. doi: 10.1136/bmjopen-2018-022404. Available here: <https://bmjopen.bmj.com/content/8/9/e022404>

⁵ Zhang et al. *The impact of air pollution on cognitive performance*. *Proceedings of the National Academy of Sciences* Sep 2018, 115 (37). Available here: <http://www.pnas.org/content/115/37/9193>

⁶ Cipriani. G et al. *Danger in the Air: Air Pollution and Cognitive Dysfunction*. *American Journal of Alzheimer's Disease and other Dementias*. Volume: 33 issue: 6, page(s): 333-341 . Sept 2018. Available here: https://journals.sagepub.com/doi/full/10.1177/1533317518777859?url_ver=Z39.88-2003&rfr_id=ori%3Arid%3Acrossref.org&rfr_dat=cr_pub%3Dpubmed

⁷ Goeminne. P et al. *The impact of acute air pollution fluctuations on bronchiectasis pulmonary exacerbation: a case-crossover analysis*. *European Respiratory Journal* Jul 2018, 52 (1) 1702557; DOI: 10.1183/13993003.02557-2017. Available here: <http://erj.ersjournals.com/content/52/1/1702557>

⁸ Travel in London 10 supplementary Information

year in a row, ranked second in Europe after Moscow.⁹ Demand-based parking charges for on street parking can help reduce the congestion caused by drivers cruising the streets in search of a place to park. This is also good for the economy- it has been estimated that motorists in London spend around 74 hours per year in congestion at peak times, costing them individually £2, 430 per year, or £9.5 billion across the city.¹⁰

4. Improved physical and mental health of Merton residents:

In Merton, levels of physical activity has dropped by two percentage points in two years.¹¹ Furthermore based on Department for Transport statistics for 2016/17 the proportion of adults doing any walking or cycling once a week is 77.9% down from 81.5% for 2015/16.

By supporting the shift to more sustainable and active modes of transport, improving air quality and generally making streets more pleasant places for Merton residents to spend their time, parking policy can help increase the physical and mental health of Merton residents. This can help reduce levels of childhood and adult overweight and obesity; a key issue in Merton. In Merton, one in five children entering reception are overweight or obese and this increases to one in three children leaving primary school in Year 6 who are overweight or obese.

5. Healthy places:

The 'healthy streets' approach defines a healthy street as one with: things to see and do; places to stop and rest; shade and shelter; clean air; and pedestrians from all walks of life. It must be easy to cross; and feel safe, relaxing and not too noisy. Put simply, it needs to be an environment in which people choose to walk and cycle. Action against these indicators ultimately improves health, and parking policy has a role to play for example, by helping improve air quality, and incentivising people to walk, cycle and use public transport.

6. Example of healthy places and the role parking services can play:

Parking Services are already working jointly with Public Health on the School Neighbourhood Approach Pilot (SNAP). This pilot recognises that there isn't one solution to complex challenges and that many different government departments hold the levers to improving the urban environment and therefore the public's health. The pilot involves identifying the levers the Council has to improve the urban environment in the 400 metres around a school, and then working with a selected school to take action on issues that

⁹ <http://inrix.com/scorecard/>

¹⁰ <http://inrix.com/press-releases/scorecard-2017-uk/>

¹¹ Levels of physical activity has dropped from 38 percent of residents doing at least two x 10 minutes of active travel a day in 2013/14 to 2015/16 to 36 percent in 2014/15 to 2016/17.

matter to them, such as air quality and an obesogenic environment, with the ultimate aim of reducing health inequalities.

We need to consider what we can do as a borough to ‘make the healthy choice the easy choice’, to improve public services and encourage residents to choose active travel options more often, and to reduce congestion and improve air quality.

MERTON AIR QUALITY ACTION PLAN 2018-2023

Air pollution is recognised as a major contributor to poor health with more than 9000 premature deaths attributed to poor air quality in London. Air pollution is associated with a number of adverse health impacts: it is recognised as a contributing factor in the onset of heart disease and cancer. Additionally, air pollution particularly affects the most vulnerable in society: children and older people, and those with heart and lung conditions. There is also often a strong correlation with inequalities issues, because areas with poor air quality are often less affluent.

Air quality has been identified as a priority both nationally and within London, where pollution levels continue to exceed both EU limit values and UK air quality standards. Pollution concentrations in Merton have historically and continue to breach the legally binding air quality limits for both Nitrogen Dioxide (NO₂) and Particulate Matter (PM₁₀). The air quality monitoring network run by Merton has shown that the UK annual mean NO₂ objective (40µg/m³) continues to be breached at a number of locations across the borough. In some locations the NO₂ concentration is also in excess of the UK 1-hour air quality objective (60µg/m³) which indicates a risk not only to people living in that area but also for those working or visiting the area.

AQMAs and Focus Areas

In Merton an Air Quality Management Area (AQMA) has been declared for the whole borough. The AQMA has been declared for the following pollutants:

Nitrogen Dioxide: we are failing to meet the EU annual average limit for this pollutant at some of our monitoring stations and modelling indicates it is being breached at a number of other locations. We may also be breaching the UK 1-hour Air Quality Objective based on measured concentration for NO₂ being in excess of 60µg/m³ at some locations within the borough.

Particulate Matter (PM₁₀) – whilst monitoring data from the automatic monitoring station at South

| | <p>Wimbledon indicates we are complying with the UK Objectives and EU Limits, the wider modelling data indicates that we are likely to be breaching the 24-hour and annual mean PM10 Objectives at a number of locations across the borough. We are also exceeding World Health Organisation air quality guideline for this pollutant, and we have a formal responsibility to work towards reductions of PM2.5.</p> <p>An Air Quality Focus Area is a location that has been identified as having high levels of pollution and human exposure. There are four focus areas in the borough. These are in the main centres of Mitcham, Morden, Raynes Park and Wimbledon.</p> <p>The London Borough of Merton is committed to reducing the exposure of people in Merton to poor air quality. The updated Air Quality Action Plan identifies Merton Council’s priorities for tackling air quality over the next 5 years and is supported by the departmental Heads of Service for Environmental Health, Transport, and Planning; the Director of Public Health and Cabinet members.</p> <p>Merton’s Air Quality Action Plan 2018-2023 strongly supported by Members is a key policy document which clearly sets out the links between vehicle use and air quality in the Borough. Within the plan there is a specific point number 32 which states, Review the impact of our diesel levy* and consider a review of parking and charges to help reduce combustion engine vehicle use and the consequent emissions. <i>*Note: The Sustainable Communities and Transport Overview and Scrutiny Panel to conduct pre-decision scrutiny on the scope of any reviews on parking levies.</i></p> | | |
|--|---|-----|--------------------------------|
| <p>Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.</p> | <p>Any change to the cost of permits and pay and display charges will affect all car owners who reside within existing and future Controlled Parking Zones (CPZ) as well as all motorists commuting to the boroughs town centres, whether as part of their daily commute, or to access shops and entertainment</p> | | |
| <p>3.1 Data on Protected Characteristics in Merton</p> | <p>Population demographics</p> <p>The total population in 2018 was 209,420.</p> <table border="1" data-bbox="378 1421 1197 1466"> <thead> <tr> <th data-bbox="378 1421 745 1466">Age</th> <th data-bbox="745 1421 1197 1466">Percentage of total population</th> </tr> </thead> </table> | Age | Percentage of total population |
| Age | Percentage of total population | | |

| | |
|-------|-------|
| 0-4 | 7.4% |
| 5-17 | 15.7% |
| 18-64 | 64.5% |
| 65-84 | 10.7% |
| 85+ | 1.7% |

Source: GLA Housing led projection, data from 2016 SHLAA

Disability

From the 2011 Census, 12.6% (25,230 people) of Merton's population had a long-term health problem or disability.

Physical disability

| Level of disability | Age | 2018 | 2025 | Percentage change |
|---------------------|-------|---------------|---------------|-------------------|
| Moderate | 18-64 | 10,120 (7.3%) | 10,960 (7.5%) | 8% increase |
| Serious | 18-64 | 2,870 (2.1%) | 3,181 (2.2%) | 11% increase |

Visual impairment

| Level of disability | Age | 2018 | 2025 | Percentage change |
|---------------------|-------|--------------|--------------|-------------------|
| Moderate or severe | 65+ | 2,290 (8.7%) | 2,648 (8.9%) | 16% increase |
| Serious | 18-64 | 90 (0.1%) | 95 (-.1%) | 6% increase |

Hearing loss

| Level of disability | Age | 2018 | 2025 | Percentage change |
|---------------------|-------|---------------|---------------|-------------------|
| Some hearing loss | 18-64 | 11,540 (8.3%) | 12,970 (8.9%) | 12% increase |

| | | | | |
|----------------------------|-------|----------------|----------------|--------------|
| Severe hearing loss | 18-64 | 761 (0.5%) | 837 (0.6%) | 10% increase |
| Some hearing loss | 65+ | 15,760 (60.2%) | 18,080 (60.7%) | 15% increase |
| Severe hearing loss | 65+ | 2,073 (7.9%) | 2,372 (8.0%) | 14% increase |

Learning disability

| Age | 2018 | 2025 | Percentage change |
|-------|--------------|--------------|-------------------|
| 18-64 | 3,390 (0.4%) | 3,550 (0.4%) | 5% increase |
| 65+ | 545 (2.1%) | 621 (2.1%) | 14% increase |

Daily activities, 65 and over

Over half of people in Merton aged 65 and over are not limited in daily activities. Merton shows a higher score for daily activities not limited than London (48%) and England (48%).

| Level of limitation (daily activities, 65 years and over)) | Percentage |
|--|------------|
| Not limited | 50% |
| Limited a little | 27% |
| Limited a lot | 23% |

Source: The 9 Protected Characteristics, Merton. Available from: <https://www2.merton.gov.uk/9%20PC%20July%202018%20Final.pdf>

Sex

| Age | Female | Male |
|-------|----------------|----------------|
| 0-4 | 106,045 (51%) | 103,370 (49%) |
| 5-17 | 16,077 (49%) | 16,733 (51%) |
| 18-64 | 68,266 (50.5%) | 66,914 (49.5%) |
| 65-84 | 11,840 (53%) | 10,500 (47%) |

85+

2,287 (63%)

1,343 (37%)

Source: The 9 Protected Characteristics, Merton. Available from: <https://www2.merton.gov.uk/9%20PC%20July%202018%20Final.pdf>

Race and ethnicity

The 2011 Census identified that:

- 48.4% of the population are white British, compared to 64% in 2001.
- 35% of Merton's population is from a Black, Asian and Minority Ethnic (BAME) groups (this includes non-white British).

The findings of the 2011 when compared to 2001 Census identified:

- -10% decrease in the overall White population
- -6% increase in the Asian,
- -3% increase in the Black population
- -2% increase in Mixed groups

According to the Greater London Authority (GLA): 2015 round ethnic group projections there are currently 77,740 people (37% of Merton's population) from a BAME group. This is projected to increase by 2025 to 84,250 people (+1%).

Religion or belief

| Religion or belief | % of total population |
|---------------------------|------------------------------|
| Christian | 56.1 |
| Muslim | 8.1 |
| Hindu | 6.1 |
| Buddhists | 0.9 |
| Jewish | 0.4 |
| Sikh | 0.2 |
| Not religious | 20.6 |

Source: GLA 2016-based demographic projections round, housing led model

Sexual orientation

From the 2014 Integrated Household Survey, 2.6% of London’s population answered Lesbian, Gay, Bisexual or Transgender as their sexual identity. This would equate to approximately 5500 people in Merton.

Socio-economic status

The 2015 IMD (Index of Multiple Deprivation) score shows that Merton as a whole is less deprived (14.9) compared to London (23.9) and England (21.8). However, east Merton has an average IMD score of 21.1 compared to west Merton which is 8.2.

The table below shows the wards in Merton split by deprivation decile, based on the 2015 IMD deciles.

Wards in Merton split by deprivation decile

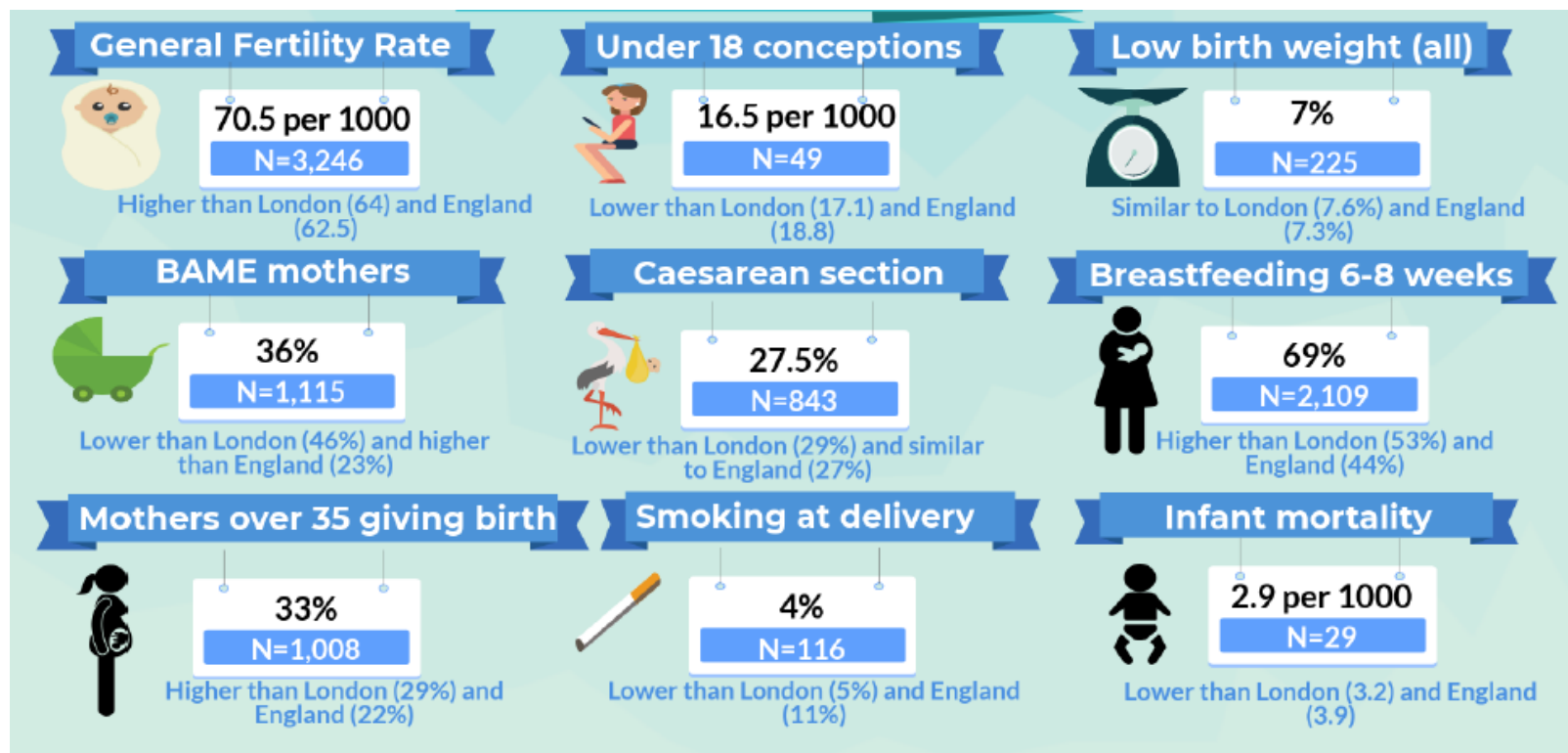
| Decile | Ward name | Locality |
|--------|-----------------|----------|
| 1 | - | - |
| 2 | - | - |
| 3 | Cricket Green | East |
| 4 | Figge's Marsh | East |
| | Lavender Fields | East |
| | Pollards Hill | East |
| | Ravensbury | East |
| | St Helier | East |
| 5 | Longthornton | East |
| 6 | Colliers Wood | East |
| | Graveney | East |
| 7 | Abbey | East |
| 8 | Lower Morden | West |
| | Raynes Park | West |
| | Trinity | West |
| | West Barnes | West |
| 9 | Cannon Hill | West |
| | Dundonald | West |
| | Hillside | West |
| | Merton Park | West |
| | Wimbledon Park | West |
| 10 | Village | West |

30% Most Deprived

30% Least Deprived

Pregnancy and maternity

The following infographics show data on pregnancy and maternity in Merton.



Source: The 9 Protected Characteristics, Merton. Available from: <https://www2.merton.gov.uk/9%20PC%20July%202018%20Final.pdf>

Marriage and civil partnership

2011 Census data shows us that a majority of Merton's population were either single (40%, lower than London at 44%) or married (45%, higher than London at 40%). By 2018, the number of Civil Partnerships is expected to have risen considerably, however the exact numbers will not be shown until the 2021 Census.

| Status | Number | Percentage of total population |
|---------|--------|--------------------------------|
| Married | 72,157 | 45% |

| | | | |
|--|-------------------|--------|-----|
| | Single | 64,689 | 40% |
| | Divorced | 11,083 | 7% |
| | Widowed | 8,187 | 5% |
| | Separated | 4,173 | 2% |
| | Civil Partnership | 551 | 1% |

| | |
|--|---|
| <p>4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?</p> | <p>The management of on and off street parking is the responsibility of Parking Services, and actions taken by Parking services contribute towards the Air Quality Action Plan (AQAP) which is the responsibility of the Regulatory Service Partnership team.</p> |
|--|---|

Stage 2: Collecting evidence/data

| | |
|---|---|
| <p>5) What evidence has been considered as part of this assessment?</p> | <p>Background to proposals and evidence that has been considered as part of this assessment</p> <p>The Council acknowledges that convenient parking should be provided for residents to enable them to park near their homes, where practicable, and parking provision is also necessary to meet the needs of people who have no other alternative other than to use their vehicle e.g. individuals with disabilities. There are also areas where public transport is either not available or not very convenient.</p> <p>Local authorities are not permitted to use parking charges solely to raise income. When setting charges, a local authority must instead focus on how the charges will contribute to delivering the Council's traffic management and key sustainability objectives.</p> <p>The November Cabinet report set out in detail the traffic management approach to parking charges, specifically the contribution appropriate tariffs can make in contributing to the objectives set out in the Public Health Agenda, and Air Quality Action Plan. Mayor Transport Plan and the council Local Implementation Plan.</p> <p>Building on these principles, a number of key factors were considered in the review of on and off-street parking and permits, which included:</p> <p>(i) Ease of access to public transport:</p> |
|---|---|

(ii) Air Quality
 (iii) Areas of high congestion
 (iv) Enforcement requirements

The review also considered the relative cost of owning a car and also transport cost. A recent RAC survey set out cost of car ownership. There are a number of instances where charges have been reduced or removed totally, particularly in respect of Electric Vehicles, and evening parking when demand in some car parks is low. But in the context of owning and running a car in London, the challenges facing London and benchmarking data the charges remain affordable, even if some charges in isolation may be seen as significant.

There is a significant difference in transport infrastructure and accessibility dependent on where a resident lives within the Borough. For example Wimbledon is considered to be better served than Colliers Wood and South Wimbledon, which in turn is better served than for example in Mitcham. This is presented in the form of a 'Public Transport Accessibility Levels' as set out by TfL and formed part of the review.

It is therefore easier in principle for a person living in Wimbledon Town Centre to use alternative sustainable or active modes of transport, compared to residents in the east of the borough, where the 'need' to own a car could be argued as being higher. It is of course accepted that in some cases cars are needed for special purposes, particularly those with physical mobility issues. But in a high number of cases using public transport or active transport is a very viable option, which drivers 'choose' not to use.

001 Overview of proposals

The policy proposals

Below are the proposed parking policy changes that have emerged, followed by an overview of the possible positive and negative impacts that these proposals could have on equality groups. For more detailed information on these policy proposals, see the November 2018 Cabinet paper 'Public health, air quality and sustainable transport-a strategic approach to parking charges'.

1) On street tariffs:

It is recommended on street parking is categorised into 4 broad zones and that the tariffs are as follows:

| On-street pay & display | Per Hour |
|-------------------------|----------|
| Zone 1 | £4.50 |

| | |
|--|-------|
| Wimbledon town Centre | |
| Zone 2 Wimbledon Village, Wimbledon Park, South Wimbledon Raynes Park. Colliers Wood, | £3.00 |
| Zone 3 Mitcham, Morden and other areas not specified. | £1.50 |
| Zone 1a Wimbledon Common | £1.50 |

For more information on ease of access to public transport, air quality indicators and parking demand and space availability, as well as more information about the zones the tariffs refer to, see the November Cabinet paper '*Public health, air quality and sustainable transport-a strategic approach to parking charges*', from page 23.

2) Off street (car park) tariffs:

It is recommended (for council owned car parks only) that the following tariffs are applied:

| CAR PARK (Inclusive of VAT). | Hourly rate/flat fee | Proposed hourly rate/flat fee |
|--|-----------------------------|--------------------------------------|
| <u>WIMBLEDON</u> | | |
| Broadway | £1.00 | £2.00 |
| Hartfield Road | £1.50 | £2.00 |
| Queens Road | £1.00 | £1.50 |
| St Georges Road | £1.40 | £1.50 |
| | | |
| <u>RAYNES PARK</u> | | |
| Coombe Lane | £0.30 | £0.60* |
| | | |
| <u>MORDEN</u> | | |
| Kenley Road (flat fee) | £3.50 | £7.50 |
| Morden Park (hourly) | £0.40 | £0.60 |

| | | |
|-----------------------------|-------|-------|
| Morden Park (flat fee) | £5.00 | £7.50 |
| Peel House Lower | £0.40 | £0.60 |
| Peel House Upper (flat fee) | £5.00 | £7.50 |
| Peel House Upper (hourly) | £0.50 | £0.60 |
| York Close (flat fee) | £5.00 | £7.50 |
| York Close (hourly) | £1.00 | £1.20 |
| | | |
| <u>MITCHAM</u> | | |
| Elm Nursery | £0.50 | £0.60 |
| Raleigh Gardens | £0.50 | £0.60 |
| St Marks Road | £0.40 | £0.60 |
| Sibthorpe Road | £0.70 | £0.90 |

3) Car park season tickets (commuter with onward journey-rail heading)

It is recommended there is a clear link between the day tariff and a season ticket price. It is recommended the cost of the season ticket is based on the proposed day charge for each car pack x 250 (working days in a year). It is recommended the following discounts should be applied

- i) 10% discount for a customer purchasing a 3 month permit
- ii) 20% discount for 6 months and
- iii) 30% discount for a 12 month season ticket

An example of the revised cost would be in Morden Town centre a commuter with an onward journey would be required to pay £5.25 per day up from the current £1.78. As referenced in the table below, a local resident or local worker would in the revived charging structure be required to pay the equivalent of £2.80 per day if they bought a 12 month season ticket in a Morden car park:

| Area | Current price | commuter with onward journey – rail heading |
|-----------------------------|---------------|---|
| Mitcham | | |
| 12 months with 30% discount | £300 | £525 |
| 6 months with 20% discount | £150 | £300 |
| 1 month with 10% discount | £25 | £62.50 |

| | | |
|--------------------------------|---------|--------|
| Morden | | |
| 12 months with 30% discount | £445 | £1,313 |
| 6 months with 20% discount | £222.50 | £750 |
| 3 months with 10% discount | £111.25 | £422 |
| Queens Road (Wimbledon) | | |
| 6 months to match competition | £480 | £5,00 |
| 3 months to match competition | £240 | £250 |

It is recommended the principle of free parking in our car parks is also offered to 'fully' electric vehicles on season ticket sales.

It is recommended the diesel surcharge should be applied to customers applying for a season ticket in the same way as a resident purchasing a permit for a CPZ zone.

4) Car park season tickets for residents and local workers

It is recommended that for Merton residents who use our car parks and customers who have a primary place of work within the borough the following discounts and tariffs will be applied:

- i) 20% discount for a customer purchasing a 3 month season ticket
- ii) 40% discount for 6 months and
- iii) 60% for a 12 month season ticket

| Area | Current price | Local price Residents/local workers |
|--------------------------------|----------------------|---|
| Mitcham | | |
| 12 months with 60% discount | £300 | £300 |
| 6 months with 40% discount | £150 | £225 |
| 1 month with 20% discount | £25 | £62.50 |
| Morden | | |
| 12 months with c. 60% discount | £445 | £700 |
| 6 months with c. 40% discount | £222.50 | £500 |

| | | |
|---------------------------------------|---------|------|
| 3 months with 20% discount | £111.25 | £375 |
| Queens Road (Wimbledon)* | | |
| 6 months (based on local competition) | £480 | £500 |
| 3 months (based on local competition) | £240 | £250 |

5) Resident parking permits

The following charges have been recommended:

| Zone duration | Tier 1 zones Wimbledon | Tier 2 zones Part Colliers Wood/ South Wimbledon/ Raynes Park/ Morden | Tier 3 zones Mitcham/Haydons Rd/ Part Colliers Wood. | 100% electric vehicles All zones |
|-----------------------|----------------------------------|--|--|--|
| Long (12 to 14.5 hrs) | £150 | £130 | £90 | £20 |
| Medium (6 to 10 hrs) | £120 | £110 | £80 | £20 |
| Short (1 to 4 hrs) | £110 | £100 | £70 | £20 |

Please note the above table is a summary- for full details see the November Cabinet paper '*Public health, air quality and sustainable transport-a strategic approach to parking charges*'

6) Virtual permits and visitor vouchers

The following charges have been recommended:

| | | |
|-------------|-----------------|-----------------|
| | Half day | Full day |
| Tier | | |

| | | |
|--------------|-------|----|
| Tier 1 zones | £3.50 | £5 |
| Tier 2 zones | £3 | £4 |
| Tier 3 zones | £2 | £3 |

Stage 3: Assessing impact and analysis

6) Possible impacts of policy proposals

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The policy proposals above could have positive impacts on people from lower socio-economic groups, in relation to a key challenge in Merton; childhood obesity. In Merton, 4,500 primary school children (aged 4-11) are estimated to be overweight or obese (excess weight). One in 5 children entering reception are overweight or obese and this increases to 1 in 3 children leaving primary school in Year 6 who are overweight or obese. The gap in levels of obesity between the east and the west of the borough is currently 10% (2013/14-2015/16), and increasing. This significant health inequality impacts children's health and potentially their life chances. By supporting the shift towards more sustainable modes of transport, these policy proposals can help increase the physical and mental health of Merton residents.

Furthermore, Merton along with most London Boroughs is currently failing its annual legal air quality targets for both NO₂ and Particulates (PMs), this problem is most severe around the major transport routes. There is emerging evidence that schools in London which are worst affected by air pollution are in the most deprived areas, meaning that poor children and their families are exposed to multiple health risks. By helping to reduce vehicle emissions and supporting the shift to sustainable and active modes of transport, parking policy can improve air quality, which in turn will have positive benefits for people's health, including vulnerable groups such as the very young and the elderly, who are most negatively affected by poor air quality. For example, recent research has found that the pollutant exposure of babies in prams can exceed that of adults by up to 60%, due to the fact that their breathing height is where concentrations of pollutants are usually highest.¹²

¹² Sharma, A., Kumar, P. (2018) A review of factors surrounding the air pollution exposure to in-pram babies and mitigation strategies. (Environment International, Vol 120, pp 262-278)

However, despite positive impacts of these proposed policy changes, it is recognised that any increase in parking charges has the potential to negatively impact those on lower incomes,. However the Council feels a negative impact will be mitigated by recognising that the poorer areas of the borough do not have as good transport links as the more affluent areas of the borough, and in recognition of this, ensuring that any increases in parking charges in these areas would be less.

These policy proposals could have a negative impact on people with disabilities, who tend also to be on lower incomes. However, the Council feels any negative impacts will be mitigated by the Blue Badge scheme for disabled persons, providing them with free parking at on street locations. Blue Badge holders also receive 1 free annual visitors permit for their guests and carers to use.

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

| Protected characteristic (equality group) | Tick which applies | | Tick which applies | | Reason Briefly explain what positive or negative impact has been identified |
|--|--------------------|----|---------------------------|----|--|
| | Positive impact | | Potential negative impact | | |
| | Yes | No | Yes | No | |
| Age | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Disability | X | | X | | Positive Impact : Improved air quality will positively impact on all equality groups. Negative Impact : Any increase in parking charges has the potential to negatively impact on those with a disability as they are more likely to have less income. However, any increase in charges is offset by eligibility for a Blue Badge which provides free on street parking at many locations, including on single and double yellow lines. |
| Gender Reassignment | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Marriage and Civil Partnership | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Pregnancy and Maternity | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Race | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Religion/ belief | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Sex (Gender) | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Sexual orientation | X | | | | Positive Impact : Improved air quality will positively impact on all equality groups. |
| Socio-economic status | X | | X | | Positive Impact : Improved air quality will positively impact on all equality groups. Negative Impact : Any increase in parking charges has the potential to negatively impact on those on lower incomes, however in mitigation, it is recognised that the poorer areas of the borough do not have as good transport links as the more affluent areas of the borough, and in recognition of this, any increases in these areas would be less. |

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

Disability - Negative Impact - Blue Badge holders are allowed to park for free on-street, providing their blue badge is on display, and resident blue badge holders are issued with a free annual visitors permit for use by their visitors and carers.

Socio-economic status – Negative Impact - There is a significant difference in transport infrastructure and accessibility dependent on where a resident lives within the Borough. For example Wimbledon is considered to be better served than, Colliers Wood and South Wimbledon, which in turn is better served than for example in Mitcham. As such it is easier in principle for a person living in areas of very good transport to use alternative sustainable modes of transport, compared to other areas where accessibility is less good, where the ‘need’ to own a car could be argued as being higher. The cost of a first permit issued to an address in Mitcham, Haydons Road or Raynes Park would range from £70 - £90 (excluding the diesel levy), compared to the cost of a first permit issued to an address in Wimbledon would range from £110 - £150 (excluding the Diesel levy). The current charge for the first permit in a household is £65.

Stage 4: Conclusion of the Equality Analysis

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

Page 623

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

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

Stage 5: Improvement Action Pan

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

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

| Negative impact/ gap in information identified in the Equality Analysis | Action required to mitigate | How will you know this is achieved? e.g. performance measure/ target) | By when | Existing or additional resources? | Lead Officer | Action added to divisional/ team plan? | |
|---|----------------------------------|--|-------------------|-----------------------------------|--------------|--|--|
| Page 622 | Economic – Disability | Any rise in permit prices is mitigated by the Blue Badge scheme for disabled persons, providing them with free parking at on street locations. Blue Badge holders also receive 1 free annual visitors permit for their guests and carers to use. | Customer feedback | 01/10/2018 | Existing | Ben Stephens | |
| | Economic – Socio Economic | While there will be an increase in the cost of permits issued to residents in the less advantaged areas of the borough, those residents in the poorest areas will pay less for their permits in comparison to residents in more advantaged areas with better transport links | Customer Feedback | 01/04/2018 | Existing | Ben Stephens | |

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

Stage 6: Reporting outcomes

10. Summary of the equality analysis

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

This Equality Analysis has resulted in an Outcome **2** Assessment

- There has been no increase in the cost of parking, either on or off street in the last 9 years. As a result of recent government findings relating to air pollution and the negative impact air pollution has on people's health, it is incumbent upon enforcing authorities to take steps to encourage residents and businesses to seek to utilize more sustainable forms of transport, and to encourage residents and businesses to choose less polluting
- Enforcing authorities have very few means by which they can influence a resident's choice of travel, however, the pricing structure of permits is one means by which an authority can influence this.
- While an increase in the cost of on and off street parking and permits could impact economically on the most disadvantaged residents within the borough, the proposal to band the cost of permits, offering a lower price to those living in the most disadvantaged areas of the borough, would mitigate an impact on the required price increase to these residents.

Stage 7: Sign off by Director/ Head of Service

| | | | |
|--|-------------------------------------|-------------------|--------------|
| Assessment completed by | Add name/ job title | Signature: | Date: |
| Improvement action plan signed off by Director/ Head of Service | Add name/ job title | Signature: | Date: |

Committee: Sustainable Communities Overview and Scrutiny Panel

9 January 2019

Healthier Communities & Older People Overview and Scrutiny Panel

10 January 2019

Children and Young People Overview and Scrutiny Panel

16 January 2019

Overview and Scrutiny Commission

23 January 2019

Wards: ALL

Subject: Business Plan Update 2019-2023 (Members are requested to bring the Business Plan Information Pack with them to these meetings)

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Contact officer: Roger Kershaw

Recommendations:

1. That the Panel considers the proposed amendments to savings previously agreed set out in the Business Plan Information Pack;
 2. That the Overview and Scrutiny Commission also consider the Draft Business Plan 2019-23 report received by Cabinet at its meeting on 14 January 2019;
 3. That the Panel considers the draft capital programme 2019-23 and indicative programme for 2023-28 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 Information Pack;
 5. That the Panel considers the draft service plans set out in the Business Plan Information Pack;
 6. That the Panel considers the contents of the information pack circulated;
 7. That the Overview and Scrutiny Commission considers the comments of the Panels on the Business Plan 2019-2023 and details provided in the information pack and provides a response to Cabinet when it meets on the 18 February 2019.
-

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 2019/20, including proposed amendments to savings previously agreed by Council, the draft capital programme 2019-23, the draft savings/income proposals and associated equalities analyses for 2019-23, and the draft service plans, 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 2019-23 to Cabinet when it meets on the 18 February 2019.

2. Details - Revenue

- 2.1 The Cabinet of 10 December 2018 received a report on the business plan for 2019-23.
- 2.2 At the meeting Cabinet

RESOLVED:

1. That Cabinet considers and agrees the draft savings/income proposals (Appendix 7 (a)) and associated draft equalities analyses (Appendix 9 (a)) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2019 for consideration and comment.
2. That Cabinet considers and agrees the savings and the associated draft equalities analyses for the savings noted in October (Appendices 8 and 9(b))
3. That Cabinet agrees the latest amendments to the draft Capital Programme 2019-2023 which was considered by Cabinet on 15 October 2018 and by scrutiny in November 2018.(Appendix 5)
4. That Cabinet considers and agrees the proposed amendments to savings previously agreed. (Appendix 7 (b) and (c))
5. That Cabinet agrees the proposed Council Tax Base for 2019/20 set out in paragraph 2.6 and Appendix 1.
6. That Cabinet consider the draft service plans. (Appendix 3)

3. Alternative Options

- 3.1 It is a requirement that the Council sets a balanced budget. The Cabinet report on 10 December 2018 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 reports to Cabinet on 14 January 2019 and 18 February 2019, prior to Council on 6 March 2019, agreeing the Budget and Council Tax for 2019/20 and the Business Plan 2019-23, including the MTFS and Capital Programme 2019-23.

4. Capital Programme 2019-23

- 4.1 Details of the draft Capital Programme 2019-23 were agreed by Cabinet on 10 December 2018 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 will be a meeting in February 2019 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 information pack was prepared and distributed to all councillors at the end of December 2018 with a request that it be brought to all Scrutiny and Cabinet meetings from 9 January 2019 onwards and to Budget Council. This should maintain the improvement for both councillors and officers which makes 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 is easier. It also considerably reduces printing costs and reduces the amount of printing that needs to take place immediately prior to Budget Council.
- 5.4 The information pack includes:
- Savings 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

6. Timetable

- 6.1 The timetable for the Business Plan 2019-23 including the revenue budget 2019/20, the MTFS 2019-23 and the Capital Programme for 2019-23 was agreed by Cabinet on 17 September 2018.

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

7.1 These are set out in the Cabinet report for 10 December 2018. (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 14 January 2019, and 18 February 2019.

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 Information 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 10 December 2018: Draft Business Plan Update 2019-23 (NB: This excludes Savings, Service Plans and Equalities Assessments which are included in the Business Plan Information Pack)

Appendix 2 - Cabinet report 14 January 2019: Draft Business Plan 2019-23(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.
2018/19 Budgetary Control and 2017/18 Final Accounts Working Papers in the Corporate Services Department.
Budget Monitoring working papers
MTFS working papers

13. **REPORT AUTHOR**

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email: roger.kershaw@merton.gov.uk

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Cabinet

10 December 2018

Agenda item:

Business Plan Update 2019-2023

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: Roger Kershaw

Urgent report:

Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2019/20 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2019-2023. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 6 March 2019 and set a Council Tax as appropriate for 2019/20.

Recommendations:

1. That Cabinet considers and agrees the draft savings/income proposals (Appendix 7 (a)) and associated draft equalities analyses (Appendix 9 (a)) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2019 for consideration and comment.
 2. That Cabinet considers and agrees the savings and the associated draft equalities analyses for the savings noted in October (Appendices 8 and 9(b))
 3. That Cabinet agrees the latest amendments to the draft Capital Programme 2019-2023 which was considered by Cabinet on 15 October 2018 and by scrutiny in November 2018.(Appendix 5)
 4. That Cabinet considers and agrees the proposed amendments to savings previously agreed. (Appendix 7 (b) and (c))
 5. That Cabinet agrees the proposed Council Tax Base for 2019/20 set out in paragraph 2.6 and Appendix 1.
 6. That Cabinet consider the draft service plans. (Appendix 3)
-

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides an update to Cabinet on the Business Planning process for 2019-23 and in particular on the progress made so far towards setting a balanced revenue budget for 2019/20 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 towards the savings/income targets agreed by Cabinet in September 2018.
- 1.3 The report also provides an update on the capital programme for 2019-23 and the financial implications for the MTFS.
- 1.4 The report provides a general update on all of the latest information relating to the Business Planning process for 2019-23 and an assessment of the implications for the Medium Term Financial Strategy 2019-23.
- 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 2019 as part of the information pack.

2. DETAILS

Introduction

- 2.1 A review of assumptions in the MTFS was undertaken and reported to Cabinet on 17 September 2018. There was also a report to Cabinet on 15 October 2018 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 for 2022/23 and an indicative programme for 2023- 2028. 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 15 October 2018 was as follows:-

| (Cumulative Budget Gap) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| MTFS Gap before Savings | 5,092 | 22,055 | 24,763 | 26,591 |
| Savings identified | (4,439) | (6,710) | (6,825) | (6,825) |
| MTFS Gap (Cabinet October 2017) | 653 | 15,345 | 17,938 | 19,766 |

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

The current assumptions regarding pay inflation incorporated into the MTFS reflect the agreed two year pay award for 2018/19 and 2019/20 and then 1% per year thereafter.

- 2.8% in 2019/20 and 1% in each other year of the MTFS

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

| (Cumulative) | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|------------------------------------|---------|---------|---------|---------|
| Pay inflation (%) | 2.8% | 1.0% | 1.0% | 1.0% |
| Revised Estimate (cumulative £000) | 2,166 | 2,939 | 3,712 | 4,485 |

Further details on the pay negotiations for 2020/21 and beyond, and the impact on the MTFS, particularly in the latter part of it, will be reported when they are known.

2.3.2 Prices

The estimates for price inflation agreed by Council in February 2018 were reviewed and included in the September 2018 report to Cabinet. The latest forecast is set out in the following table:-

| (Cumulative) | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|------------------------------------|---------|---------|---------|---------|
| Price inflation (%) | 1.5% | 1.5% | 1.5% | 1.5% |
| Revised Estimate (cumulative £000) | 2,270 | 4,540 | 6,810 | 9,080 |

The Consumer Prices Index (CPI) 12-month rate was 2.4% in October 2018, unchanged from September 2018. The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.2% in October 2018, unchanged from September 2018. The large downward contributions to the change in the 12-month rate from food and non-alcoholic beverages, clothing and footwear, and some transport elements were offset by upward contributions from rising petrol, diesel and domestic gas prices. Other smaller upward contributions came from items in the miscellaneous goods and services, recreation and culture, and communication sectors.

The RPI 12-month rate for October 2018 was 3.3%, unchanged from September 2018.

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 31 October 2018, the MPC voted unanimously to maintain the Bank

Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

The MPC's updated projections for inflation and activity are set out in the November Inflation Report published on 1 November 2018. In the November Inflation Report, the MPC considers what the prospects for inflation are for the period under review. It states that "CPI inflation was 2.4% in September, in line with the MPC's expectation at the time of the August Report. Inflation has been boosted by the effects of higher energy and import prices. The contributions from these factors are projected to fade over the forecast period. UK GDP growth in 2018 Q3 is expected to be somewhat stronger than projected in August, but the outlook for growth over the forecast period is little changed. The MPC judges that supply and demand in the economy are currently broadly in balance. Conditioned on a path for Bank Rate that rises gradually over the next three years, and the assumption of a smooth adjustment to new trading arrangements with the EU, the MPC judges that a margin of excess demand is likely to build. That raises domestic inflationary pressures, which partially offset diminishing contributions from energy and import prices. CPI inflation is projected to be above the target for most of the forecast period, before reaching 2% by the end. The economic outlook will depend significantly on the nature of EU withdrawal. The MPC judges that the monetary policy response to Brexit, whatever form it takes, will not be automatic, and could be in either direction."

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

Table 11: Forecasts for the UK Economy

| Source: HM Treasury - Forecasts for the UK Economy (November 2018) | | | |
|--|----------|-----------|-----------|
| | Lowest % | Highest % | Average % |
| 2018 (Quarter 4) | | | |
| CPI | 2.1 | 2.6 | 2.4 |
| RPI | 2.9 | 3.8 | 3.3 |
| LFS Unemployment Rate | 3.8 | 4.3 | 4.0 |
| | | | |
| 2019 (Quarter 4) | | | |
| CPI | 1.6 | 3.5 | 2.0 |
| RPI | 2.2 | 4.2 | 3.0 |
| LFS Unemployment Rate | 3.5 | 4.8 | 4.1 |
| | | | |

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 2018 to 2022 are summarised in the following table:-

| Source: HM Treasury - Forecasts for the UK Economy (November 2018) | | | | | |
|--|------|------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| | % | % | % | % | % |
| CPI | 2.5 | 2.1 | 2.0 | 2.0 | 2.1 |
| RPI | 3.4 | 3.2 | 3.1 | 3.3 | 3.3 |
| LFS Unemployment Rate | 4.1 | 4.1 | 4.2 | 4.4 | 4.4 |

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.

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Inflation exceeding 1.5% | 450 | 450 | 450 | 450 |

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. £2.9m by 2022/23.

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 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 2017.

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

| | Current Estimate 2018/19 £000 |
|--------------------------------------|--|
| Freedom Passes | 8,931 |
| Taxicards | 113 |
| Total | 9,044 |
| Uplift in MTFS | 450 |
| Provision in MTFS for 2019/20 | 9,494 |

Initial indications are that the charge to Merton for 2019/20 will be within the provision but this provision will be reviewed and reported when the figures are finalised.

2.3.6 Revenuisation

In recent budgets it has been recognised that some expenditure formerly included in the capital programme could no longer be justified as it did not meet the definition of expenditure for capital purposes. Nevertheless, it is important that some of this expenditure takes place and the following amounts have been included in the latest MTFS for 2018-22:-

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|---------------|-----------------|-----------------|-----------------|-----------------|
| Revenuisation | 2,000 | 2,000 | 2,000 | 2,000 |

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

2.3.7 **Budgetary Control 2018/19**

The revenue budgetary control information below summarises the corporate position using the latest available information as at 31 October 2018 as shown in a separate report on the agenda for this meeting. As at 31 October 2018, there is a forecast overspend for the Council of £1.042m.

The main causes of the overspend are:-

- Children's Social Care, SEN transport
- Greenspaces, Property Management, Building and Development Control income
- Housing General Fund, mainly temporary accommodation

The MTFS reported to Cabinet in October 2018 does not include any new provision for growth from 2019/20 to 2022/23 and future years.

The full year effect of growth previously agreed, in 2017/18, is as follows

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Adult Social Care | (2,891) | 0 | 0 | 0 |
| Waste and Regeneration | (115) | 0 | 0 | 0 |
| Children's Services | 500 | 500 | 0 | 0 |
| Total | (2,506) | 500 | 0 | 0 |
| Cumulative total | (2,506) | (2,006) | (2,006) | (2,006) |

2.3.8 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 2019-2023 was approved by Cabinet on 15 October 2018, along with an indicative programme for 2023-28.

Section 6 of this report sets out details of progress made towards preparing the draft capital programme 2019-23.

The estimated capital financing costs, net of investment income and based on the latest draft programme, which includes the best estimate of new schemes commencing over the period 2019-23, the effect of estimated government grant funding, estimated funding from the Education Funding Agency (EFA) and slippage/reprofiling based on 2017/18 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:-

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|--|-----------------|-----------------|-----------------|-----------------|
| Capital Programme (including slippage) | 34,895 | 26,984 | 16,219 | 23,692 |
| Revenue Implications | 9,806 | 10,873 | 12,294 | 12,324 |

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 government (formerly via the DCLG, now MHCLG) 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 the Autumn Budget which this year took place on 29 October. The Autumn Budget sets out the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility's (OBR) "Economic and Fiscal Outlook" which was also published on 29 October 2018.

2.4.2 Autumn Budget 2018

In the Autumn Budget the Chancellor of the Exchequer published details of Government Department Expenditure Limits (DELs) from which the Provisional Local Government Finance Settlement follows in December 2018. Officers are currently reviewing the

potential impact on the Finance Settlement. There is a summary of the key points included as Appendix 4.

2.4.3 Funding Forecasts for 2019/20 to 2022/23

Forecasting resources for 2019/20 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. The continuation of the London-wide Pilot Business Rates Pool from 2018/19 to 2019/20 has been confirmed, subject to signing a revised Memorandum of Understanding, but with a reduced retention level of 75% and removal of the “no detriment” guarantee. Under the pilot, responsibilities previously funded by Revenue Support Grant and other grants will be expected to be met by business rates.

2.4.4 Share of Business Rates Yield

Under the 2018/19 London pilot, the yield from Business Rates was shared 64% to Merton and 36% to the GLA. The latest forecast of the share based on the 2019/20 proposed pilot has not yet been finalised.

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

- 2.4.5 The Government announced on 5 December 2018 that the announcement of the Provisional Local Government Finance Settlement has been postponed until after the “meaningful vote” on Brexit. An analysis on the potential financial impact of the provisional Settlement will be included in the report to Cabinet in January 2019.

2.5 **London Business Rates Pilot Pool 2019-20**

- 2.5.1 On 8 November 2018, the Secretary of State for Housing, Communities and Local Government wrote to the GLA and London Councils responding to the joint proposal from London Government of 25 September 2018 to extend the business rates retention pilot in London. In his response the Secretary of State wrote that he will be “happy to continue the pilot in 2019/20 but only at the level of 75% business rates retention and without the ‘no detriment’ clause. I would also expect to see continuation of the Strategic Investment Pot with a focus on projects that bring strategic benefits across the London government.” A response was requested by 14 November 2018.
- 2.5.2 Whilst the reduction from 100% to 75% and withdrawal of the “no detriment” guarantee represents a worsening of the financial deal between London and central government it is anticipated that there is still a financial benefit of a London pool and the Mayor of London and Chair of London Councils replied on 14 November 2018 agreeing to continue with the pool on the basis of a 75% retention pilot “on the assumption that, in common with other pilots, the London pilot will not be subject to a levy on growth.” The London Government reply also pointed out that “you will understand that a 75% retention pilot does not fully meet our ambitions for London. We cannot help but observe that other parts of the country will continue to retain 100% of their business rates growth, and we look forward to working with you and your colleagues in government to explore ways in

which greater local control of the revenues we raise in London can be matched with greater responsibility and accountability for the vital local services we deliver.”

- 2.5.3 Final projections for Business Rates retention in 2019/20 under the revised pool will be based on London Boroughs NNDR1 returns for 2019/20 which are due to be returned to Central government by 31 January 2019.

2.6 Council Tax Base

- 2.6.1 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 2019/20. 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 2019/20. The Council is required to determine its Council Tax Base by 31 January 2019.
- 2.6.2 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.
- 2.6.3 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 2018 is the basis for the calculation of the Council Tax Base for 2019/20.
- 2.6.4 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 2019/20 compared to 2018/19 is set out in the following table:-

| Council Tax Base | 2018/19 | 2019/20 | Change |
|--|----------------|----------------|---------------|
| | | | % |
| Whole Area | 74,124.0 | 74,951.7 | 1.1 |
| Wimbledon & Putney Common Conservators | 11,308.8 | 11,464.4 | 1.4 |

2.7 Proposed Amendments to Previously Agreed Savings

- 2.7.1 Cabinet on 15 October 2018 approved 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 2019-23.

2.7.2 Details of further requests to defer and/or replace savings are set out in Appendix 7 (b) for replacement savings and Appendix 7 (c) for deferred savings. Including the changes approved by Cabinet in October, the change over the four year MTFS period resulting from these proposals is set out in the following table:-

| Deferred Savings and Replacement Savings (Net impact) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Corporate Services | (106) | 106 | - | - | - |
| Children, Schools and Families | - | - | - | - | - |
| Environment and Regeneration | - | - | - | - | - |
| Community and Housing | (100) | 100 | - | - | - |
| Total | (206) | 206 | - | - | - |
| Cumulative Total | (206) | - | - | - | - |

3. **FEEDBACK FROM THE OVERVIEW AND SCRUTINY PROCESS IN NOVEMBER 2018**

- 3.1 The information available on the Business Planning process reported to Cabinet on 15 October 2018 was reviewed by the Overview and Scrutiny Panels and Commission in November 2018.
- 3.2 Feedback is included in a separate report to Cabinet on the agenda.

4. **SAVINGS PROPOSALS 2019-23 AND SERVICE PLANNING**

Controllable budgets and Savings Targets for 2019-23

- 4.1 Cabinet on 17 September 2018 agreed savings targets to be identified by service departments over the period 2019-23 as follows:-

| Savings Targets | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Corporate Services* | 138 | 2,205 | 426 | 379 | *3,148 |
| Children, Schools & Families | 143 | 2,740 | 438 | 299 | 3,620 |
| Environment & Regeneration | 263 | 5,066 | 807 | 495 | 6,631 |
| Community & Housing | 247 | 4,751 | 762 | 600 | 6,360 |
| Total | 791 | 14,762 | 2,433 | 1,773 | 19,759 |
| Net Cumulative total | 791 | 15,553 | 17,986 | 19,759 | |

* The Corporate Services target has been adjusted by £0.445m to reflect an increase in income achieved by CS staff improving the Council Tax collection rate by 0.5%.

- 4.2 An initial tranche of savings was considered by Cabinet on 15 October 2018 as set out in the following table:-

| SUMMARY (cumulative) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Corporate Services | 75 | 15 | 0 | 0 | 90 |
| Children, Schools & Families | 0 | 550 | 0 | 0 | 550 |
| Environment & Regeneration | 0 | 0 | 0 | 0 | 0 |
| Community & Housing | 0 | 100 | 0 | 0 | 100 |
| Total | 75 | 665 | 0 | 0 | 740 |
| Net Cumulative total | 75 | 740 | 740 | 740 | |

- 4.3 Details of the initial tranche of savings were considered by Overview and Scrutiny Panels and the Commission during November and feedback is included in a separate report on the agenda.
- 4.4 Service departments have continued to review their budgets and have formulated further proposals to address their targets. The progress made to date is set out in this report.
- 4.3 Proposals that are agreed by Cabinet at this meeting will be referred to the Overview and Scrutiny Commission and panels as part of the information pack for review and comment in January 2019.
- 4.4 The new savings proposals submitted by each department in this cycle are detailed in Appendix 7 (a) and are summarised in the following table:-

| SUMMARY (cumulative) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Corporate Services | 97 | 2,031 | 353 | 91 | 2,572 |
| Children, Schools & Families | 143 | 300 | 0 | 0 | 443 |
| Environment & Regeneration | 2,015 | 1,970 | 26 | 14 | 4,025 |
| Community & Housing | 247 | 628 | 1,000 | 0 | 1,875 |
| Total | 2,502 | 4,929 | 1,379 | 105 | 8,915 |
| Net Cumulative total | 2,502 | 7,431 | 8,810 | 8,915 | |

- 4.5 If all of these are approved, the total new savings including those agreed in October are:-

| SUMMARY (cumulative) | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | Total £000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Corporate Services | 172 | 2,046 | 353 | 91 | 2,662 |
| Children, Schools & Families | 143 | 850 | 0 | 0 | 993 |
| Environment & Regeneration | 2,015 | 1,970 | 26 | 14 | 4,025 |
| Community & Housing | 247 | 728 | 1,000 | 0 | 1,975 |
| Total | 2,577 | 5,594 | 1,379 | 105 | 9,655 |
| Net Cumulative total | 2,577 | 8,171 | 9,550 | 9,655 | |

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 | Balance % |
|------------------------------|------------------|--------------------|------------------|--------------|
| Corporate Services | 3,148 | 2,662 | 486 | 15.4 |
| Children, Schools & Families | 3,620 | 993 | 2,627 | 72.6 |
| Environment & Regeneration | 6,631 | 4,025 | 2,606 | 39.3 |
| Community & Housing | 6,360 | 1,975 | 4,385 | 68.9 |
| Total | 19,759 | 9,655 | 10,104 | 51.1 |

4.5.2 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.

4.6 Service Plans

4.6.1 Draft Service Plans are included in Appendix 3.

4.7 Equality Assessments

4.7.1 Draft Equalities Assessments where applicable are included in Appendix 9.

4.8 Use of Reserves in 2018/19 and 2019/20

4.8.1 The application of current revenue reserves in 2018/19 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 budgeted contribution of £0.091m from the Reserve for Use for Future Years Budgets will have to be increased with a consequent impact on the amount of reserve available in 2019/20. The reduction in the anticipated level of the Reserve for Use for Future Years Budgets will have an adverse impact on the budget gap. Officers are anticipating a contribution from the Business Rates pilot 2018/19, due to be confirmed by the summer of 2019, which will supplement the Reserve for Use for Future Years Budgets.

5. **UPDATE TO MTFs 2019-23**

5.1 The MTFs gap in October 2018 was c. £20m and with savings proposals of c. £9.7m and other reductions, primarily due to revisions in capital financing costs arising from the capital programme and increases in council tax yield arising from the new council tax

base for 2019/20, subject to the impact of the Budget 2018 announcement on 29 October 2018 and Provisional Local Government Finance Settlement in December, the latest budget gap forecast is:-

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---------------------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 |
| Budget Gap in MTFS | 0 | 3,496 | 7,352 | 8,779 |

- 5.2 A more detailed MTFS is included as Appendix 2.
- 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 2019-23: UPDATE**
- 6.1 The proposed draft Capital Programme 2019-23 and an Indicative Capital Programme 2023-28 were presented to Cabinet on 15 October 2018.
- 6.2 The programme has been reviewed by scrutiny panels.
- 6.3 Monthly monitoring of the approved programme for 2018/19 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.
- 6.4 Further changes that have been made to the proposed capital programme since it was presented to Cabinet in October 2018 are set out in Appendix 5. These include reprofiling of existing schemes and addition of some new bids commencing over the period of the MTFS.
- 6.5 The estimated revenue implications of funding the draft capital programme are summarised in paragraph 2.3.8 and these have been incorporated into the latest draft MTFS 2019-23.
- 7. BUDGET STRATEGY**
- 7.1 The council has a statutory duty to set a balanced budget.
- 7.2 The MTFS assumes 2% ASC Council Tax flexibility in 2019/20 and a 2.99% general Council Tax increase in 2019/20, with 2% general Council Tax increases in 2020/21, 2021/22 and 2022/23.

- 7.3 Under current Council Tax Referendum principles, Councils are able to have a social care precept of up to 6% over the three year period 2017-2020. Merton agreed social care precepts of 3% in 2017/18, and 1% in 2018/19, leaving a maximum of 2% available in 2019/20, and this has been included in the draft MTFs 2019-23.

8. GLA BUDGET AND PRECEPT SETTING 2019-20 – PROVISIONAL TIMETABLE

- 8.1 The Greater London Authority (GLA) sets a budget for itself and each of the four functional bodies: Transport for London, the London Development Agency, the Metropolitan Police Authority, and the London Fire and Emergency Planning Authority. These budgets together form the consolidated budget.
- 8.2 The GLA expects to issue the Mayor's draft 2019-20 GLA Group budget for consultation before Christmas and details on this will be circulated to Chief Financial Officers and key contacts once published. The date on which the consultation budget will be published is, however, dependent on the timing of the provisional Local Government Finance and Fire and Police Grant settlements which will be announced during December. If these announcements are delayed significantly then it is possible that the publication date of the Mayor's consultation budget may be later than envisaged currently.
- 8.3 The Mayor's draft budget is expected to be considered by the London Assembly on 24 January 2019. The final draft budget is scheduled to be considered by the Assembly on 25 February following which the Mayor will confirm formally the final precept and GLA group budget for 2019-20. It is expected that the final GLA council tax precept will be formally approved on 28 February 2019.
- 8.4 NNDR1 returns will be required to be submitted to the DCLG by 31 January 2019 and, with the addition of information required for the London pilot pool, it is essential that all authorities meet this deadline for the GLA to be able to achieve its timetable. It is anticipated that the percentage shares for 2019-20 used for the returns for London authorities will be the same or similar to those in 2018/19 (i.e. 64% for the 32 boroughs and City of London and 36% for the GLA. This is expected to be confirmed in the provisional local government finance settlement.

9. CONSULTATION UNDERTAKEN OR PROPOSED

- 9.1 There will be consultation as the business plan process develops. This will include the Overview and Scrutiny panels and Commission, business ratepayers and all other relevant parties.
- 9.2 In accordance with statute, consultation is taking place with business ratepayers and a meeting will be arranged for February 2019.

9.3 As previously indicated, a savings proposals information pack will be prepared and distributed to all councillors at the end of December 2018 that can be brought to all Scrutiny and Cabinet meetings from 9 January 2019 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.

9.4 The pack will include:

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

10. **TIMETABLE**

10.1 In accordance with current financial reporting timetables.

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

11.1 All relevant implications have been addressed in the report.

12. **LEGAL AND STATUTORY IMPLICATIONS**

12.1 All relevant implications have been addressed in the report.

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

13.1 Draft Equalities assessments of the savings proposals are included in Appendix 9.

14. **CRIME AND DISORDER IMPLICATIONS**

14.1 Not applicable.

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

15.1 Not applicable.

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

Appendix 1: Council Tax Base 2019/20

Appendix 2: MTFS Update

Appendix 3: Service Plans 2019-23 **SEE INFORMATION PACK**

Appendix 4: Budget 2018 – Summary of key Points

Appendix 5: Draft Capital Programme 2019-23 and Capital Strategy 2019/20

Appendix 6: Draft Treasury Management Strategy 2019/20

Appendix 7: Savings Proposals – December Cabinet **SEE INFORMATION PACK**

- (a) New proposals
- (b) Replacement savings
- (c) Deferred savings

Appendix 8: Savings Proposals – October Cabinet **SEE INFORMATION PACK**

- (a) New proposals
- (b) Replacement savings

Appendix 9: Equalities Assessments **SEE INFORMATION PACK**

- (a) December Cabinet Savings Proposals
- (b) October Cabinet Savings Proposals

BACKGROUND PAPERS

Budget files held in the Corporate Services department.

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APPENDIX 1**Council Tax Base 2019/20****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 10 September 2018. The deadline for return was 12 October 2018 and Merton met this deadline.
- 1.6 The CTB form for 2018 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 was 98% in each of the years. Given the levels of collection received in recent years it is proposed to increase this to 98.5% in 2019/20.

2.3 These assumptions have been applied to the latest Council Tax Base information included on the CTB return completed on 12 October 2018 to produce the Council Tax Base 2019/20.

2.4 Information from the October 2018 Council Tax Base Return

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 2018/19:-

| Council Tax Base | 2018/19 | 2019/20 | Change |
|--|----------------|----------------|---------------|
| | | | % |
| Whole Area | 74,124.0 | 74,951.7 | 1.1% |
| Wimbledon & Putney Common Conservators | 11,308.8 | 11,464.4 | 1.4% |

3. **IMPLICATIONS FOR COUNCIL TAX YIELD 2019/20**

3.1 On a like for like basis (i.e. assuming council tax charges do not change) the estimated income in 2019/20 compared to 2018/19 is summarised in the following table:-

| Council Tax: Whole area | 2018/19 | 2019/20 |
|---------------------------------|-----------------|-----------------|
| Tax Base | 74,124.0 | 74,951.7 |
| Band D Council Tax | £1,169.36 | £1,169.36 |
| Estimated Yield | £86.678m | £87.646m |
| Change: 2018/19 to 2019/20 (£m) | | + £0.968m |
| Change: 2018/19 to 2019/20 (%) | | + 1.1% |

3.2 Analysis of changes in yield 2018/19 to latest 2019/20

3.2.1 There are a number of reasons for the change in estimated yield between 2018/19 and the latest estimate based on the CTB data.

3.2.2 Over this period the Council Tax Base increased by 827.7 from 74,124.0 to 74,951.7 which multiplied by the Band D Council Tax of £1,169.36 results in additional yield of £0.968m.

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 and bands. However, broadly the changes can be analysed as follows:-

a) Number of Chargeable Dwellings and Exempt Dwellings

Between years the number of properties increased by 493 from 84,312 to 84,805 and the number of exempt dwellings increased by 22 from 772 to 794. This means that the number of chargeable dwellings increased by 471 between years. Based on a full charge, this equates to additional council tax of £0.551m.

b) Amount of Council Tax Support Reduction

In 2018/19 there was a reduction of 8,192.1 to the Council Tax Base for local council tax support. This has reduced to 8,177.1 in 2019/20 which is a change of 15 and equates to additional council tax of about £17,540.

c) Changes in Discounts, Exemptions and Premiums

Overall, the number of properties subject to discounts or exemption reduced by 483 and those subject to premiums reduced by 4 between 2018/19 and 2017/18.

d) Change in collection rate

There has been a change made to the estimated collection rate with an increase of 0.5% from 98% to 98.5%.

Summary

The following puts the individual elements together to show how the potential council tax yield changes between 2018/19 and 2019/20:-

| | Approx. Change in Council Tax Base | Approx. Change in Council Tax yield |
|--|---|--|
| | | £m |
| Increase in number of chargeable dwellings | 493 | 0.576 |
| Change in Council Tax Support Reductions | 15 | 0.018 |
| Change in discounts, exemptions, premiums and distribution | (61) | (0.071) |
| Increase in Collection Rate from 98% to 98.5% | 381 | 0.445 |
| Total | 828 | 0.968 |

3.10 Council Tax Yield 2019/20

3.10.1 Assuming no change in Council Tax for 2019/20 the estimated Council Tax yield for 2019/20 is:-

| Council Tax: Whole area | Tax Base | Band D 2018/19 | Council Tax Yield 2019/20 | Council Tax Yield 2018/19 |
|------------------------------------|-----------------|---------------------------|--|--|
| Merton | 74,951.7 | £1,169.36 | £87.646m | £86.678m |
| WPCC | 11,464.4 | £29.30 | £0.336m | £0.331m |
| GLA | 74,951.7 | £294.23 | £22.053m | £21.810m |

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

3.10.2 The updated MTFs is based on the following assumptions:-

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---------------------------------|---------|---------|---------|---------|
| Increase in CT Base | 0.5% | 0.5% | 0.5% | 0.5% |
| Collection Rate (+0.5%) | 98.5% | 98.5% | 98.5% | 98.5% |
| Council Tax - General | 2.99% | 2% | 2% | 2% |
| Council Tax – Adult Social Care | 2% | 0% | 0% | 0% |

3.10.3 Based on the new Council Tax Base but using the same assumptions as in the MTFs set out in the table in 3.10.2 above, the change in Council Tax Yield is as follows:-

| MTFS Council Tax Yield (excluding WPCC) | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| CT Yield (Cabinet 15 October 2018) | 91,458 | 93,722 | 96,034 | 98,395 |
| CT Yield (New Council Tax Base) | 92,019 | 94,298 | 96,624 | 98,999 |
| Change in CT Yield from new Base | 561 | 576 | 590 | 604 |

| DRAFT MTFS 2019-23: | | | | |
|--|------------------|------------------|------------------|------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| Departmental Base Budget 2018/19 | 149,808 | 149,808 | 149,808 | 149,808 |
| Inflation (Pay, Prices) | 4,244 | 7,094 | 9,945 | 12,796 |
| Autoenrolment/Nat. ins changes | 0 | 0 | 0 | 0 |
| FYE – Previous Years Savings | (4,464) | (6,070) | (6,185) | (6,185) |
| FYE – Previous Years Growth | (2,506) | (2,006) | (2,006) | (2,006) |
| Amendments to previously agreed savings/growth | 206 | 0 | 0 | 0 |
| Change in Net Appropriations to/(from) Reserves | 99 | 242 | 398 | 335 |
| Taxi card/Concessionary Fares | 450 | 900 | 1,350 | 1,800 |
| Adult Social Care - Additional Spend | 1,054 | 0 | 0 | 0 |
| Growth | 0 | 0 | 0 | 0 |
| Other | 2,479 | 4,566 | 4,846 | 4,922 |
| Re-Priced Departmental Budget | 151,369 | 154,534 | 158,156 | 161,470 |
| Treasury/Capital financing | 9,806 | 10,873 | 12,294 | 12,324 |
| Pensions | 3,552 | 3,635 | 3,718 | 3,801 |
| Other Corporate items | (16,781) | (16,705) | (16,654) | (16,229) |
| Levies | 607 | 607 | 607 | 607 |
| Sub-total: Corporate provisions | (2,816) | (1,590) | (35) | 503 |
| Sub-total: Repriced Departmental Budget + Corporate Provisions | 148,554 | 152,944 | 158,121 | 161,972 |
| Savings/Income Proposals 2018/19 | (2,577) | (8,171) | (9,550) | (9,655) |
| Sub-total | 145,977 | 144,773 | 148,571 | 152,317 |
| Appropriation to/from departmental reserves | (1,350) | (1,493) | (1,649) | (1,586) |
| Appropriation to/from Balancing the Budget Reserve | (3,220) | (2,804) | 0 | 0 |
| BUDGET REQUIREMENT | 141,407 | 140,475 | 146,922 | 150,731 |
| Funded by: | | | | |
| Revenue Support Grant | (5,076) | 0 | 0 | 0 |
| Business Rates (inc. Section 31 grant) | (35,360) | (37,726) | (38,286) | (38,501) |
| Adult Social Care - Improved Better Care Fund | (1,054) | 0 | 0 | 0 |
| PFI Grant | (4,797) | (4,797) | (4,797) | (4,797) |
| New Homes Bonus | (2,028) | (1,304) | (1,008) | (800) |
| Council Tax inc. WPC | (92,350) | (94,629) | (96,955) | (99,330) |
| Collection Fund – (Surplus)/Deficit | (742) | 0 | 0 | 0 |
| TOTAL FUNDING | (141,407) | (138,456) | (141,046) | (143,428) |
| GAP including Use of Reserves (Cumulative) | 0 | 2,020 | 5,876 | 7,303 |
| Potential Unfunded ASC commitments due to Loss of Better Care Funding | 0 | 3,218 | 3,218 | 3,218 |
| GAP assuming no new ASC Government Grant (Cumulative) | 0 | 5,238 | 9,094 | 10,521 |
| Possible Offset if 2019/20 ASC CT hypothecation can be used to replace Better Care Funding | 0 | (1,742) | (1,742) | (1,742) |
| GAP assuming no new ASC Government Grant but 2019/20 CT hypothecation can be used(Cumulative) | 0 | 3,496 | 7,352 | 8,779 |

BUDGET 2018

SUMMARY OF KEY POINTS

The Budget 2018 was presented to Parliament in the House of Commons on 29 October 2018. At the same time the Office for Budget Responsibility (OBR) published its October 2018 “Economic and Fiscal Outlook”

This is a summary of the key points arising from the Budget that may have a potential impact on the Council. Specific allocations for Merton will not be confirmed until the Provisional Local Government Finance Settlement for 2019-20 is announced in December 2018.

Business Rates

Small business rate relief – for businesses with a rateable value of less than £51,000 there will be a cut of one-third in business rates. This will be for two years from April 2019.

Public Lavatories – The government are introducing 100% business rates relief for these.

Local Newspaper Discount – The government will continue the £1,500 discount for office space occupied by local newspapers in 2019-20.

Local authorities will be fully compensated for the loss of income arising from these business rates measures.

Investing in UK Towns and Cities – Future High Streets

As part of the government’s “Our Plan for the High Street” and alongside changes to business rates, it will launch a new Future High Streets Fund to invest £675 million in England to support local areas to develop and fund plans to make their high streets and town centres fit for the future. This will invest in town centre infrastructure, including to increase access to high streets and support redevelopment and densification around high streets.

The Future High Fund includes £55 million for heritage-based regeneration, restoring historic high streets to boost retail and bring properties back into use as homes, offices and cultural venues. The Fund will also establish a new High Streets Taskforce to disseminate best practice among local leaders.

High streets planning – The government will consult on planning measures to support high streets to evolve. As part of this, it will consult on creating a more flexible and responsive ‘change of use’ regime with new Permitted Development Rights that make it easier to establish new mixed-use business models on the high street. It will also trial a register of empty shops with selected local authorities, and trial a brokerage service to connect community groups to empty shops.

Social Care

Green Paper on Social Care – In the Budget 2018, the government state that “In the longer term, the government is committed to putting social care on fairer and more sustainable footing and will set out proposals for adult social care in the forthcoming green paper.” The date of publication of the green paper is not yet known.

The budget provides an additional £240m in 2018-19 (previously announced) and £240m in 2019-20 for Adult Social Care. Merton’s share of each £240m is estimated to be £0.748m.

An additional £410m is provided in 2019-20 for adults and children’s social care. Merton’s estimated share of this is £1.278m.

The budget provides an additional £55m in 2018-19 for Disabled Facilities Grant.

The budget provides £84m over five years for up to 20 local authorities for Children’s Social Care Improvement to help more children stay at home with their families.

Schools and Youth Service

School equipment and maintenance uplift – The budget provides £400m in 2018/19 for schools in England to spend on equipment and facilities.

Maths and Physics Teacher Retention Trial – The budget provides £10m to fund a regional trial to test how to improve retention.

Youth Endowment Fund – The budget provides £200m to fund activities for 10 -14 year olds in England and Wales over at least 10 years, specifically working with those most at risk of youth violence.

Local roads

The government will allocate £420 million to local authorities in 2018-19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. This is available immediately and has been allocated using the Department for Transport’s needs-based formula. Merton’s allocation is £489,000.

To support projects across England that ease congestion on local routes, the government will also make £150 million of National Productivity Investment Fund (NPIF) funding available to local authorities for small improvement projects such as roundabouts.

Housing

The immediate removal of the HRA borrowing cap was confirmed (from 29 October 2018) and the government estimates an additional 10,000 homes a year will be built, costing the policy at £4.6 billion over 5 years (£1.3 billion a year by 2022-23).

The Housing Infrastructure Fund, funded by the NPIF, will increase by £500 million to a total of £5.5 billion.

British Business Bank: The British Business Bank will provide guarantees to support up to £1 billion of lending to SME housebuilders.

Housing associations: £663 million will be provided up to 2020/21 to fund strategic partnerships with nine housing associations.

Community Infrastructure Levy: the government will simplify the system of developer contributions, including removing all restrictions on section 106 pooling for single pieces of infrastructure and simplifying the process for setting a higher zonal CIL in areas of high value uplift. A new Strategic Infrastructure Tariff will also be made available to Combined Authorities.

Help to Buy equity loan: The Help to Buy equity loan scheme will be extended by two years to March 2023, with new regional price caps introduced from 2021. The scheme will end from 2023.

The National Health service (NHS)

The NHS is the government's number one spending priority. Based on the multi-year funding plan announced in June, the NHS budget will increase by £20.5 billion more a year in real terms by 2023/24 at an average real growth rate of 3.4% per year.

The government has set the NHS five financial tests to meet in producing a 10 year plan:

- the NHS (including providers) will return to financial balance
- the NHS will achieve cash-releasing productivity growth of at least 1.1% a year (with a final number to be confirmed in the plan), with all savings reinvested in frontline care
- the NHS will reduce the growth in demand for care through better integration and prevention (with a final number to be confirmed in the plan)
- the NHS will reduce variation across the health system, improving providers' financial and operational performance
- the NHS will make better use of capital investment and its existing assets to drive transformation

Mental Health: Funding for mental health services will grow as a share of the overall NHS budget over the next 5 years with up to £250 million a year invested into mental health crisis services across the country. This will include the establishment of a mental health crisis hotline, extending mental health support to every A&E, improving community services, increasing the fleet of mental health ambulances, and

increasing schools-based mental health support. Additionally, the Individual Placement Support programme will be expanded, assisting the employment of people with severe mental illness.

Welfare

Universal Credit Work Allowance: households with children and people with disabilities will have their work allowance threshold increased by £1,000 per annum.

Movement onto Universal Credit: benefit claimants on jobseeker's allowance, Employment and Support allowance, and Income support will receive an extra fortnights' support during their transition to Universal Credit from 2020.

Self-Employment: the 12 month grace period before the Minimum Income Floor applies will be extended

Deductions: the maximum rate at which deductions can be made from a Universal Credit award will reduce from 40% to 30%.

Implementation period for Universal Credit: Implementation of Universal Credit will take place from July 2019 to December 2023.

Housing Benefit: rent support will remain with housing benefit rather than pension credit for three years, funding for supported housing will remain in a welfare system, and 18-21 year olds will be entitled to housing support under Universal Credit.

Pay

National Living Wage: to increase from £7.83 to £8.21 (4.9%) an hour in April 2019.

Crossrail 2

The government is considering the recommendations of the Independent Affordability Review of Crossrail 2, and will consider the case for the project at the Spending Review.

Office for Budget Responsibility– Fiscal and economic outlook (October 2018)

In the Economic and fiscal outlook (EFO), the Office for Budget Responsibility (OBR) set out forecasts to 2023-24 and also assess whether the Government is on course to meet the medium-term fiscal and welfare spending objectives that it has set itself.

The Office for Budget Responsibility (OBR) published its 2018 “Economic and fiscal outlook” at the same time as the Budget 2018 on 29 October 2018.

There is a legal requirement for the OBR to base its forecasts on current Government policy.

The OBR look at economic developments since their previous forecast, the economic and the fiscal outlooks and how the economy has performed against the Government’s fiscal targets. It concludes that there has been “a significant improvement in the underlying pace of deficit reduction, that on its own would have put the Government on course to achieve its objective of a balanced budget for the first time. As it happens, this underlying improvement had already been swallowed up by the Prime Minister’s promise of higher spending on the NHS made in June. The remaining Budget policy measures are a further near-term giveaway that gradually diminishes over the forecast, leaving the deficit in 2022-23 little changed overall.”

In terms of progress towards achieving its fiscal targets the OBR concludes that the government remains on track to meet three out of four fiscal objectives: bringing the structural deficit below 2% in 2020/21 (‘fiscal target’); ensuring debt falls as a percentage of GDP by 2020/21 (‘supplementary target’); and keeping welfare spending below its cash limit (‘welfare cap’). The OBR believes that the fourth objective of delivering a balanced budget by 2025/26 remains “challenging”, but falls outside of its formal forecasting period. The OBR stresses that its forecasts are based on the assumption of a “relatively smooth exit from the EU next year” and that there would be “severe short-term implications” of a “disorderly” exit.

Some of the key forecasts for the economy and public finances are included in the following table:-

| | Outturn 2017/18 | Forecast 2018/19 | Forecast 2019/20 | Forecast 2020/21 | Forecast 2021/22 | Forecast 2022/23 | Forecast 2023/24 |
|---|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Gross Domestic Product (GDP) Growth (%) | 1.7 | 1.3 | 1.6 | 1.4 | 1.4 | 1.5 | 1.6 |
| Public Sector Net Borrowing (£bn) | 39.8 | 25.5 | 31.8 | 26.7 | 23.8 | 20.8 | 19.8 |
| Public Sector Net Borrowing (% of GDP) | 1.9 | 1.2 | 1.4 | 1.2 | 1.0 | 0.9 | 0.8 |
| Public Sector Net Debt (%) | 85.0 | 83.7 | 82.8 | 79.7 | 75.7 | 75.0 | |
| CPI (%) | 2.7 | 2.6 | 2.0 | 2.0 | 2.1 | 2.1 | 2.0 |
| RPI (%) | 3.6 | 3.5 | 3.1 | 3.1 | 3.2 | 3.1 | 3.1 |
| LFS Unemployment Rate (%) | 4.4 | 4.0 | 3.7 | 3.8 | 3.9 | 3.9 | 4.0 |

CAPITAL STRATEGY 2019-23

1 Introduction

- 1.1 Merton's Capital Strategy for 2019-23 has been aligned and integrated with the Business Plan for the period 2019-23. 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 2019-23 is therefore based on the set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:
- Merton should continue to provide a certain level of essential services for residents. The order of priority of 'must' services should be:
 - i) Continue to provide everything that is statutory.
 - ii) Maintain services – within limits – to the vulnerable and elderly.
 - After meeting these obligations Merton should do all that it can to help residents who aspire. This means we should address the following as priorities in this order:
 - i) Maintain clean streets and keep council tax low.
 - ii) Keep Merton as a good place for young people to go to school and grow up.
 - iii) Be the best it can for the local environment.
 - iv) All the rest should be open for discussion.
- 1.4 Merton's scrutiny function reflects the five strategic themes above and the themes have been incorporated into the bidding process for capital funding to ensure that scarce financial resources are targeted towards strategic objectives.

2 Planning Infrastructure

2.1 Business Plan 2019-2023

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

2.2 Target Operating Models (TOMs)

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

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

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

2.3 Service Plans

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

- 2.3.2 This Capital Strategy is a fundamental component of our approach since it reflects our strategic priorities across the council and endeavors to maximise the contribution of the council's limited capital resources to achieving our vision. We will work closely with residents, community organisations and businesses to focus our resources and those of our partners effectively. The strategy also sets out the management arrangements for allocating resources to individual schemes, establishing funding for projects, monitoring progress, managing performance and ensuring that scarce capital resources are allocated efficiently.
- 2.3.3 Attached as Annex 6 is the Capital Investment Strategy for the investments/loans the Authority will hold/holds primarily to generate financial returns.

3 Accounting Definitions and Practices

- 3.1 The council's approach to Capital Accounting follows the Code of Practice on Local Authority Accounting, which itself is based on the International Financial Reporting Standards (IFRS) and guidance issued by CIPFA and professional accounting networks.
- 3.2 As in previous years, there has been continual review of the Capital Programme to ensure that expenditure meets the strict definition and to identify any items which would be more appropriate to be charged to revenue. This has not resulted in any major changes to the future programme.
- 3.3 The de-minimis of capital expenditure for the authority is set at £10,000 per project. This applies to all schemes within our capital programme, however in exceptional circumstances thresholds below this may be considered where specific items of expenditure are below this de-minimis level but meet proper accounting definitions of capital expenditure.
- 3.4 Individual schools may choose to adopt the above de-minimis limit or use the limit of £2,000 as mentioned in some Department for Education and HMRC guidance for various types of school.
- 3.5 IFRS 9 requires that investment in risk capital will need to be valued annually at fair value with any loss being written through the profit and loss account in the year it occurs

4 Corporate and strategic capital expenditure appraisal planning and control

4.1 Capital Programme Board

4.1.1 Merton's Capital Strategy is coordinated by the Capital Programme Board. The board, which is effectively a sub-group of the Corporate Management Team (CMT). The Board comprises the Directors of Corporate and Environment and Regeneration Services with selected Level 2/3 managers from each service department.

4.1.2 The Terms of Reference of the Board are:

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

4.1.3 The role of the Board is to:

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

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

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

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

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

4.2 Capital Programme Approval and Amendment

- 4.2.1 The Capital Programme is approved by Council each year. Any change which substantially alters the programme (and therefore the Prudential Indicators) requires full Council approval. Rules for changes to the Capital Programme are detailed in the council's Constitution Financial Regulations and Financial Procedures and the key points are summarised here.
- 4.2.2 For virements which do not substantially alter the programme the below approval limits apply:
- Virements up to £5k can be signed off by the budget manager and the Chief Financial Officer (CFO) is informed of these changes as part of the monthly financial monitoring
 - Virements £5k up to £100k must be approved by the Chief Officer of the area or areas affected along with the Chief Financial Officer, typically this will be as part of the monthly financial monitoring report to CMT however approval can be sought from these officers at any time if necessary
 - Virements £100k and upwards go to Cabinet
 - Any virement which diverts resources from a scheme not started, resulting in a delay to that scheme, will be reported to Cabinet

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

- 4.2.3 For increases to the programme for existing schemes up to £100,000 must be approved by the Director of Corporate Services. Increases above this threshold must be approved by Cabinet. In accordance with the Prudential Code if the increase in the Capital Programme will substantially change prudential indicators it must be approved by Council.
- 4.2.4 For new schemes, the source of funding and any other financial or non-financial impacts must be reported and the limits below apply:
- Budgets of up to £50k can be approved by the Chief Financial Officer in consultation with the relevant Chief Officer
 - Budgets of £50k up £500k will be submitted to Cabinet for approval
 - Budgets over £500k will be submitted to full Council for approval

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

4.3 Capital Monitoring

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

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

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

4.4 Risk Management

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

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

5 Revenue budget implications of capital investment

5.1 Revenue cost or savings

5.1.1 The capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. Since 2012/13 it has been possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case alongside the use of capital receipts within the current planning period (up to 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:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| MRP | 4,141 | 5,012 | 6,267 | 7,107 |
| Interest | 6,315 | 6,356 | 6,422 | 6,595 |
| Capital financing costs | 10,456 | 11,368 | 12,689 | 13,702 |
| Investment Income | (650) | (495) | (395) | (395) |
| Interest on Housing Company Loan | 0 | 0 | 0 | (983) |
| Net | 9,806 | 10,873 | 12,294 | 12,324 |

6 Capital resources 2019-23

6.1 Variety of sources

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

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

6.2 Annual Minimum Revenue Provision (MRP) Statement

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

6.2.2 The statement is set out in the Treasury Management Strategy.

7 Asset management review

7.1 Capital receipts

7.1.1 Capital receipts generated from the disposal of surplus and under-utilised land and property are a major source of funding and the potential available capital resources are under constant review and revision. The forecast of capital receipts included in this report are based on a 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 2019-2023

8.1 Flexibility in the use of Capital Receipts

- 8.1.1 In December 2017, the Secretary of State announced the continuation of the capital receipts flexibility programme for a further three years, to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. By virtue of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 (“the Act”), that the local authorities listed in Annex A (“the Authorities”) treat as capital expenditure, expenditure which:
- i. is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners; and
 - ii. is properly incurred by the Authorities for the financial years that begin on 1 April 2016 up to and including 1 April 2021.
- 8.1.2 In further exercise of the Secretary of State’s powers under section 20 of the Act, it is a condition of this direction that expenditure treated as capital expenditure in accordance with it only be met from capital receipts, within the meaning of section 9 of the Act and regulations made under that section (for current provisions see Part 4 of S.I. 2003/3146, as amended), which have been received in the years to which this direction applies; and
- 8.1.3 This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not convey any other consent that may be required or any view as to the propriety of the expenditure. It is for the Authority to be satisfied that any amount to which this direction is applied is properly incurred in the financial year concerned.
- 8.1.4 When applying the direction, the Authorities are required to have regard to the Guidance on Flexible Use of Capital Receipts. 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.

8.2 Projected Capital Receipts

8.2.1 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 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | £000s | £000s | £000s | £000s |
| Sale of Assets | 0 | 0 | 0 | 0 |
| Housing Company Loan Repayment | 0 | 0 | 0 | 3,590 |
| Right to buy/VAT Shelter | 900 | 900 | 900 | 900 |
| Repayment of One Public Estate | 0 | 0 | (260) | 0 |
| Total | 900 | 900 | 640 | 4,490 |

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 1.1%, as such an increase in receipts of £1m would be expected to generate a £11,000 increase in interest in a full year.

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

| Capital Expenditure | 2018/19 Estimate £000 | 2019/20 Estimate £000 | 2020/21 Estimate £000 | 2021/22 Estimate £000 | 2022/23 Estimate £000 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Capital Expenditure | 39,144 | 48,031 | 18,738 | 15,437 | 21,296 |
| Slippage | (7,291) | (13,135) | 8,246 | 783 | 2,397 |
| Total Capital Expenditure * | 31,853 | 34,895 | 26,984 | 16,219 | 23,692 |
| Financed by: | | | | | |
| Capital Receipts * | 19,209 | 3,954 | 900 | 640 | 4,490 |
| Capital Grants & Contributions | 12,219 | 8,070 | 3,824 | 3,089 | 3,084 |
| Revenue Provisions | 222 | 3,560 | 48 | 50 | 56 |
| Net financing need for the year | 203 | 19,311 | 22,211 | 12,441 | 16,061 |

* Finance lease expenditure is included in the table in Treasury Management Strategy but excluded from this Table

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.

8.3 Debt repayment

8.3.1 The council has had a strategy to reduce its level of debt when opportunity arises in the market. The average interest payable on outstanding debt is 5.22%. For the period 2019-23, capital receipts may continue to be used to pay the premiums on the repayment of those authority debts which have high fixed interest charges, if the terms offered will result in appropriate revenue savings. Any decision to repay debt early will be considered alongside the funding however, this is unlikely to be the case in the short to medium term requirement of the programme.

9 Grant Funding Capital Resources

9.1 Environmental and Regeneration

| E&R | 2018/19 £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|---|------------------|------------------|------------------|------------------|------------------|
| Heritage Lottery Fund | 0 | 1,693 | 1,500 | 712 | 0 |
| Transport for London LIP (earmarked) Capital | 1,000 | TBA | TBA | TBA | TBA |
| Total: E&R | 1,000 | 1,693 | 1,500 | 712 | TBA |

TBA – To Be Advised

9.2 Children, Schools and Families

| CSF | 2018/19 £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|---|------------------|------------------|------------------|------------------|------------------|
| School Condition (non-ringfenced)* | 1,900 | 1,900 | TBA | TBA | TBA |
| Basic Need (non-ringfenced) | 7,471 | 446 | 0 | TBA | TBA |
| Special Provision Grant | 491 | 834 | 491 | TBA | TBA |
| Healthy Schools | 189 | TBA | TBA | TBA | TBA |
| Total Grant Funding | 10,051 | 3,180 | 491 | TBA | TBA |
| New School (Expected Ringfenced)* | 5,149 | 0 | 0 | 0 | 0 |
| Devolved Formula Capital (Earmarked) | 353 | TBA | TBA | TBA | TBA |
| TOTAL: CS&F | 15,553 | 3,180 | 491 | TBA | TBA |
| Balance added for outstanding grant allocations - CSF | 0 | 0 | 1,900 | 1,900 | 1,900 |

* Based on Indicative Information

TBA – To Be Advised

9.3 Community and Housing

| C&H | 2018/19 £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|--|------------------|------------------|------------------|------------------|------------------|
| Better Care Fund (including Disabled Facilities Grant) | *1,186 | TBA | TBA | TBA | TBA |

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

9.4 Summary of Grant Funding 2018-2023

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 2019/20:

| Grant Funding | 2018/19 £000s | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|---|------------------|------------------|------------------|------------------|------------------|
| Environment and Regeneration | 1,000 | 1,693 | 1,500 | 712 | TBA |
| Children, Schools and Families | 15,553 | 3,180 | 491 | TBA | TBA |
| Community and Housing | 1,186 | TBA | TBA | TBA | TBA |
| Total Grant Funding* | 17,739 | 4,873 | 1,991 | 712 | 0 |
| Balance added for outstanding grant allocations - CSF | 0 | 0 | 1,900 | 1,900 | 1,900 |

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

10 Summary of Total Resources 2019-23:

10.1 Summary

10.1.1 The total anticipated resources over the plan period 2019-23, including existing grant funding and anticipated CS&F grants, is summarised in the following table:-

| | 2019/20 £000s | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s |
|-------------------------|------------------|------------------|------------------|------------------|
| Grant & Contributions * | 26,824 | 23,159 | 13,131 | 20,608 |
| Council Funding | 8,070 | 3,824 | 3,089 | 3,084 |
| Total | 34,895 | 26,984 | 16,219 | 23,692 |

* 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:

| Merton | Updated Budget 2023/24 £000s | Updated Budget 2024/25 £000s | Updated Budget 2025/26 £000s | Updated Budget 2026/27 £000s | Updated Budget 2027/28 £000s |
|--------------------------------|---|---|---|---|---|
| Corporate Services | 4,521 | 2,955 | 3,335 | 2,970 | 3,380 |
| Community and Housing | 425 | 280 | 630 | 280 | 420 |
| Children, Schools & Families * | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| Environment & Regeneration * | 4,007 | 4,067 | 8,005 | 4,042 | 4,007 |
| Total Merton | 10,853 | 9,202 | 13,870 | 9,192 | 9,707 |

* 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 £219k for assets with a life of 5 years to £51k for an asset life of 50 years.

11 Capital Bids and Prioritisation Criteria

11.1 Prioritisation of schemes 2022/23

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 revisions put forward over the period 2019-23, on the basis of these criteria by the board to Cabinet was £7 million (excluding TfL) as shown below.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--------------------------------|----------------|----------------|----------------|----------------|
| Corporate Services | 923 | 275 | (8,214) | 11,517 |
| Community and Housing | 35 | 488 | 633 | 502 |
| Children, Schools and Families | (6,499) | 2,416 | 2,500 | 1,250 |
| Environment and Regeneration | 1,110 | 265 | 240 | 330 |
| Total | (4,431) | 3,444 | (4,841) | 13,599 |

12 Detailed Capital Programme 2019-23

12.1 Corporate Services

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

12.1.2 Infrastructure and Transactions

Infrastructure and transactions are responsible for the maintenance and development of IT Systems and replacement of existing IT equipment at the end of its useful life. The Table below details the capital schemes for this area:

| Corporate IT Projects | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Customer Contact Programme | 250 | 0 | 1,900 | 0 |
| Ancillary Systems | 0 | 0 | 50 | 0 |
| Youth Justice | 100 | 0 | 0 | 0 |
| School Admissions System | 0 | 125 | 0 | 0 |
| Aligned Assets | 75 | 0 | 0 | 0 |
| Environmental Asset Management | 0 | 0 | 0 | 240 |
| Revenue and Benefits | 400 | 0 | 0 | 0 |
| Capita Housing | 100 | 0 | 0 | 100 |
| Planning&Public Protection Sys | 330 | 0 | 0 | 0 |
| GIS Mapping | 50 | 150 | 0 | 0 |
| Replacement SC System | 400 | 0 | 0 | 0 |
| Financial System | 0 | 0 | 0 | 700 |
| ePayments | 0 | 125 | 0 | 0 |
| Planned Replacement Programme ⁽¹⁾ | 1,015 | 200 | 970 | 1,005 |
| Data Centre Support Equipment | 290 | 0 | 0 | 0 |
| IT Equipment ^(in ⁽¹⁾ above from 21/22) | 430 | 860 | 0 | 0 |
| Total Business Improvement | 3,440 | 1,460 | 2,920 | 2,045 |

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

| Facilities Management | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Repair and Maintenance | 650 | 650 | 650 | 650 |
| Civic Centre Boilers | 200 | 0 | 0 | 0 |
| Civic Centre Lightning Upgrade | 300 | 0 | 0 | 0 |
| Invest to Save schemes | 300 | 300 | 300 | 300 |
| Total Facilities Management | 1,450 | 950 | 950 | 950 |

12.1.3 Corporate Items

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

| Corporate Items | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|--------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Acquisitions Budget | 0 | 0 | 0 | 6,985 |
| Capital Bidding Fund | 0 | 0 | 0 | 1,186 |
| Corporate Capital Contingency | 0 | 0 | 0 | 3,000 |
| Multi-Functioning Device (MFD) | 600 | 0 | 0 | 0 |
| Housing Company | 22,325 | 1,810 | 0 | 0 |
| Westminster Coroners Court | 460 | 0 | 0 | 0 |
| Total Corporate Items | 23,385 | 1,810 | 0 | 11,172 |

12.2 Children, Schools and Families

12.2.1 This department's main capital focus is the need for increased provision for secondary pupils. The provision in the 2019-23 programme has been revised to that shown in the table below:

| Children, Schools & Families | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Primary School Expansions | 1,900 | 1,900 | 1,900 | 1,900 |
| Secondary School Expansions | 2,944 | 0 | 0 | 0 |
| SEN | 4,852 | 3,718 | 1,250 | 0 |
| Children, Schools & Families | 9,696 | 5,618 | 3,150 | 1,900 |

*School Capital Maintenance Budget

12.2.2 CSF Capital Programme 2019-23

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

12.2.3 Primary schools

No further primary school expansion is planned. From 2019/20 £1.9 million per annum is provided for community primary and special schools this will be limited to urgent health and safety related needs, with the council expecting schools to fund all works below £20,000. Work for the next few years will be prioritised using a conditions survey undertaken in late 2017.

12.2.4 Secondary school places

The demand for secondary places is monitored regularly and trends in demand are analysed. The secondary expansion programme has been reviewed downwards as part of the current bidding process.

The capital programme for 2019/23 includes £2.92 million for secondary expansions including some council funding to enable the new Harris Academy Wimbledon School site to be made available.

12.2.5 Special school places

The increase in demand for special school provision is proportionally greater for special schools than mainstream schools, though the numbers involved are significantly smaller. Capital funding is provided in the 2019/23 programme for the expansion of SEN provision within the borough. The largest planned project is the expansion of Cricket Green School.

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 17 areas:

| Environment & Regeneration | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Parking Improvements | 60 | 0 | 0 | 0 |
| Public Protection & Development | 0 | 0 | 35 | 0 |
| Fleet Vehicles | 300 | 300 | 300 | 300 |
| Alley gating | 30 | 30 | 30 | 30 |
| Smart Bin Leases | 0 | 0 | 0 | 0 |
| SLWP Waste | 0 | 0 | 0 | 340 |
| Street Trees | 60 | 60 | 60 | 60 |
| Highways & Footways | 3,517 | 3,317 | 3,317 | 3,067 |
| Mitcham Transport Improvements | 425 | 0 | 0 | 0 |
| Transport for London | 0 | 0 | 0 | 0 |
| Mitcham Area Regeneration | 1,301 | 1,000 | 533 | 0 |
| Wimbledon Area Regeneration | 300 | 0 | 0 | 0 |
| Morden Area Regeneration | 500 | 2,000 | 2,500 | 0 |
| Borough Regeneration | 170 | 25 | 0 | 0 |
| Morden Leisure Centre | 242 | 0 | 0 | 0 |
| Sports Facilities | 1,650 | 250 | 250 | 250 |
| Parks | 991 | 800 | 479 | 300 |
| Environment & Regeneration | 9,545 | 7,782 | 7,504 | 4,347 |

12.3.1 Highways and Footways

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

| Highways and Footways | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Street Lighting | 290 | 290 | 290 | 290 |
| Traffic Schemes | 150 | 150 | 150 | 150 |
| Surface Water Drainage | 77 | 77 | 77 | 77 |
| Footways | 1,000 | 1,000 | 1,000 | 1,000 |
| Antiskid & Coloured Surfacing | 90 | 90 | 90 | 90 |
| Borough Roads | 1,700 | 1,200 | 1,200 | 1,200 |
| Highways & Bridges | 60 | 260 | 260 | 260 |
| Various Culverts Strengthening & Upgrade | 150 | 250 | 250 | 0 |
| Highways and Footways | 3,517 | 3,317 | 3,317 | 3,067 |

12.3.2 Regeneration

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

| Regeneration | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Mitcham Area Regeneration | | | | |
| Canons Parks for the People | 1,301 | 1,000 | 533 | 0 |
| Wimbledon Area Regeneration | | | | |
| Crowded Places/Hostile Vehicle Mitigation | 300 | 0 | 0 | 0 |
| Morden Area Regeneration | | | | |
| Transportation Enhancements | 500 | 2,000 | 2,500 | 0 |
| Borough Regeneration | | | | |
| Premises Capital Refurbishment | 75 | 25 | 0 | 0 |
| Christmas Decorations | 95 | 0 | 0 | 0 |
| Total Regeneration Partnerships | 2,271 | 3,025 | 3,033 | 0 |

12.3.3 Sports Facilities

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

| Sports facilities | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Leisure Centre Plant & Machine | 250 | 250 | 250 | 250 |
| Wimbledon Park Lake De-Silting | 1,250 | 0 | 0 | 0 |
| Polka Theatre | 150 | 0 | 0 | 0 |
| Total Leisure Centres | 1,650 | 250 | 250 | 250 |

12.3.4 Parks

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

| Parks | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Parks Investment | 295 | 300 | 300 | 300 |
| Canons Parks for the People | 696 | 500 | 179 | 0 |
| Total Parks | 991 | 800 | 479 | 300 |

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 2019-23 comprises:

| Community and Housing | Updated Budget 2019/20 £000s | Updated Budget 2020/21 £000s | Updated Budget 2021/22 £000s | Updated Budget 2022/23 £000s |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Housing | | | | |
| Disabled Facilities Grant | 280 | 280 | 280 | 280 |
| LD Supported Living | 0 | 488 | 633 | 462 |
| Libraries | | | | |
| West Barnes Library Re-Fit | 200 | 0 | 0 | 0 |
| Installation of Public Toilets at Mitcham Library | 35 | 0 | 0 | 0 |
| Library Self Service | 0 | 350 | 0 | 0 |
| Libraries Management System | 0 | 0 | 0 | 140 |
| Total Community and Housing | 515 | 1,118 | 913 | 882 |

12.5 Overall Programme

12.5.1 The approved Capital Programme for 2019/23 follows at Annex 1, Annex 3 provides an additional breakdown detail of the approved schemes. The summary is as follows:

| Merton | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|------------------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Corporate Services | 28,275 | 4,220 | 3,870 | 14,167 |
| Community and Housing | 515 | 1,118 | 913 | 882 |
| Children Schools & Families | 9,696 | 5,618 | 3,150 | 1,900 |
| Environment and Regeneration | 9,545 | 7,782 | 7,504 | 4,347 |
| Capital | 48,031 | 18,738 | 15,437 | 21,296 |

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 2018/19 is approved, the 2019/20 Capital Programme will be adjusted accordingly.

- 12.5.4 Annex 1 Capital Investment Programme - Schemes for Approval
 Annex 2 Funding the Capital Programme 2019-23
 Annex 3 Detailed Capital Programme 2019-23
 Annex 4 Analysis of Growth/(Reduction) from current approved programme
 Annex 5 Indicative Capital Programme 2023-28
 Annex 6 Capital Investment Strategy

Annex1

Capital Investment Programme - Schemes for Approval

| Merton | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|------------------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Corporate Services | 28,275 | 4,220 | 3,870 | 14,167 |
| Community and Housing | 515 | 1,118 | 913 | 882 |
| Children Schools & Families | 9,696 | 5,618 | 3,150 | 1,900 |
| Environment and Regeneration | 9,545 | 7,782 | 7,504 | 4,347 |
| Capital | 48,031 | 18,738 | 15,437 | 21,296 |

| Merton | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|--|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Customers, Policy & Improvement | 250 | 0 | 1,900 | 0 |
| Facilities Management | 1,450 | 950 | 950 | 950 |
| Infrastructure & Transactions | 3,190 | 1,335 | 1,020 | 1,345 |
| Resources | 0 | 125 | 0 | 700 |
| Corporate Items | 23,385 | 1,810 | 0 | 11,172 |
| Corporate Services | 28,275 | 4,220 | 3,870 | 14,167 |
| Housing | 280 | 768 | 913 | 742 |
| Libraries | 235 | 350 | 0 | 140 |
| Community and Housing | 515 | 1,118 | 913 | 882 |
| Primary Schools | 1,900 | 1,900 | 1,900 | 1,900 |
| Secondary School | 2,944 | 0 | 0 | 0 |
| SEN | 4,852 | 3,718 | 1,250 | 0 |
| CSF Schemes | 0 | 0 | 0 | 0 |
| Children Schools & Families | 9,696 | 5,618 | 3,150 | 1,900 |
| Public Protection and Developm | 60 | 0 | 35 | 0 |
| Street Scene & Waste | 330 | 330 | 330 | 670 |
| Sustainable Communities | 9,155 | 7,452 | 7,139 | 3,677 |
| Environment and Regeneration | 9,545 | 7,782 | 7,504 | 4,347 |
| Capital | 48,031 | 18,738 | 15,437 | 21,296 |

Please Note

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2019/20.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.

FUNDING THE CAPITAL PROGRAMME 2017-22

Annex2

| Merton | Capital Programme £000s | Funded by Merton £000s | Funded by grant and capital contributions £000s |
|--------|----------------------------|---------------------------|--|
|--------|----------------------------|---------------------------|--|

| | | | |
|---|---------------|---------------|---------------|
| 2018/19 Current Budget | 39,144 | 23,599 | 15,544 |
| Potential Slippage b/f | 0 | 0 | 0 |
| 2018/19 Revised Budget | 39,144 | 23,599 | 15,544 |
| Potential Slippage c/f | (5,960) | (2,806) | (3,154) |
| Potential Underspend not slipped into next year | (1,331) | (1,161) | (172) |
| Total Spend 2018/19 | 31,853 | 19,633 | 12,219 |

| | | | |
|---|---------------|---------------|--------------|
| 2019/20 Current Budget | 48,031 | 42,302 | 5,729 |
| Potential Slippage b/f | 5,960 | 2,806 | 3,154 |
| 2019/20 Revised Budget | 53,990 | 45,108 | 8,882 |
| Potential Slippage c/f | (17,222) | (16,788) | (433) |
| Potential Underspend not slipped into next year | (1,873) | (1,494) | (379) |
| Total Spend 2019/20 | 34,895 | 26,824 | 8,070 |

| | | | |
|---|---------------|---------------|--------------|
| 2020/21 Current Budget | 18,738 | 14,080 | 4,659 |
| Potential Slippage b/f | 17,222 | 16,788 | 433 |
| 2020/21 Revised Budget | 35,960 | 30,867 | 5,092 |
| Potential Slippage c/f | (6,526) | (5,763) | (763) |
| Potential Underspend not slipped into next year | (2,450) | (1,945) | (505) |
| Total Spend 2020/21 | 26,984 | 23,159 | 3,824 |

| | | | |
|---|---------------|---------------|--------------|
| 2021/22 Current Budget | 15,437 | 11,912 | 3,525 |
| Potential Slippage b/f | 6,526 | 5,763 | 763 |
| 2021/22 Revised Budget | 21,963 | 17,676 | 4,288 |
| Potential Slippage c/f | (3,654) | (3,057) | (597) |
| Potential Underspend not slipped into next year | (2,089) | (1,487) | (602) |
| Total Spend 2021/22 | 16,219 | 13,131 | 3,089 |

| | | | |
|---|---------------|---------------|--------------|
| 2022/23 Current Budget | 21,296 | 18,654 | 2,642 |
| Potential Slippage b/f | 3,654 | 3,057 | 597 |
| 2022/23 Revised Budget | 24,950 | 21,711 | 3,239 |
| Potential Slippage c/f | (840) | (794) | (45) |
| Potential Underspend not slipped into next year | (417) | (308) | (109) |
| Total Spend 2022/23 | 23,692 | 20,608 | 3,084 |

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

Detailed Capital Programme 2019-23

Annex 3

| | Scrutiny | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|---|----------|------------------|------------------|------------------|------------------|
| Corporate Services | | £000 | £000 | £000 | £000 |
| Customer Contact Programme | OSC | 250 | 0 | 1,900 | 0 |
| Works to other buildings | OSC | 650 | 650 | 650 | 650 |
| Civic Centre | OSC | 500 | 0 | 0 | 0 |
| Invest to Save schemes | OSC | 300 | 300 | 300 | 300 |
| IT Systems Projects | OSC | 1,055 | 275 | 50 | 340 |
| Social Care IT System | OSC | 400 | 0 | 0 | 0 |
| Planned Replacement Programme | OSC | 1,735 | 1,060 | 970 | 1,005 |
| Infrastructure & Transactions | | 3,190 | 1,335 | 1,020 | 1,345 |
| Major Projects | | 0 | 125 | 0 | 700 |
| Financial System | OSC | 0 | 0 | 0 | 700 |
| ePayments System | OSC | 0 | 125 | 0 | 0 |
| Acquisitions Budget | OSC | 0 | 0 | 0 | 6,985 |
| Capital Bidding Fund | OSC | 0 | 0 | 0 | 1,186 |
| Corporate Capital Contingency | OSC | 0 | 0 | 0 | 3,000 |
| Multi Functioning Device (MFD) | OSC | 600 | 0 | 0 | 0 |
| Housing Company | OSC | 22,325 | 1,810 | 0 | 0 |
| Westminster Coroners Court | OSC | 460 | 0 | 0 | 0 |
| Corporate Services | | 28,275 | 4,220 | 3,870 | 14,167 |
| Community and Housing | | £000 | £000 | £000 | £000 |
| Disabled Facilities Grant | SC | 280 | 280 | 280 | 280 |
| LD Supported Living | SC | 0 | 488 | 633 | 462 |
| West Barnes Library Re-Fit | SC | 200 | 0 | 0 | 0 |
| Installation of Public Toilets at Mitcham Library | SC | 35 | 0 | 0 | 0 |
| Library Self Service | SC | 0 | 350 | 0 | 0 |
| Library Management System | SC | 0 | 0 | 0 | 140 |
| Community and Housing | | 515 | 1,118 | 913 | 882 |
| Children Schools & Families | | £000 | £000 | £000 | £000 |
| Schs Cap Maint & Accessibility | CYP | 1,900 | 1,900 | 1,900 | 1,900 |
| Harris Academy Morden | CYP | 0 | 0 | 0 | 0 |
| St Mark's Academy | CYP | 0 | 0 | 0 | 0 |
| Harris Academy Wimbledon | CYP | 2,944 | 0 | 0 | 0 |
| Perseid | CYP | 0 | 0 | 0 | 0 |
| Cricket Green | CYP | 4,152 | 0 | 0 | 0 |
| Secondary School Autism Unit | CYP | 272 | 1,088 | 0 | 0 |
| Further SEN Provision | CYP | 188 | 0 | 0 | 0 |
| Melrose primary SEMH annex - 16 places | CYP | 100 | 1,500 | 0 | 0 |
| Primary ASD base 1 - 20 places | CYP | 100 | 800 | 0 | 0 |
| Secondary SEMH/medical PRU - 20 places | CYP | 20 | 80 | 800 | 0 |
| New ASD Provision | CYP | 20 | 250 | 450 | 0 |
| Admissions IT System | CYP | 0 | 0 | 0 | 0 |
| Children Schools & Families | | 9,696 | 5,618 | 3,150 | 1,900 |

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

Detailed Capital Programme 2019-23 Continued.....

| | Scrutiny | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|---------------------------------------|----------|---------------------|---------------------|---------------------|---------------------|
| Environment & Regeneration | | £000 | £000 | £000 | £000 |
| Parking Improvements | SC | 60 | 0 | 0 | 0 |
| Public Protection and Development | SC | 0 | 0 | 35 | 0 |
| Fleet Vehicles | SC | 300 | 300 | 300 | 300 |
| Alley Gating Scheme | SC | 30 | 30 | 30 | 30 |
| Smart Bin Leases - Street Scene | SC | 0 | 0 | 0 | 0 |
| Waste SLWP | SC | 0 | 0 | 0 | 340 |
| Street Trees | SC | 60 | 60 | 60 | 60 |
| Highways & Footways | SC | 3,517 | 3,317 | 3,317 | 3,067 |
| Mitcham Transport Improvements | SC | 425 | 0 | 0 | 0 |
| Unallocated Transport for London | SC | 0 | 0 | 0 | 0 |
| Mitcham Area Regeneration | SC | 1,301 | 1,000 | 533 | 0 |
| Wimbledon Area Regeneration | SC | 300 | 0 | 0 | 0 |
| Morden Area Regeneration | SC | 500 | 2,000 | 2,500 | 0 |
| Borough Regeneration | SC | 170 | 25 | 0 | 0 |
| Morden Leisure Centre | SC | 242 | 0 | 0 | 0 |
| Sports Facilities | SC | 1,650 | 250 | 250 | 250 |
| Parks | SC | 991 | 800 | 479 | 300 |
| Environment and Regeneration | | 9,545 | 7,782 | 7,504 | 4,347 |
| Capital | | 48,031 | 18,738 | 15,437 | 21,296 |

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

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2019/20.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.

Annex 4

Growth/(Reductions) against Approved Programme 2019-22 and Indicative Programme 2022-23

| Merton | Scrutiny | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|--|----------|---------------------|---------------------|---------------------|---------------------|
| | | £000 | £000 | £000 | £000 |
| Infrastructure & Transactions | OSC | 923 | 275 | 8 | 345 |
| Corporate Items | OSC | 0 | 0 | (8,222) | 11,172 |
| Corporate Services | | 923 | 275 | (8,214) | 11,517 |
| Housing | SC | 0 | 488 | 633 | 462 |
| Libraries | SC | 35 | 0 | 0 | 40 |
| Community and Housing | | 35 | 488 | 633 | 502 |
| Primary Schools | CYP | 1,250 | 1,250 | 1,250 | 1,250 |
| Secondary School | CYP | (5,796) | (2,552) | 0 | 0 |
| SEN | CYP | (1,848) | 3,718 | 1,250 | 0 |
| CSF Schemes | CYP | (105) | 0 | 0 | 0 |
| Children Schools & Families | | (6,499) | 2,416 | 2,500 | 1,250 |
| Street Scene & Waste | SC | (10) | (10) | (10) | 330 |
| Sustainable Communities | SC | 1,120 | 275 | 250 | 0 |
| Environment and Regeneration | | 1,110 | 265 | 240 | 330 |
| Capital | | (4,431) | 3,444 | (4,841) | 13,599 |

Annex 5

Indicative Capital Programme 2023-28

| | Scrutiny | Proposed Indicative 2023/24 | Proposed Indicative 2024/25 | Proposed Indicative 2025/26 | Proposed Indicative 2026/27 | Proposed Indicative 2027/28 |
|--|----------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Corporate Services | | £000 | £000 | £000 | £000 | £000 |
| Customer Contact Programme | OSC | 0 | 0 | 1,000 | 1,000 | 1,000 |
| Works to other buildings | OSC | 650 | 650 | 650 | 650 | 650 |
| Invest to Save schemes | OSC | 300 | 300 | 300 | 300 | 300 |
| Planned Replacement Programme | OSC | 720 | 905 | 1,060 | 970 | 1,005 |
| IT Systems Projects | OSC | 751 | 500 | 325 | 50 | 425 |
| Ancillary Systems | OSC | 0 | 0 | 0 | 50 | 0 |
| Youth Justice | OSC | 0 | 100 | 0 | 0 | 0 |
| School Admissions System | OSC | 0 | 0 | 125 | 0 | 0 |
| Regulatory Services | OSC | 0 | 0 | 0 | 0 | 0 |
| Parking System | OSC | 126 | 0 | 0 | 0 | 0 |
| Aligned Assets | OSC | 75 | 0 | 0 | 0 | 75 |
| Environmental Asset Management | OSC | 0 | 0 | 0 | 0 | 250 |
| Revenue and Benefits | OSC | 0 | 400 | 0 | 0 | 0 |
| Capita Housing | OSC | 0 | 0 | 0 | 0 | 100 |
| Planning & Public Protection Sys | OSC | 550 | 0 | 0 | 0 | 0 |
| Spectrum Spatial Analys | OSC | 0 | 0 | 200 | 0 | 0 |
| Social Care IT System | OSC | 2,100 | 0 | 0 | 0 | 0 |
| Multi Functioning Device (MFD) | | 0 | 600 | 0 | 0 | 0 |
| Corporate Services | | 4,521 | 2,955 | 3,335 | 2,970 | 3,380 |
| Community and Housing | | £000 | £000 | £000 | £000 | £000 |
| Disabled Facilities Grant | SC | 280 | 280 | 280 | 280 | 280 |
| LD Supported Living | SC/HCOP | 145 | 0 | 0 | 0 | 0 |
| Library Enhancement Works | SC | 0 | 0 | 350 | 0 | 0 |
| Library Management System | SC | 0 | 0 | 0 | 0 | 140 |
| Community and Housing | | 425 | 280 | 630 | 280 | 420 |
| Children Schools & Families | | £000 | £000 | £000 | £000 | £000 |
| Schools Cap Maint & Accessibility | CYP | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| Children Schools & Families | | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| Environment and Regeneration | | £000 | £000 | £000 | £000 | £000 |
| Parking Improvements | SC | 0 | 60 | 0 | 0 | 0 |
| Public Protection and Development | SC | 0 | 0 | 0 | 35 | 0 |
| Fleet Vehicles | SC | 300 | 300 | 300 | 300 | 300 |
| Alley Gating Scheme | SC | 30 | 30 | 30 | 30 | 30 |
| Waste SLWP | SC | 0 | 0 | 3,998 | 0 | 0 |
| Street Trees | SC | 60 | 60 | 60 | 60 | 60 |
| Highways & Footways | SC | 3,067 | 3,067 | 3,067 | 3,067 | 3,067 |
| Unallocated Transport for London | SC | 0 | 0 | 0 | 0 | 0 |
| Sports Facilities | SC | 250 | 250 | 250 | 250 | 250 |
| Parks | SC | 300 | 300 | 300 | 300 | 300 |
| Environment and Regeneration | | 4,007 | 4,067 | 8,005 | 4,042 | 4,007 |
| Capital | | 10,853 | 9,202 | 13,870 | 9,192 | 9,707 |

Capital Investment Strategy

ANNEX 6

1. Overview

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

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

2. Detail

During the 2018-19 financial year the Authority has undertaken and agreed to undertake one investment transaction:

- i) The purchase of the leasehold interest in Battle Close (the Council already owned the freehold interest). The asset will be added to the Authority's balance sheet as an investment asset.
- ii) The Authority establishes a Wholly Owned Housing Company (Merantun) to provide an investment opportunity for the Authority

During 2018/19 IFRS 9 will come into force, this will impact on the balance sheet as it requires certain transactional arrangements being shown on the balance sheet at fair value:

3. Security

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

- i) Loan to the Wholly Owned Housing Company estimated at circa £13 million combined with (*loan funding currently under review*)
- ii) Equity estimated circa £11.5 million (£8.2 Land Equity and £3.3 million Working Capital - *funding currently under review*)
- iii) IFRS 9 requires that investment in risk capital will need to be valued annually at fair value with any loss being written through the profit and loss account in the year it occurs

For example to review the security of the investment in Merantun - The Authority utilised two externally developed models and a detailed business case to underpin the proposals to assess the financial viability. Legal documentation requires that all assets are returned to Merton at the cessation of the company.

4. Liquidity

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

Merantun – the following three approaches are possible:

- i) Sites could be sold by the company at a profit once planning permission has been obtained
- ii) the business model proposed development of housing on four sites within the first three years, at this juncture housing can be sold at any time to generate receipts through to the Council
- iii) The Housing Company itself could be sold

The authority has loans with MSJCB and intends to enter into a loan with Merantun should the Authority need to liquidate these loans could be sold.

If the Authority needed to release the money invested in Battle Close it could sell the site with or without planning permission.

5. Yield

The yield in the financial return generated to the Authority for example:

The Loan to Merantun will be made at a rate 6.5+% (*loan amount, timing/flexibility and interest rate are currently under review*)

The Model Assessed the Internal Rate of Return as 6.39% (*currently under review*)

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

6. Borrowing in Advance of Need

Section 5.2 of the Treasury Management Strategy sets out the Authority's borrowing strategy and the extent to which the Authority has internally borrowed. Current indications are that interest rates are likely to rise making it more expensive to borrow. Consideration will be given to the timing of required borrowing to minimise the cost to the Authority and with regard to the current debt portfolio (detailed in Section 5.6 of the Treasury Management Strategy)

7. Risk Assessment

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

It is also recognised that a higher level of risk may need to be accepted, for example, to generate higher returns from loans and investment. To offset this there are areas where the council will maintain a very cautious approach for example in matters of compliance with the law, and public confidence in the council, supporting the overall “informed and cautious” position on risk. For example:

Merantun – as part of the business case for the setting up of a wholly owned housing company detailed assessment was made of competitor activity and build costs. Flexibility is available in the timing of site and property disposal, but decisions by the company would be made on a commercial basis.

The greatest risk exposure to the Authority is when the sites are being developed after obtaining planning permission. The enhanced value of the site will not be realisable until the housing units are completed as the greatest value added will be from completed site. Once units are built there is flexibility over those sold and those retained for rental. Rental units present a longer term business model which should provide dividend income. Early marketing and sales coupled with progressing rent guarantees will be used to minimise the risk to the company and the council

8. Capacity, Skills and Culture

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

Within the Business model for Merantun it is recognised that the company may set up joint ventures with trusted partners for the development of some larger sites that would require specialist land assembly skills and larger sums of cash to assist with delivering the development if this is deemed to be appropriate and support the business case. It would contract with construction specialists and construction companies for the development of sites – this should minimise the risk exposure during site development.

LONDON BOROUGH OF MERTON

DRAFT TREASURY MANAGEMENT POLICY STATEMENT- 2019-20

1. INTRODUCTION

1.1 Background

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

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

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

- a) To set the Council’s Prudential Indicators for 2019/20 to 2022/23
- b) Approve the Minimum Revenue Provision (MRP) policy for 2019/20; and
- c) To agree the Treasury Management Strategy for 2019/20.

This will include the annual investment strategy, containing the parameters of how the investments are to be managed.

1.2 Statutory Requirement

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

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

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

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

1.3 Balanced Budget Requirement

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

The other main function of treasury management is the funding of the Council’s capital plans. These capital plans provide a guide to the long or short-term borrowing need of the

Council, essentially the longer term cashflow planning, to ensure that the Council can meet its capital spending obligations. The management of longer term cash may involve arranging long or short dated loans, or using longer term cashflow surpluses. Subject to S151 Officer's approval, any debt previously drawn may be restructured or repaid to meet the Council's risk or cost objectives.

1.4 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital Programme

- To determine the Council's capital plans and prudential indicators for 2019/20 to 2022/23;
- To approve the Minimum Revenue Provision (MRP) policy for 2019/20.

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

Treasury Management Programme

- To agree the Council's treasury management strategy for 2019/20
- current treasury position as at December 2018;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling and early repayment of debt review;
- Annual Investment Strategy and alternative investment instruments (Policy on new lending and borrowing instruments);
- creditworthiness policy;
- Treasury Management Practices (**Appendix 5**);and
- cash flow policy

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

2. CURRENT TREASURY POSITION

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

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

The table below shows the position as at November 2018.

| Year End Resources | 2017/18 Actual £'000 | 30 November 2018 Actual £'000 | 31 March 2018/19 Estimate £'000 | 31 March 2019/20 Estimate £'000 |
|--|----------------------------|--|--|--|
| Investments | 59,500 | 86,500 | 51,900* | 28,500* |
| Interest on investments | 762 | 527 | 900 | 495 |
| Borrowing | | | | |
| Long-term Borrowing | 113,010 | 113,010 | 113,010 | 113,010 |
| Short-term Borrowing | | | | |
| Total External Debt | 113,010 | 113,010 | 113,010 | 113,010 |
| Interest on External Debt | | | | |
| Long-term | 6,592 | 2,745 | 6,315 | 6,315 |
| Short-term | 0 | 0 | 0 | 0 |
| Total Interest on External Debt | 6,692 | 2,745 | 6,315 | 6,315 |

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

* It is assumed that the council will use the internal borrowing to meet the capital expenditure and as a result cash available to invest will reduce and the interest income too.

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

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

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

3.1 Capital Expenditure

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

This indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as reported in the MTFS. Environment and Regeneration figures include projects relating to Public Health programs however these are fully funded and do not have any MRP implications.

Please find below the capital expenditure forecast.

| Merton | Proposed 2019/20 | Proposed 2020/21 | Proposed 2021/22 | Proposed 2022/23 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 |
| Corporate Services | 14,427 | 14,928 | 5,382 | 14,566 |
| Community and Housing | 431 | 725 | 601 | 1,318 |
| Children Schools & Families | 10,783 | 5,928 | 3,288 | 2,358 |
| Environment and Regeneration | 9,255 | 5,402 | 6,948 | 5,450 |
| Capital | 34,895 | 26,984 | 16,219 | 23,692 |

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

The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A shortfall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme as at October 2018

| Capital Expenditure | 2018/19 Estimate £'000 | 2019/20 Estimate £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Capital Expenditure | 39,144 | 48,031 | 18,738 | 15,437 | 21,296 |
| Slippage* | (7,325) | (13,735) | 8,246 | 783 | 2,397 |
| Total Capital Expenditure | 31,819 | 34,295 | 26,984 | 16,219 | 23,692 |
| Financed by: | | | | | |
| Capital Receipts | 19,209 | 3,954 | 900 | 640 | 4,490 |
| Capital Grants & Contributions | 12,219 | 8,070 | 3,824 | 3,089 | 3,084 |
| Revenue Provisions | 222 | 3,560 | 48 | 50 | 56 |
| Net financing need for the year (a) | 169 | 18,711 | 22,212 | 12,441 | 16,061 |

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

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

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

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

The Council has no Housing Revenue Account (HRA) and no new PFI scheme in 2019/20 is expected.

The 2018/19 forecast movement in CFR shows a decrease of £4.731 million because the expenditure to be funded from borrowing in 2017/18 is less than the amount of MRP charged in the year.

The current cashflow projection as at November 2018 for 2018/19 year end is an estimated cash balance of £100m (including all short term deposits). The current forecast has been based on assumptions in the MTFs and capital programme spend forecast after slippage.

The 2018/19 forecast £31.3m, 2019/20 £35.6m, and 2020/21 £26.1m are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects and the level of grant income. Also, fees and charges for the Council may change. Based on current forecasts the earliest the Council may borrow is in 2018/19 in anticipation for 2019/20. However, the Council can borrow in advance of need if rates are likely to rise and borrowing becomes a lot more advantageous than it would be.

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

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital Financing Requirement | | | | | | |
| CFR (non-housing) | 183,712 | 177,509 | 188,819 | 203,396 | 207,017 | 213,379 |
| Total CFR | 183,712 | 177,509 | 188,819 | 203,396 | 207,017 | 213,379 |
| Movement in CFR | (6,288) | (6,203) | 11,309 | 14,578 | 3,621 | 6,361 |
| | | | | | | |
| Movement in CFR represented by | | | | | | |
| Net financing need for the year (above) | 0 | 169 | 18,711 | 22,212 | 12,441 | 16,061 |
| Less Capital MRP/VRP (b) | 6,789 | 4,909 | 5,024 | 5,886 | 7,131 | 7,962 |
| Less Other MRP/VRP - leasing and PFI | 876 | 728 | 1,590 | 904 | 784 | 768 |
| Less Other MRP/VRP - PFI - Termination | 686 | 735 | 788 | 844 | 905 | 970 |
| Less Other financing movements | | | | | | |
| Adjustment of PFI Liability | | | | | | |
| Adjustment of Leasing Liability | (500) | | | | | |
| Adjustment of MRP | (1,563) | | | | | |
| Movement in CFR | (6,288) | (6,203) | 11,309 | 14,578 | 3,621 | 6,361 |

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

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

| | 2017/18 Actual £'000 | 2018/19 Estimate £'000 | 2019/20 Estimate £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Net Revenue Financing Costs | 16,786 | 14,499 | 16,485 | 16,290 | 17,511 | 17,319 |
| Net Revenue Stream | 146,066 | 142,209 | 139,942 | 135,735 | 138,116 | 140,259 |
| Ratio of Financing Costs to Net Revenue Stream (Non HRA) | 11.49% | 10.20% | 11.78% | 12.00% | 12.68% | 12.35% |

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

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

| | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Incremental Change in Capital Financing Costs (£000) | (1,891) | (2,287) | 1,986 | (195) | 1,221 | (192) |
| Council Tax Base | 72,442 | 74,124 | 74,952 | 75,327 | 75,703 | 76,081 |
| Incremental Impact on Council Tax - Band D (£) | (26.10) | (30.85) | 26.49 | (2.59) | 16.13 | (2.53) |
| Council Tax - Band D (£) | 1,139.71 | 1,169.36 | 1,227.71 | 1,252.26 | 1,277.31 | 1,302.86 |

***2017/18 and 2018/19 uses actual council tax amounts. Future years use assumptions in the MTFS. For planning purposes.

4. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

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

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

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

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

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

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

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

5. TREASURY MANAGEMENT STRATEGY**5.1 The Prospects for Interest Rates and Economic Forecasts**

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

| Annual Average % | Bank Rate (%) | PWLB Borrowing Rates (%) | | | |
|------------------|---------------|--------------------------|---------|---------|---------|
| | | 5 year | 10 year | 25 year | 50 year |
| Dec 2018 | 0.75 | 2.00 | 2.50 | 2.90 | 2.70 |
| March 2019 | 0.75 | 2.10 | 2.50 | 2.90 | 2.70 |
| June 2019 | 1.00 | 2.20 | 2.60 | 3.00 | 2.80 |
| Sept 2019 | 1.00 | 2.20 | 2.60 | 3.10 | 2.90 |
| Dec 2019 | 1.00 | 2.30 | 2.70 | 3.10 | 2.90 |
| March 2020 | 1.25 | 2.30 | 2.80 | 3.20 | 3.00 |
| June 2020 | 1.25 | 2.40 | 2.90 | 3.20 | 3.10 |
| Sept 2020 | 1.25 | 2.50 | 2.90 | 3.20 | 3.10 |
| Dec 2020 | 1.40 | 2.50 | 2.90 | 3.30 | 3.10 |
| March 2021 | 1.40 | 2.60 | 3.00 | 3.40 | 3.20 |
| June 2020 | 1.45 | 2.60 | 3.00 | 3.50 | 3.30 |
| Sept 2020 | 1.50 | 2.70 | 3.10 | 3.50 | 3.30 |
| Dec 2020 | 1.50 | 2.70 | 3.10 | 3.60 | 3.40 |
| Mar 2021 | 1.60 | 2.80 | 3.20 | 3.60 | 3.40 |

Source: Link Asset Services

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by

repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

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

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

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.2 Borrowing Strategy

Current Borrowing Portfolio Position

The table below shows the CFR as at December 2018 against the gross debt position of the Council. The gross debt includes other long-term liabilities like PFI and finance lease obligations. Gross debt should not exceed CFR in the medium to long-term.

Estimated debt may change as the capital programme spends and financing changes. The lease balances do not include adjustments for new implications in 2018/19.

| Narrative | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Estimate | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| External Debt at 1 April | 116,976 | 113,010 | 113,010 | 113,010 | 113,479 | 119,267 |
| Expected change in Debt (repayment and new debt) | (3,966) | 0 | 0 | 469 | 5,788 | 8,577 |
| Closing External Debt | 113,010 | 113,010 | 113,010 | 113,479 | 119,267 | 127,844 |
| PFI Balance b/f | 18,664 | 17,869 | 17,185 | 15,631 | 14,826 | 14,182 |
| In year movement | (795) | (684) | (1,554) | (805) | (644) | (590) |
| Closing Balance PFI | 17,869 | 17,185 | 15,631 | 14,826 | 14,182 | 13,592 |
| PFI Partial Termination Balance b/f | 14,613 | 13,927 | 13,192 | 12,404 | 11,560 | 10,655 |
| In year movement | (686) | (735) | (788) | (844) | (905) | (970) |
| Closing Partial termination Balance PFI | 13,927 | 13,192 | 12,404 | 11,560 | 10,655 | 9,685 |
| Total PFI | 31,796 | 30,377 | 28,035 | 26,386 | 24,837 | 23,277 |
| Finance Leases at 1 April | 81 | 44 | 36 | 99 | 140 | 178 |
| Expected Change in Finance Leases | (37) | (8) | 63 | 41 | 38 | (2) |
| Closing Balance Finance Leases | 44 | 36 | 99 | 140 | 178 | 176 |
| Salix Loan | 25 | 15 | 5 | 0 | 0 | 0 |
| Salix in year movement | (10) | (10) | (5) | 0 | 0 | 0 |
| Closing Balance Salix | 15 | 5 | 0 | 0 | 0 | 0 |
| Actual Gross Debt at 31 March | 144,865 | 143,428 | 141,144 | 140,005 | 144,282 | 151,297 |
| Capital Financing Requirement | 183,712 | 177,509 | 188,819 | 203,396 | 207,017 | 213,379 |
| (Under)/over Borrowing | (38,847) | (34,082) | (47,675) | (63,392) | (62,736) | (62,081) |

The table contained in section 5.2 shows the CFR forecast for 2018/19 to 2022/23. Also, there is no maturing debt until 2020/21, borrowing pressure from expenditure plans within the capital programme exist from 2019-23. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances

and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

Council's Year End Balance Sheet Position at 31 March 2018

| | 2016/17 | 2017/18 | Change |
|--|-----------------|-----------------|----------------|
| | £'000 | | £'000 |
| CFR | 190,000 | 183,712 | (6,288) |
| PFI and LEASES | (33,383) | (31,855) | 1,527 |
| Underlying Borrowing Requirement | 156,617 | 151,857 | (4,761) |
| External Borrowing | 116,976 | 113,010 | (3,966) |
| Under borrowing / Internal borrowing to date | (39,641) | (38,847) | 795 |

Strategy to 'Unwind' Internal Borrowing

Internal borrowing at 31 March 2018 remains at sustainable levels. However, the Council will commence a review of its strategy to 'unwind' internal borrowing.

Debt Liability Benchmarking

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

Consideration was given to the fact that in the current economic climate the LOBOs in the Council's portfolio will not be called due to their very high interest rate. Should they be called, replacement borrowing will not be required because the council will have cash available in 2019/20 to meet the call options based on the current estimates of the use of internal borrowing for the capital programme.

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

The borrowing strategy to temporarily finance its capital programme, led the Council to consider setting a minimum amount of projected liquid cash of £10m. This means that cash outflows for capital purposes would primarily be met from cash investments until £10m was reached, and only at that point, would external borrowing be undertaken except if interest

rates were advantageous for long-term loans, then the Council will borrow in advance of need or where interest rates are expected to rise significantly and quickly.

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

5.3 Treasury Indicators: Limits to Borrowing Activity

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

| Operational Boundary | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| | Estimate | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| External Debt | 113,010 | 113,010 | 113,010 | 113,479 | 119,267 | 127,844 |
| Other Long Term Liabilities | 31,855 | 30,418 | 28,134 | 26,526 | 25,015 | 23,453 |
| Operational Boundary | 144,865 | 143,428 | 141,144 | 140,005 | 144,282 | 151,297 |

Authorised Limit for External Borrowing

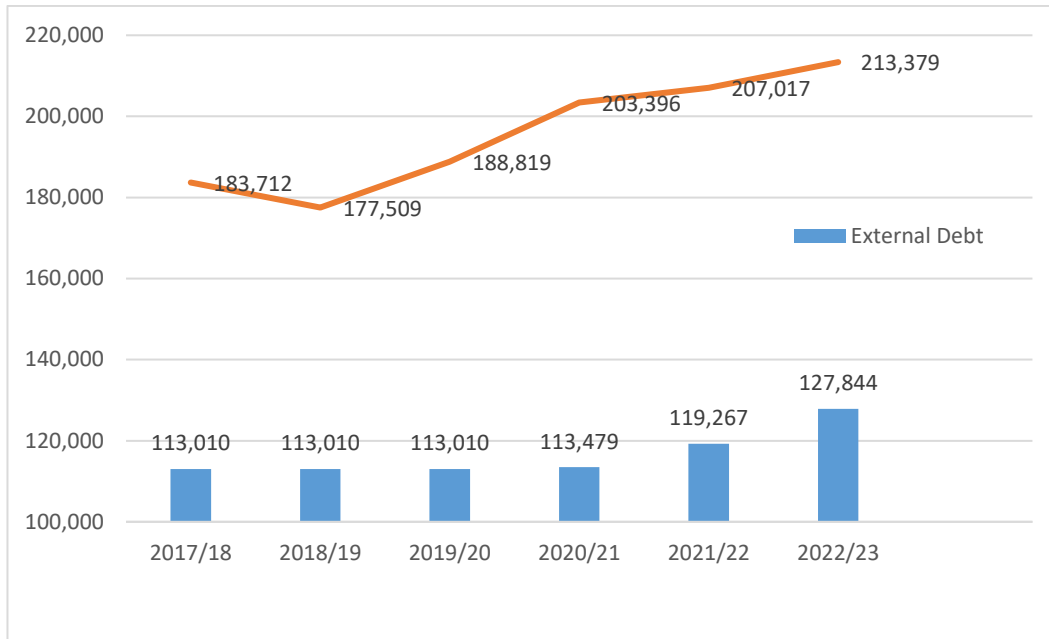
This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents a limit beyond which external borrowing must not go over in the 3 years, and this limit when set is to be revised annually by Council. It reflects the level of external borrowing which, while not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

The Council is asked to approve the following authorised limit:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-----------------------------|----------|----------|----------|----------|----------|----------|
| | Estimate | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Operational Boundary | 144,865 | 143,428 | 141,144 | 140,005 | 144,282 | 151,297 |
| Other Long Term Liabilities | 80,000 | 90,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Authorised Limit | 224,865 | 233,428 | 241,144 | 240,005 | 244,282 | 251,297 |

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

The following graph shows projection of the CFR and borrowing.



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

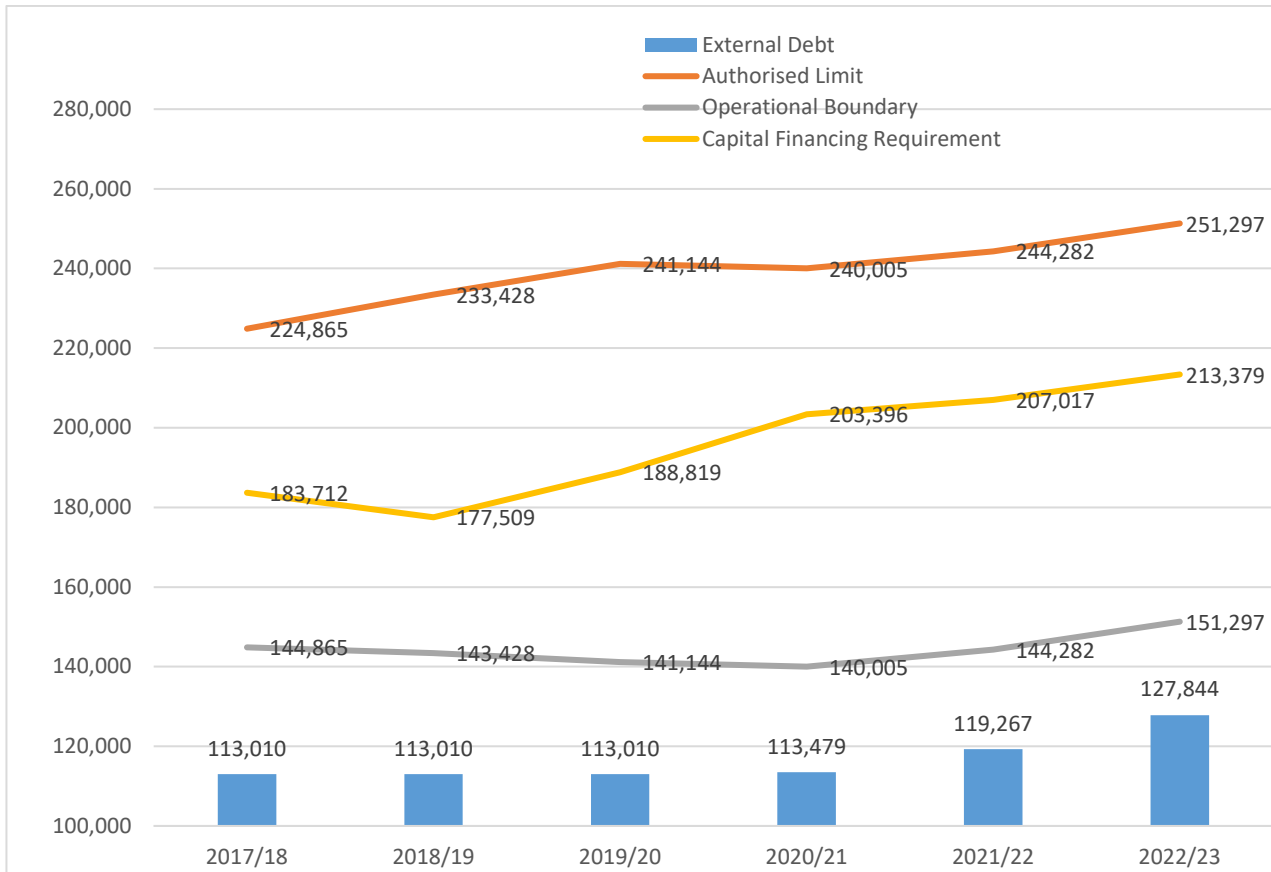
The Director of Corporate Services reports that the Council complied with this key prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget.

5.4 Treasury Management Limits on Activity

The table below shows the debt related treasury activity limits.

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

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



The table below shows the fixed and variable interest rate exposure

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Interest Rate Exposures | Upper Estimate | Upper Estimate | Upper Estimate | Upper Estimate | Upper Estimate |
| Upper limit for fixed interest rates based on net debt | 100% | 100% | 100% | 100% | 100% |
| Upper limit for variable interest rates based on net debt | 50% | 50% | 50% | 50% | 50% |
| Limits on fixed interest rates: | | | | | |
| • Debt only | 100% | 100% | 100% | 100% | 100% |
| • Investments only | 100% | 100% | 100% | 100% | 100% |
| Limits on variable interest rates | | | | | |
| • Debt only | 50% | 50% | 50% | 50% | 50% |
| • Investments only | 50% | 50% | 50% | 50% | 50% |

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

| | Maturity Structure of fixed interest rate borrowing 2018/19 | | | Maturity Structure of variable interest rate borrowing 2018/19 | | |
|----------------------|---|-------|-------|--|-------|-------|
| | Actual at 21/11/2018 | Lower | Upper | Actual 21/11/2017 | Lower | Upper |
| Under 12 months | 0% | 0% | 60% | 0% | 0% | 50% |
| 12 months to 2 years | 0% | 0% | 60% | 0% | 0% | 50% |
| 2 years to 5 years | 3.81% | 0% | 60% | 0% | 0% | 50% |
| 5 years to 10 years | 27.17% | 0% | 80% | 0% | 0% | 50% |
| 10 years to 20 years | 11.06% | 0% | 100% | 0% | 0% | 50% |
| 20 years to 30 years | 11.94% | 0% | 100% | 0% | 0% | 50% |
| 30 years to 40 years | 28.32% | 0% | 100% | 0% | 0% | 50% |
| 40 years to 50 years | 17.70% | 0% | 100% | 0% | 0% | 50% |

Local Indicators

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

The table below shows target borrowing and investment rates

| | 2017/18 Actual % | 2018/19 Estimate % | 2019/20 Estimate % | 2020/21 Estimate % | 2021/22 Estimate % | 2022/23 Estimate % |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Average Investment Target Return | 0.80% | 0.84% | 1.00% | 1.00% | 1.00% | 1.25% |
| Average Investment Target – Property Fund | 4.19 | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Long Term Borrowing Target | | | | | | |
| • Current Portfolio | 5.94% | 5.72% | 5.22%* | 5.22%* | 5.22%* | 5.22%* |

** If we are borrowing in future years, will this change?

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

5.5 Policy on Borrowing in Advance of Need

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

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

Borrowing in advance could be made within the constraints that:

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

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

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

| Year | Maximum Borrowing in advance | Notes |
|---------|---|--|
| 2019/20 | No more than 50% of under borrowing requirement | Borrowing in advance will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 2 years in advance to reduce carrying costs. |
| 2020/21 | No more than 50% of under borrowing requirement | |
| 2021/22 | No more than 50% of under borrowing requirement | |
| 2022/23 | No more than 50% of under borrowing requirement | |

5.6. Debt Rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

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

The following table shows the maturity profile of the Council's current debt as at November 2018.

| Duration | £'000 | % of Debt Portfolio |
|------------------|--------|---------------------|
| less than 1 year | 0 | 0.00 |
| 1 - 2 years | 0 | 0.00 |
| 2 - 5 years | 4,310 | 3.81 |
| 5 -10 years | 30,700 | 27.17 |
| 10 -15 years | 1,000 | 0.88 |
| 15- 20 years | 11,500 | 10.18 |
| 20 - 25 years | 13,500 | 11.95 |
| 25-30 years | 0 | 0.00 |
| 30 - 35 years | 7,000 | 6.19 |
| 35-40 years | 25,000 | 22.12 |
| 40 -45 years | 20,000 | 17.70 |
| 45-50 years | 0 | 0 |

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

| Duration | £'000 | % of Debt Portfolio |
|------------------|--------|---------------------|
| less than 1 year | 51,000 | 45.13 |
| 1 - 2 years | 0 | 0 |
| 2 - 5 years | 310 | 0.27 |
| 5 -10 years | 21,200 | 18.76 |
| 10 -15 years | 1,000 | 0.88 |
| 15- 20 years | 2,500 | 2.21 |
| 20 - 25 years | 0 | 0.00 |
| 25-30 years | 0 | 0.00 |
| 30 - 35 years | 7,000 | 6.19 |
| 35-40 years | 15,000 | 13.29 |
| 40 -45 years | 15,000 | 13.27 |
| 45-50 years | 0 | 0.00 |

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

The reasons for any rescheduling to take place will include:

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

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

The Council tests the markets for redemption opportunities should they exist. The PWLB loans portfolio was elected for the early redemption review as at December 2018. A total loan value of £52m would incur redemption costs of £25million in addition to any accrued interest due.

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

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

Use of Derivatives

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

5.7 Borrowing Options

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

5.8 Changes Which May Affect Treasury Management

- *Future Regulatory Changes to Money Market Fund Valuation*
Proposed EU legislative changes will require money market funds with constant net asset value to change to variable net asset value. This will mean that investors in the fund will be liable for their share of losses as a result of counterparty failure. Consultation continues on the expected changes.
- *Proposed Changes to Leasing*
Future changes to accounting for leasing may mean that the cost of service will increase along with increases in MRP and CFR which will affect the Council's underlying borrowing requirement. It is anticipated that there may be some impact on both capital and revenue income and the changes will require all leases to be included on the balance sheet and be measured on PV of future lease payments. The new lease standard (IFRS 13) issued in 2015 is not anticipated to be adopted until 2019/20.
- *Municipal Bond Agency*
It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.
- *Future Challenges to Local Government Funding*
Future challenges to local government funding and their effect on cash flow remains a challenge.

6. ANNUAL INVESTMENT STRATEGY

6.1 Investment Policy

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

6.2 Investment Strategy

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

Investment returns expectations

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

| | |
|---------|-------|
| 2018/19 | 0.75% |
| 2019/20 | 1.25% |
| 2020/21 | 1.60% |
| 2021/22 | 1.60% |

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

| | Now |
|-------------|-------|
| 2018/19 | 0.84% |
| 2019/20 | 1.00% |
| 2020/21 | 1.00% |
| 2021/22 | 1.00% |
| 2022/23 | 1.25% |
| 2023/24 | 1.25% |
| Later years | 2.75% |

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

6.3 Alternative Investment Instruments

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

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

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

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

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

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

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

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

| | 31 Dec 2018 Actual £'m | 2018/19 Estimate £'m | 2019/20 Estimate £'m | 2020/21 Estimate £'m | 2021/22 Estimate £'m | 2022/23 Estimate £'m |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated Principal sums invested greater than 364 days | 5m | 18m | 40m | 40m | 30m | 30m |

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

6.5 Use of Specified and Non-Specified Investments

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

Specified Investments

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

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

Non-Specified Investments

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

6.6 Investment Risk Benchmarking

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

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

- Security - The Council's maximum security risk benchmark for the current portfolio:
- Liquidity – in respect of this area the Council seeks to maintain:
 - Bank overdraft - £1m
 - Liquid short-term deposits of around £5m or more available with one day access.

6.7 Risk Management and Creditworthiness Policy

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

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

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

| Y | Pi1 | Pi2 | P | B | O | R | G | N/C |
|---|------------|--|----------------|------------|-----------|-------------|---------------|-----------|
| 1 | 1.25 | 1.5 | 2 | 3 | 4 | 5 | 6 | 7 |
| Up to 5yrs | Up to 5yrs | Up to 5yrs | Up to 2yrs | Up to 1yr | Up to 1yr | Up to 6mths | Up to 100days | No Colour |
| | | Colour (and long term rating where applicable) | Money Limit | Time Limit | | | | |
| Banks | | yellow | £35m | 5yrs | | | | |
| Banks | | purple | £25m | 2 yrs | | | | |
| Banks | | orange | £25m | 1 yr | | | | |
| Banks – part nationalised | | blue | £25m | 1 yr | | | | |
| Banks | | red | £10m | 6 mths | | | | |
| Banks | | green | £5m | 100 days | | | | |
| Banks | | No colour | Not to be used | | | | | |
| Limit 3 category – Council’s banker | | Lloyds bank | £5m | 1 day | | | | |
| Other institutions limit | | - | £5m | 1yrs | | | | |
| DMADF | | AAA | unlimited | 6 months | | | | |
| Local authorities | | Yellow | £35m | 5yrs | | | | |
| | | Fund rating | Money Limit | Time Limit | | | | |
| Money market funds | | AAA | £35m | Instant | | | | |
| Enhanced money market funds with a credit score of 1.25 | | Dark pink / AAA | £25m | Instant | | | | |
| Enhanced money market funds with a credit score of 1.5 | | Light pink / AAA | £10m | Instant | | | | |

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

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

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

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

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

6.8 Country and Sector Limits

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

6.9 Banking Arrangements

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

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

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

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

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

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

6.11 Non-Treasury Investment Lending

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

7. Cashflow Management

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

Forecasts are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects. Please see Appendix 8 for the cash flow forecast.

7.2 Purchase and Corporate Credit Cards

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

8. Policy on the use of External Service Providers

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

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

9. Training

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

10. The Localism Act

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

11. Treasury Management Practices

- 11.1 The 2011 Code reinforces a framework of 12 Treasury Management practices (TMPs), which define the manner in which authorities seek to achieve the policies and objectives outlined in their Treasury Management policy statement. The Council's detailed Treasury Management practices approved in March 2018/19 can be found on the Council's intranet. An updated version is included as **Appendix 5**

12. Appendices

- Appendix 1– Early Repayment of Debt Estimate
- Appendix 2 – Policy Investments (Non-Treasury Management Investments)
- Appendix 3 – Approved Countries for Investment
- Appendix 4 – The Treasury Management Role of the S151 Officer
- Appendix 5 – Treasury Management Practices 2019/20
- Appendix 6 – Prudential Indicators for 2018/19 to 2022/23
- Appendix 7 – Glossary
- Appendix 8 – Cashflow Forecast

13. Background Papers

- CIPFA Prudential Code for Capital Finance in Local Authorities 2013 Edition
 - 2017/18 Treasury Management Strategy report
 - The Guide to Local Government Finance (2013 Edition) Module 4: Treasury Management
 - CIPFA Practical Considerations in Using Financial Instruments to Manage Risk in the Public Sector
 - London Borough of Merton Capital Strategy 2019/23

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

PWLB loan Early Redemption Estimates at 30 November 2018

| Loan Ref | Lender | Loan Start Date | Term | Maturity | Principal | Rate | Last Int paid | Term Left | Next Int Due | Discount Rate | Accrued Int to Nov 30 | Premium/Discount | Total Due |
|--------------|--------|-----------------|------|------------|----------------------|------|---------------|-----------|--------------|---------------|-----------------------|----------------------|----------------------|
| 1000484711 | PWLB | 13/11/2000 | 24 | 31/10/2024 | 5,000,000.00 | 5.00 | 31/10/2018 | 5.0 | 30/04/2019 | 0.78 | 20,547.95 | 1,178,799.94 | 6,199,347.89 |
| 1000484981 | PWLB | 30/11/2000 | 24 | 31/10/2024 | 1,500,000.00 | 4.75 | 31/10/2018 | 5.0 | 30/04/2019 | 0.86 | 5,856.16 | 332,076.57 | 1,837,932.73 |
| 1005489969 | PWLB | 20/05/2005 | 30 | 20/05/2035 | 2,500,000.00 | 4.45 | 20/11/2018 | 16.0 | 20/05/2019 | 0.86 | 3,047.95 | 997,257.48 | 3,500,305.43 |
| 1005490706 | PWLB | 21/11/2005 | 26 | 21/11/2031 | 1,000,000.00 | 4.25 | 21/11/2018 | 12.0 | 21/05/2019 | 0.86 | 1,047.95 | 327,307.92 | 1,328,355.87 |
| 1005490967 | PWLB | 10/01/2006 | 50 | 25/07/2055 | 10,000,000.00 | 3.95 | 25/07/2018 | 36.0 | 25/01/2019 | 0.90 | 138,520.55 | 5,750,711.92 | 15,889,232.47 |
| 1005490976 | PWLB | 10/01/2006 | 50 | 25/07/2055 | 5,000,000.00 | 3.95 | 25/07/2018 | 36.0 | 25/01/2019 | 0.90 | 69,260.27 | 2,875,355.96 | 7,944,616.23 |
| 1006491475 | PWLB | 28/04/2006 | 45.5 | 28/10/2051 | 7,000,000.00 | 4.40 | 28/10/2018 | 32.0 | 28/04/2019 | 1.67 | 27,846.58 | 4,408,923.18 | 11,436,769.76 |
| 1097480120 | PWLB | 15/10/1997 | 25.5 | 31/03/2023 | 310,000.00 | 6.63 | 30/09/2018 | 4.0 | 31/03/2019 | 1.47 | 3,432.29 | 77,046.29 | 390,478.58 |
| 1097480121 | PWLB | 15/10/1997 | 26.5 | 31/03/2024 | 12,000,000.00 | 6.50 | 30/09/2018 | 5.0 | 31/03/2019 | 1.80 | 130,356.16 | 3,520,230.52 | 15,650,586.68 |
| 1097480232 | PWLB | 11/11/1997 | 26.5 | 31/03/2024 | 1,700,000.00 | 6.75 | 30/09/2018 | 5.0 | 31/03/2019 | 1.80 | 19,177.40 | 520,804.79 | 2,239,982.19 |
| 1098480925 | PWLB | 30/04/1998 | 26 | 30/04/2024 | 6,000,000.00 | 5.88 | 31/10/2018 | 5.0 | 30/04/2019 | 1.84 | 28,972.60 | 1,589,444.74 | 7,618,417.34 |
| Total | | | | | 52,010,000.00 | | | | | | 448,065.86 | 21,577,959.31 | 74,036,025.17 |

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

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

APPENDIX 3 – APPROVED COUNTRIES FOR INVESTMENTS (as at 21 November 2018)

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

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

AAA

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

AA+

- Finland
- U.S.A.

AA

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

AA-

- Belgium
- Qatar

APPENDIX 4

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
 - approval of annual strategy.
 - approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
 - budget consideration and approval;
 - approval of the division of responsibilities;
 - Receiving and reviewing regular monitoring and acting on recommendation
-
- **The S151 Officer (Director of Corporate Services)**
 - recommending clauses, Treasury Management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
 - submitting regular Treasury Management policy reports;
 - submitting budgets and budget variations;
 - receiving and reviewing management information reports;
 - reviewing the performance of the Treasury Management function;
 - ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
 - ensuring the adequacy of internal audit, and liaising with external audit;
 - recommending the appointment of Treasury Management external service providers.
 - Approval of appropriate money market funds for the Council to invest in.

APPENDIX 5

LONDON BOROUGH OF MERTON
TREASURY MANAGEMENT PRACTICES 2019/20**TMP 1: RISK MANAGEMENT**

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

1.1 Credit and Counterparty Risk Management

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

Policy on the use of credit risk analysis techniques

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

1.2 Liquidity Risk Management

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

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

Bank overdraft arrangements – A £1 million net overdraft at 2% over base rate on debit

balances has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts. Separate facilities are available for the Pension Fund bank account.

- a. Short-term borrowing facilities
The Council accesses temporary loans through approved brokers on the London money market.
- b. Special payments
Where an urgent clearing house automated payment system (CHAPS) payment is required, a CHAPS payment request form must be completed and forwarded to the Head of Transactional Services who then checks for correct required signatures and supporting paperwork. Further guidance can be found on the Council's intranet.
- c. Inter account transfer
From time to time, transactions occur between the Pension Fund and the Council. Reimbursement where necessary is by inter-account transfers between both bank accounts.

1.3 Interest Rate Risk Management and use of Derivatives

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

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

Policies concerning the use of instruments for interest rate management.

- Forward Dealing

Consideration will be given to dealing for forward periods depending on market conditions. When forward dealing is more than a 364 day period forward, the approval of the Director of Corporate Services is required.

- Callable Deposits

The council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

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

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

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

1.4 Exchange Rate Risk Management

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

1.5 Refinancing Risk Management

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

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

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

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

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

1.6 Legal and Regulatory Risk Management

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

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

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

The Council's powers to borrow and invest are contained in the Local Government Act 2003, section 12 and Local Government Act 2003, section 1. The treasury management scheme of delegation is contained in the Corporate Services Scheme of Delegation. This document

contains the officers who are authorised signatories. The Council's monitoring officer is the Assistant Director Corporate Resources while the S151 Officer is the Director of Corporate Services.

1.7 Fraud, Error and Corruption, and Contingency Management

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

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

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

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

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

1.8 Market Risk Management

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

TMP 1: SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

This is included in the Treasury Management Strategy.

TMP 2: PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

Periodic Review During the Financial Year

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

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

Annual Review After the end of the Financial Year

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

Comparative Review

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

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

2.2 Benchmarks and Calculation Methodology**2.2.1 Debt management**

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

2.2.2 Investment

The performance of investment earnings will be measured against any of the following benchmarks: In-house benchmark and when necessary other benchmarks such as Bank of England base rate, 7-day LIBID uncompounded, 7-day LIBID compounded weekly, 1-month LIBID and 3-month LIBID compounded quarterly

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

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

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

2.3.1 Money-broking Services

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

2.3.2 Consultants / Advisers Services

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

TMP 3: DECISION-MAKING AND ANALYSIS**3.1 Funding, Borrowing, Lending, and New Instruments/Techniques****3.1.1 Records to be kept**

The following records will be retained:

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

3.1.2 Processes to be pursued

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

3.1.3 Issues to be addressed**3.1.3.1 In respect of all treasury management decisions made the Council will:**

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

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

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

3.1.3.3 In respect of investment decisions, the Council will:

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

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

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

4.2 Approved Instruments for Investments

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

4.3 Approved Techniques

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

4.4 Approved Methods and Sources of Raising Capital Finance

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

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

Other Methods of Financing

Government and EC Capital Grants

Lottery monies

PFI/PPP

Operating and Finance leases

Revenue Contributions

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

4.5 Investment Limits

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

4.6 Borrowing Limits

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

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

5.1 Allocation of Responsibilities

(i) Council (Budget)

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

(ii) Cabinet

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

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

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

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

5.2.1 Responsible Officer

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

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

the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.2.2 Treasury Manager

The responsibilities of this post will be: -

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

5.2.3 Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

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

5.2.4 Monitoring Officer

The responsibilities of this post will be: -

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

5.2.5 Internal Audit

The responsibilities of Internal Audit will be: -

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

5.3 Absence Cover Arrangements

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

5.4 Dealing Limits

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

5.5 List of Approved Brokers

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

Policy on Brokers' Services

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

5.6 Policy on Taping of Conversations

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

5.7 Direct Dealing Practices

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

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

5.8 Settlement Transmission Procedures

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

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

5.9 Documentation Requirements

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

5.10 Arrangements Concerning the Management of Third-Party Funds.

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

TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**6.1 Annual Treasury Management Strategy Statement**

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the cabinet and then to the Council (budget) for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) Current Treasury portfolio position
 - c) Borrowing requirement
 - d) Prospects for interest rates
 - e) Borrowing strategy
 - f) Policy on borrowing in advance of need
 - g) Debt rescheduling
 - h) Investment strategy
 - i) Creditworthiness policy
 - j) Policy on the use of external service providers
 - k) Any extraordinary treasury issue
 - l) MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives.

6.2 Annual Investment Strategy Statement

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

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) Which specified and non specified instruments the Council will use
- c) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- d) Which credit rating agencies the Council will use
- e) How the Council will deal with changes in ratings, rating watches and rating outlooks
- f) Limits for individual counterparties and group limits
- g) Country limits
- h) Levels of cash balances
- i) Interest rate outlook
- j) Budget for investment earnings
- k) Policy on the use of external service providers

6.3 Annual Minimum Revenue Provision Statement

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

6.4 Policy on Prudential and Treasury Indicators

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

6.5 Other Reporting

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

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory / Regulatory Requirements

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

TMP 8: CASH AND CASHFLOW MANAGEMENT

8.1 Arrangements for Preparing Cashflow

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

8.2 Bank Statements Procedures

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

TMP 9: MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002 and Amendments

See Council's website and intranet for money laundering process and associated policies
http://intranet/anti_money_laundering_policy.pdf

9.2 The Terrorism Act 2000 and Amendment order

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

9.3 The Money Laundering Regulations 2007 and Updates

The Council's money laundering officer is the Head of Audit. See Council's website and intranet for details http://intranet/anti_money_laundering_policy.pdf

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

9.4 Procedures for Establishing Identity / Authenticity of Lenders

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

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

9.5 Methodologies for identifying Deposit Takers

Other than those organisations mentioned in para section 6.10 and Appendix 2 of the treasury strategy, in the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA Register can be accessed through their website on www.fca.gov.uk.

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

TMP 10: TRAINING AND QUALIFICATIONS

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

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

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

10.1 Details of Approved Training Courses

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

10.2 Records of Training Received by Treasury Staff

Staff will keep records on their training.

10.3 Member Training Record

Member training will be provided as required.

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

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

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

11.1.1 Banking Services

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

11.1.2 Money-Broking Services

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

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

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

11.1.4 Custodian Banks

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

11.1.5 Credit Rating Information

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

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12: CORPORATE GOVERNANCE

12.1 List of Documents to be Made Available for Public Inspection

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

APPENDIX 6

PRUDENTIAL INDICATORS FOR 2018/19 TO 2022/23

| PRUDENTIAL INDICATORS | 2018/19 Forecast £'000 | 2019/20 Forecast £'000 | 2020/21 Forecast £'000 | 2021/22 Forecast £'000 | 2022/23 Forecast £'000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1 CAPITAL EXPENDITURE | | | | | |
| a) Capital Expenditure (includes expenditure funded by supported, unsupported borrowing and other sources) | | | | | |
| i) General Fund estimated (Net of Leasing) | 31,819 | 34,295 | 26,984 | 16,219 | 23,692 |
| Total | 31,819 | 34,295 | 26,984 | 16,219 | 23,692 |
| b) In year Capital Financing Requirement (CFR) | | | | | |
| i) General Fund (Gross of MRP costs) | 169 | 18,711 | 22,212 | 12,441 | 16,061 |
| Total in year CFR | 169 | 18,711 | 22,212 | 12,441 | 16,061 |
| c) Capital Financing Requirement as at 31 March (Balance Sheet figures) | | | | | |
| i) General Fund (Net of MRP costs) | 177,509 | 188,819 | 203,396 | 207,017 | 213,379 |
| Total | 177,509 | 188,819 | 203,396 | 207,017 | 213,379 |
| 2 AFFORDABILITY | | | | | |
| a) Ratio of Financing Costs to net Revenue Streams | | | | | |
| i) General Fund | 10.20% | 11.78% | 12.00% | 12.68% | 12.35% |
| b) General Fund Impact of Prudential (Unsupported) Borrowing on Band D Council Tax Levels (per annum) | | | | | |
| i) In year Increase £ | (30.85) | 26.49 | (2.59) | 16.13 | (2.53) |
| ii) Cumulative Increase (includes MRP costs) £ | (56.95) | (30.45) | (33.04) | (16.91) | (19.44) |

APPENDIX 6

PRUDENTIAL INDICATORS FOR 2018/19 TO 2022/23

| PRUDENTIAL INDICATORS | 2018/19 Forecast £'000 | 2019/20 Forecast £'000 | 2020/21 Forecast £'000 | 2021/22 Forecast £'000 | 2022/23 Forecast £'000 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 3 LONG-TERM EXTERNAL DEBT | | | | | |
| a) Debt Brought Forward 1 April | 113,010 | 113,010 | 113,010 | 113,479 | 119,267 |
| Debt Carried Forward 31 March | 113,010 | 113,010 | 113,479 | 119,267 | 127,844 |
| Additional Borrowing | 0 | 0 | 469 | 5,788 | 8,577 |
| b) Operational Boundary for External Debt (Excludes Revenue Borrowing) | | | | | |
| i) External Debt 31 March | 113,010 | 113,010 | 113,479 | 119,267 | 127,844 |
| ii) Other Long-term Liabilities | 30,418 | 28,134 | 26,526 | 25,015 | 23,453 |
| c) Total Operating Boundary (Excludes Revenue Borrowing) | 143,428 | 141,144 | 140,005 | 144,282 | 151,297 |
| Add margin for cashflow contingency | 90,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Affordable Borrowing Limit (Includes Revenue Borrowing) | 233,428 | 241,144 | 240,005 | 244,282 | 251,297 |
| Authorised Limit for External Debt (Includes Revenue Borrowing) | | | | | |
| - Gross Debt 31 March | 143,428 | 141,144 | 140,005 | 144,282 | 151,297 |
| - Headroom for Unusual Cash Movements | 90,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Authorised Borrowing Limit | 233,428 | 241,144 | 240,005 | 244,282 | 251,297 |
| 4 TREASURY MANAGEMENT | | | | | |
| a) Borrowing Limit – Upper Limit for Fixed Interest Rate Exposure Expressed as: Net Principal re Fixed Rate Borrowing/Investments | 233,428 | 241,144 | 240,005 | 244,282 | 251,297 |
| b) Borrowing Limit – Upper Limit for Variable Interest Rate Exposure Expressed as a %: Net Principal re Variable Rate Borrowing/ Investments | 50% | 50% | 50% | 50% | 50% |
| c) Lending Limit – Upper Limit for Total Principal Sums Invested for Over 364 Days Expressed as a % of Total Investments | 50% | 50% | 50% | 50% | 50% |

APPENDIX 6

PRUDENTIAL INDICATORS FOR 2018/19 TO 2022/23

| | | LOWER LIMIT | UPPER LIMIT |
|------|---|-------------|-------------|
| d) | Maturity Structure of new Fixed Rate Borrowing, if Taken During 2019/20 | | |
| i) | Under 12 Months | 0 | 10% |
| ii) | 12 Months to 24 Months | 0 | 20% |
| iii) | 24 Months to 5 Years | 0 | 30% |
| iv) | 5 Years to 10 Years | 0 | 40% |
| v) | 10 Years and Above | 0 | 100% |

APPENDIX 7

GLOSSARY OF TREASURY MANAGEMENT TERMS

Accrued Interest

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

Basis Point

One hundredth of 1% e.g. 0.01%

Certificate of Deposit (CD)

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

Coupon

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

Covered Bond

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

Credit Rating

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

Credit risk

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

Debt Management Office (DMO)

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

Financial Strength Rating

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

Floating Rate Note (FRN)

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

Gilt

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

Index Linked Gilts

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

Interest Rate Risk

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

LIBOR

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

Long Term

Duration in excess of 1 year

Net Asset Value (NAV)

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

Premium

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

Short Term

Duration of up to 1 year

Support Rating

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

Supranational Bond

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

Treasury Bill (T-Bills)

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

Viability Ratings

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

Yield Curve

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

Cash flow Appendix 8

| | Q1 2018/19 '£000 | Q2 2018/19 '£000 | Q3 2018/19 '£000 | Q4 2018/19 '£000 | Q1 2019/20 '£000 | Q2 2019/20 '£000 | Q3 2019/20 '£000 | Q4 2019/20 '£000 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Actual | Actual | Actual | Estimated | Estimated | Estimated | Estimated | Estimated |
| Opening Balance | 671 | 2,426 | 577 | 16,034 | 21,236 | 26,519 | 31,884 | 37,249 |
| CASH OUTFLOW | | | | | | | | |
| BACS | -128,366 | -116,853 | -123,672 | -125,079 | -126,539 | -128,617 | -128,617 | -126,539 |
| Payroll and Pension | -38,854 | -44,830 | -43,666 | -43,124 | -43,798 | -44,471 | -44,471 | -43,798 |
| Investments, Loans and Interest payments. | -55,269 | -36,013 | -33,083 | -42,113 | -42,771 | -43,429 | -43,429 | -42,771 |
| Miscellaneous | -7,952 | -6,499 | -4,615 | -6,456 | -6,557 | -6,658 | -6,658 | -6,557 |
| Capital Payments | -7,955 | -7,955 | -8,063 | -7,954 | -8,573 | -8,573 | -8,573 | -8,573 |
| Total Payments | -238,396 | -212,150 | -213,098 | -224,726 | -228,238 | -231,749 | -231,749 | -228,238 |
| | | | | | | | | |
| CASH INFLOW | | | | | | | | |
| Business Rates | 14,176 | 14,363 | 20,234 | 16,516 | 16,774 | 17,032 | 17,032 | 16,774 |
| Investments Maturities | 37,469 | 26,435 | 22,835 | 29,372 | 29,831 | 30,290 | 30,290 | 29,831 |
| COUNCIL TAX | 25,149 | 24,957 | 34,326 | 28,591 | 29,038 | 29,484 | 29,484 | 29,038 |
| Grants | 78,499 | 64,650 | 72,306 | 72,958 | 74,098 | 75,238 | 75,238 | 74,098 |
| OTHER INCOME | 44,815 | 50,050 | 49,518 | 48,892 | 49,656 | 50,419 | 50,419 | 49,656 |
| Legal and property | 7,675 | 821 | 2,354 | 3,674 | 3,731 | 3,789 | 3,789 | 3,731 |
| Teachers' Pension Contribution | 223 | 334 | 291 | 287 | 292 | 296 | 296 | 292 |
| SCHOOLS ADVANCES | 23,105 | 23,695 | 22,704 | 23,536 | 23,903 | 24,271 | 24,271 | 23,903 |
| Other Bodies | 2,148 | 159 | 738 | 1,031 | 1,047 | 1,064 | 1,064 | 1,047 |
| VAT Refund | 6,892 | 4,836 | 3,249 | 5,072 | 5,151 | 5,230 | 5,230 | 5,151 |
| Total Receipts | 240,151 | 210,301 | 228,555 | 229,928 | 233,521 | 237,114 | 237,114 | 233,521 |
| | | | | | | | | |
| Net Position - surplus/(overdrawn) | 2,426 | 577 | 16,034 | 21,236 | 26,519 | 31,884 | 37,249 | 42,533 |
| | | | | | | | | |
| Money Market investments | 17,900 | 18,800 | 16,871 | 16,871 | 16,871 | 16,871 | 16,871 | 16,871 |
| Total Cash including MMFs | 20,326 | 19,377 | 32,905 | 38,107 | 43,391 | 48,756 | 54,120 | 59,404 |

The future cash flow is projected based on actuals to date and on information available. The future forecast will change as it gets continuously projected based on actual spent.

| Commercial services task group – Departmental Action Plan Update, December 2018 | | | | |
|--|--|---|---------------------|---|
| | Task Group recommendation | Action | Who | By when |
| 1 | That the Sustainable Communities and Overview and Scrutiny Panel has an agenda item on commercial services at least every twelve months to ensure that commercialisation and income generation remains a priority and that we are taking every opportunity to exploit innovative ideas | Reports to Scrutiny annually | Democratic services | Annually |
| 2 | That the Sustainable Communities overview and scrutiny panel are provided with performance reports following large scale events. | <p>E&R to produce reports and report these to Scrutiny after all large events.</p> <p>A summary of 2018 events –</p> <p>The Greenspaces team continued to develop and consolidate its existing outdoor events portfolio during 2018. The service as a whole supports and/or manages a range of events and activities in parks from small community picnics to large commercial music festivals. Much of the service’s business is based upon traditional local events such as the Mitcham Carnival and the Mitcham Status Fair, but it also plays a key role in supporting major international and also regional-scale events.</p> <p>The Wimbledon Championships is, in terms of income and impact, undoubtedly the biggest of these and the service supports a number of different strands of activity at three separate locations that support the tennis tournament: Wimbledon Park, Morden Park and Commons Extension.</p> | Doug Napier | As and when required [not expected to be more than annually] |

| | | | | |
|--|--|--|--|--|
| | | <p>Whereas income from the public car parking charges in Wimbledon Park (Car Park 10) exhibited a slight down-turn this year, this was more than compensated for by an up-turn in the income from experiential marketing endeavours within the park with some significant international brands promoting their goods and services to “The Queue” within the park’s grounds during the course of the tournament fortnight. This is an area that the authority is most keen to continue to develop and, working with the All England Lawn Tennis Club, remains optimistic about the prospects for income growth over the short to medium term as high-profile brands and marketing agencies become more familiar with the opportunities that Wimbledon Park presents.</p> <p>The annual borough fireworks events held at two venues (Wimbledon Park and Morden Park) once again attracted good crowds and yielded significant returns (in excess of £200k) from ticket sales and has grown to the extent that event capacity has been now reached at Wimbledon Park with one show being sold out in advance and only a few hundreds of tickets were available for public sale on the gates this year at this venue. As well as improving the quality of the event offer through the provision of improved refreshment offers, ongoing investment in technological solutions has enabled the team to reduce event support costs and improve efficiencies and customer convenience in relation to event ticket sales.</p> <p>The Eastern Electrics Festival, first hosted in the summer of 2017 as a one-day event, returned in 2018 as a two-day dance music event at Morden Park with, consequently, an increased hosting fee. Whereas the event attracted a significant number of complaints, mainly about noise nuisance and some anti-social behaviour issues in the vicinity of the event, the Festival itself was very successful and well-</p> | | |
|--|--|--|--|--|

| | | | | |
|---|--|---|---------------------------------------|----------------------|
| | | <p>organised and enjoyed by some 27,000 mainly young people in the 18-30 year age group. A second and new dance music event, Diynamic, planned and scheduled to take place in Morden Park in September, was unsuccessful in its event licence application and so did not take place.</p> <p>The 2018 calendar year also witnessed a number of outdoor cinema events (7 in total at 5 venues) being hosted in Merton's parks during the summer and the very first country show at Wimbledon Park, suggesting that awareness of Merton's venues is increasing within the industry and consequently that income from outdoor events can reasonably be anticipated to rise in the future. Indeed, the team has already received a number of enquires for proposed new events in its parks in 2019 and for 2020.</p> | | |
| 3 | <p>That officers consider new opportunities within the council's property portfolio on a case by case basis to assess most appropriate use. This would include the opportunity to provide built office accommodation in the borough of a purpose built nature for anchor tenants or tenants who can in turn attract other businesses. For example a large office can attract a supermarket, gym, cafes etc</p> | <p>Property and Asset Management Board to consider on a case by case basis.</p> <p>Officers tendered a brief for a review of the commercial estate and this independent review of the commercial estate was completed by external consultants and received by the Council in December 2018. It will be considered by officers and reported to Property Asset Management Board at the next available meeting for their consideration.</p> | Chair of PAMB | As and when required |
| 4 | <p>That officers explore options for maximising the use of local authority preferential borrowing powers to</p> | <p>Property and Asset Management Board to consider investment opportunities.</p> | Chair of PAMB / Director of Corporate | As and when required |

| | | | | |
|---|---|---|------------------------------|-----------------------------|
| | generate income, while monitoring borrowing limits and utilising external knowledge. | Linked to 3 above. | Services | |
| 5 | Council to explore opportunity to retain control of parts of Morden town centre regeneration by developing properties which may include opportunities for anchor tenants. | Review retention of commercial property ownership in Morden Town Centre as part of the regeneration project. Modelled as part of the financial viability, business plan and due-diligence in prep for launching to the market to secure a development partner in spring 2019. Work is ongoing. | AD . SC James McGinlay | By April 2018 (complete) |
| 6 | To explore the opportunities to develop a joint venture with a developer as illustrated in this report. | JV under consideration for Morden Town Centre as first opportunity. Nature/structure of JV partners will be refined through the procurement process and soft-market testing feedback. Work is ongoing. | AD . SC James McGinlay | By April 2018 (complete) |
| 7 | That officers explore services that would be suitable to be delivered under the Merton logo. The opportunity would be best suited to a pre-existing contract or selling spare capacity. | This was built into the TOM renewals and service Planning in 2018. As part of the TOM process, each department has identified services where delivery arrangements would most benefit from a review, with a particular emphasis on whether alternative delivery agents would be more economically advantageous. Each DMT will be overseeing the plan of reviews for their services over the coming months and take action on any resulting findings. | AD Business improvement | April 18 (ongoing) |
| 8 | That officers explore the possibility of installing a pilot multi purpose lighting system in Merton | Explored but not progressed due to the impact on street scene and procurement logistics of such schemes. However, LBM is in the process of converting over 70% of the borough's streetlights to energy efficient LEDs via our retrofit programme. Standardisation of stock also reduces maintenance costs. | Dir E&R | April 18 (Complete) |

| | | | | |
|----|--|--|-------|------------------------|
| | | Commercialisation and multi-use of lamp-columns is already under consideration for: banner advertising, electric vehicle charging points, wi-fi and mobile coverage. | | |
| 9 | That the officers seek advice and expertise from councils who have implemented an ESCO, such as Peterborough. | Business case by external consultants, Grant Thornton, completed and reported back to the Climate Change Steering Group. Heat-mapping of the borough completed, showing greatest potential for ESCO network aligns with Morden & High Path regen. | AD SC | April 18 (Complete) |
| 10 | That officers present the business case for the ESCO to the Sustainable Communities Overview and Scrutiny Panel alongside the new Estates Plan | In discussion with Clarion Housing regarding the creation of a Clarion ESCO to run and manage the heat and energy networks in High Path regeneration. Work ongoing. | AD SC | April 18 (Ongoing) |

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Sustainable Communities Work Programme 2018/19

This table sets out the Sustainable Communities Panel Work Programme for 2018/19; the items listed were agreed by the Panel at its meeting on 4 June 2018. 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.

Chair: Cllr Laxmi Attawar

Vice-chair: Cllr Daniel Holden

Scrutiny Support

For further information on the work programme of the Sustainable Communities Scrutiny Panel please contact: -

Rosie McKeever, Scrutiny Officer

Tel: 020 8545 4035; Email: rosie.mckeever@merton.gov.uk

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

Meeting date: 21 June 2018 (*Deadline for papers: 12pm, 13 June 2018*) **COMPLETE**

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|---|--|---|---|--|
| Holding the executive to account | Cabinet Member priorities | Verbal update | Cabinet Member for Community and Culture; Cabinet Member for Environment and Street Cleanliness; Cabinet Member for Regeneration, Housing and Transport | To allow members to understand current priorities and consider how these should inform the work programme. |
| Holding the executive to account | South London Waste Partnership – communication of the new service rollout | <ul style="list-style-type: none"> • Written update report • Presentation | Anita Cacchioli, Interim Assistant Director, Public Space, Contracting and Commissioning Scott Edgel, CEO, Veolia | To understand how the new service rollout will be communicated to residents. |
| Performance management | Performance monitoring | Basket of indicators plus verbal report | Chris Lee, Director of Environment and Regeneration Steve Langley, Head of Housing Needs | To highlight any items of concern and for the Panel to make any recommendations or to request additional information . |
| Setting the work programme | Sustainable Communities Overview and Scrutiny Panel work programme 2018/19 | Written report | Annette Wiles, Scrutiny Officer | To agree the work programme and select a subject for task group review. |

Meeting date: 4 September 2018 (**Deadline for papers: 12pm, 24 August 2018**) **COMPLETE**

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|---|--|---|--|---|
| Holding the executive to account | Highways and maintenance contract | Written report | James McGinlay, Assistant Director – Sustainable Communities | Pre-decision scrutiny - opportunity to comment on proposals prior to re-letting the contract. |
| Holding the executive to account | Parking update report | Written report | Cathryn James, Interim Assistant Director, Public Protection | Update to include Christmas parking, cashless parking, ANPR, parking in parks |
| Holding the executive to account | South London Waste Partnership – new service rollout | Written update report | Anita Cacchioli, Interim Assistant Director, Public Space, Contracting and Commissioning | Update to include numbers registering for assisted collections |
| Performance management | Performance monitoring | Basket of indicators plus verbal report | Councillor Nick McLean Chris Lee, Director of Environment and Regeneration | To highlight any items of concern, make recommendations and/or request additional information |
| Scrutiny reviews | Crossovers task group – Cabinet response and action plan | Written report | Paul McGarry, head of <i>futureMerton</i> | To receive Cabinet response and action plan. |
| Setting the work programme | Work programme 2018/19 | Written report | Annette Wiles, Scrutiny Officer | To review work programme and agree any changes |

Meeting date: 1 November 2018 (**Deadline for papers: 12pm, 24 October 2018**) **COMPLETE**

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|---|--|-----------------------|---|--|
| Budget scrutiny | Budget/business plan scrutiny (round 1) | Written report | Caroline Holland, Director of Corporate Services | To discuss and refer any comments to the O&S Commission |
| Holding the executive to account | Morden re-development | Verbal update | Paul McGarry, Head of <i>futureMerton</i> | Pre-decision scrutiny prior to selection of a joint venture partner. |
| Holding the executive to account | Merantun | Presentation | Paul McGarry, Head of <i>futureMerton</i> | Update on progress. |
| Holding the executive to account | South London Waste Partnership – Lot 1 (grounds maintenance) | Written update report | Anita Cacchioli, Interim Assistant Director Representatives from idverde | Performance under the contract will be the main focus. |
| Holding the executive to account | Environmental enforcement | Written report | Anita Cacchioli, Interim Assistant Director | Opportunity to understand the team's remit in more detail. |
| Holding the executive to account | Public space protection orders | Written report | Doug Napier, Greenspaces Manager | Progress update |
| Scrutiny reviews | Single use plastics | Written report | Task group chair (TBC) | To agree task group's terms of reference |
| Setting the work programme | Work programme 2018/19 | Written report | Stella Akintan, Scrutiny Officer | To review work programme and agree any changes |

Meeting date: 9 January 2019 (**Deadline for papers: 12pm, 31December 2018**)

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|----------------------------------|---|---|--|---|
| External scrutiny | Clarion Housing Group: regeneration | Responses to members' questions to be printed as part of the agenda | Representatives from Clarion Housing Group will be invited to attend the session and answer member questions. | This session will be used to focus on Clarion's estates regeneration. |
| Budget scrutiny | Budget and business planning (round 2) | Report | Chris Lee, Director of Environment and Regeneration. Hannah Doody, Director for Community and Housing Caroline Holland, Director of Corporate Services | To comment on the budget and business plan proposals at phase 2 and make any recommendations to the Commission to consider and co-ordinate a response to Cabinet. |
| Holding the executive to account | Vehicle emissions and parking charges | Report | Cathryn James, Interim Assistant Director of Public Protection | |
| Scrutiny review | Commercialisation task group – action plan review | Written report | Chris Lee, Director of Environment and Regeneration | To monitor the implementation of the task group's recommendations. |
| Setting the work programme | Work programme 2018/19 | Written report | Rosie McKeever, Scrutiny Officer | Standing item |

Meeting date: 26 February 2019 (**Deadline for papers: 12pm, 18 February 2019**)

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|----------------------------------|---|----------------|---|---|
| Holding the executive to account | Diesel levy implementation | Written report | Chris Lee, Director of Environment and Regeneration | Pre-decision scrutiny on review of the levy. |
| Holding the executive to account | Waste, recycling and street cleaning: performance update: | Written report | Anita Cacchioli, Interim Assistant Director Scott Edgel, CEO, Veolia | To monitor performance following the rollout of the new service and to seek resident feedback on the service. |
| Holding the executive to account | Highways and maintenance contract | Written report | James McGinlay, Assistant Director – Sustainable Communities | As agreed by Panel in Sep 2018 - pre-decision scrutiny of contract specification and procurement process |
| Scrutiny review | Air quality task group – monitoring recommendations | Written report | Cathryn James, Interim Assistant Director, Public Protection | To monitor the implementation of the task group's recommendations. |
| Holding the executive to account | Air Quality Action Plan | Written report | Cathryn James, Interim Assistant Director, Public Protection | Update report |
| Holding the executive to account | Electric cars | Written report | James McGinlay | Briefing on progress |
| Scrutiny review | Single use plastics | Written report | Task group chair (TBC) | Draft report for approval by the Panel prior to progressing to Cabinet. |

Plus - Standing items on performance management and scrutiny work programme

Meeting date: 19 March 2019 (**Deadline for papers:** 12pm, 11 March 2019)

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|---|--|----------------|--|---|
| Holding the executive to account | Cabinet Member priorities | Verbal update | Cabinet Members for Community and Culture; Environment and Street Cleanliness; Regeneration, Housing and Transport | To understand current priorities in relation to Panel work programme. To include an update on the Regulatory Services Partnership. |
| Holding the executive to account | Development and planning control | Written report | James McGinlay, Assistant Director – Sustainable Communities | Focus on operational capacity, performance and challenges facing the service. To include data on cases that are more than six months old. |
| Scrutiny review | Housing supply task group – monitoring recommendations | Written report | Steve Langley, Head of Housing Needs and Strategy | Final review – report to provide a summary of all impact. |
| Holding the executive to account | Update on the impact of the homelessness reduction act | Written report | Steve Langley, Head of Housing Needs and Strategy | Update report |
| Scrutiny review | Crossovers task group – monitoring recommendations | Written report | Paul McGarry, Head of <i>futureMerton</i> | To monitor the implementation of the task group's recs. |
| Holding the executive to account | Town centre regeneration | Presentation | Paul McGarry, Head of <i>futureMerton</i> | Progress update |

Plus - Standing items on performance management and scrutiny work programme

Meeting date: 30 April 2019 (Deadline for papers: 12pm, 22 April 2019)

| Scrutiny category | Item/issue | How | Lead member and/or lead officer | Intended outcomes |
|----------------------------------|--------------------------------------|---|---|---|
| External scrutiny | Accessibility of local stations | | | To respond to reference from Council |
| Holding the executive to account | Merton Adult Education | Written report | Anthony Hopkins, Head of Library, Heritage and Adult Education Service | Update on performance of the service |
| Holding the executive to account | Libraries and heritage annual report | Written report | Anthony Hopkins, Head of Library, Heritage and Adult Education Service | Annual report and information on any proposed future development of the service. |
| Holding the executive to account | London Borough of Culture | Written report | Christine Parsloe, Leisure and Culture Development Manager | Briefing on Merton's involvement in the London Borough of Culture initiative 2019. |
| Performance management | Performance monitoring | Basket of indicators plus verbal report | Councillor Nick McLean Chris Lee, Director of Environment and Regeneration | To highlight any items of concern, make recommendations and/or request additional information |
| Setting the work programme | Topic suggestions 2019/20 | Written report | Rosie McKeever, Scrutiny Officer | To seek suggestions from the Panel to inform discussions about the Panel's 2019/20 work programme |