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Merton Council

Cabinet Agenda

Membership

Councillors:

Mark Allison (Chair)
Agatha Mary Akyigyina OBE
Michael Brunt
Tobin Byers
Caroline Cooper-Marbiah
Natasha Irons
Rebecca Lanning
Owen Pritchard
Marsie Skeete
Eleanor Stringer
Martin Whelton

Date: Monday 12 July 2021

Time: 7.15 pm

Venue: Council Chamber, Merton Civic Centre, London Road, Morden SM4 5DX

This is a public meeting and attendance by the public is permitted. There will be a limited number of seats available for members of the public should they wish to attend, however we would encourage you to continue to watch online whilst Covid-19 restrictions remain in place.

The meeting will be held in accordance with Government guidelines and any measures applicable at the time of the meeting.

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All Press contacts: communications@merton.gov.uk, 020 8545 3181

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Cabinet Agenda

12 July 2021

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2	Declarations of pecuniary interest	
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4	Exclusion of the public To RESOLVE that the public are excluded from the meeting during consideration of Item 5 on the grounds that it is exempt from disclosure for the reasons stated in the report.	
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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. For further advice please speak with the Managing Director, South London Legal Partnership.

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.

CABINET

22 JUNE 2021

(7.32 pm - 8.34 pm)

PRESENT Councillors Councillor Rebecca Lanning,
Councillor Eleanor Stringer and Councillor Martin Whelton

ALSO PRESENT Councillor Peter Southgate
Chris Lee (Director of Environment and Regeneration) and Amy
Dumitrescu (Interim Democracy Services Manager)

ATTENDING Councillors Mark Allison, Agatha Akyigyina, Tobin Byers,
REMOTELY Caroline Cooper-Marbiah, Natasha Irons, Owen Pritchard,
Marsie Skeete

ALSO Councillor Nick McLean

ATTENDING
REMOTELY Hannah Doody (Director Community and Housing), Caroline
Holland (Director Corporate Services), Jane McSherry (Director
Children, Schools and Families), Louise Round (Managing
Director South London Legal Partnership), Paul McGarry (Head
of Future Merton), Tom Procter (Head of Contracts and School
Org), Matt Burrows (Head of Customer Experience and
Communications), Tara Butler (Programme Manager) and
Octavia Lamb (Policy & Research Officer – Labour Group)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were technically received from Councillors Allison, Akyigyina, Byers, Cooper-Marbiah, Irons, Pritchard and Skeete who were attending the meeting remotely.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting held on 22 March 2021 are agreed as an accurate record.

4 MERTON'S LOCAL PLAN AND POLICIES MAP - SUBMISSION TO THE SECRETARY OF STATE (Agenda Item 4)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report, thanking the officers in Future Merton for their work on the report which sought formal approval for submission of the report for independent examination preceded by a six week consultation period.

The report itself would set the planning strategy and policies for the Borough as well alongside site designations for new developments and had been a process started in 2017. The report would also be taken to Full Council in July 2021.

The Cabinet Member noted that a number of amendments had been made to the report following feedback from members of the public including in relation to tall buildings in Colliers Wood including a requirement that no building should be higher than the existing tower.

The Cabinet Member for Culture, Leisure and Skills stated that she welcomed the amendments to the plan following residents feedback.

The Chair moved to the recommendations and it was

RESOLVED:

That Cabinet recommended that council resolve to:

A. submit Merton's Local Plan and Policies Map to the Secretary of State for independent examination. This would be preceded by a statutory six-week consultation period between July and September 2021.

B. That Cabinet agreed the timetable for production set out in section 5 of this report, which will amend Merton's Local Development Scheme.

C. That Cabinet delegated authority to the Director of Environment and Regeneration, Chris Lee, in consultation with the Cabinet Member for Housing, Regeneration and the Climate Emergency Councillor Martin Whelton for changes to the documents between 23rd June 2021 and the receipt of the Planning Inspector's final report.

5 ADOPTION OF MERTON'S BOROUGH CHARACTER STUDY AND SMALL SITES TOOLKIT AS TWO SUPPLEMENTARY PLANNING DOCUMENTS TO MERTON'S LOCAL PLAN (Agenda Item 5)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report which followed a Borough-wide characterisation study and would once adopted, help support the local plan and assist with assessing future planning applications.

The small sites toolkit set out urban design principles for small sites noting 90% of planning applications received over the past 15 years for new homes had been built on new sites.

The Cabinet Member thanked Future Merton for their work on the document and it was

RESOLVED:

A. That Cabinet adopted Merton's Borough Character Study and Small Sites Toolkit as two supplementary planning documents to Merton's Local Plan.

6 PLAN WIMBLEDON NEIGHBOURHOOD AREA AND FORUM APPLICATION (Agenda Item 6)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report which was in response to an application received from Plan Wimbledon for a proposed neighbourhood forum and following a public consultation on the proposal as required under planning legislation.

It was noted that a decision on the proposal was required within 13 weeks and therefore a recommendation was required from the Cabinet which would go to Full Council in July 2021.

The consultation had received over 1300 responses and over 90% of these were from residents and in support, however there were also a number of objections to the proposal including from the business community.

Following consideration of the proposal, it was not believed that the application satisfied the criteria under section 61f part 7a of the Town and Planning Act and therefore the Council were legally required to refuse the application, however the Cabinet Member recognised the work that had gone into the application and hoped that PlanWimbledon and the business community could work together to resolve the issues.

The Joint Deputy Leader and Cabinet Member for Performance, Recovery and the Local Economy spoke noting that it was important that all parties were able to have their say and be mindful of all views expressed.

In response the Cabinet Member for Housing, Regeneration and the Climate Emergency responded that this was important and it was a concern that the number of younger people who had responded was very low and that all parts of the community needed to be involved.

It was RESOLVED:

- A. That Cabinet noted the consultation responses to the publication of the PlanWimbledon neighbourhood area and forum applications.
- B. That Cabinet refused PlanWimbledon's application as a neighbourhood forum.
- C. That Cabinet declined to determine PlanWimbledon's Neighbourhood Area application because, following the refusal of the neighbourhood forum application, there would be no organisation that is capable of being designated as a neighbourhood forum in relation to it.
- D. That Cabinet encouraged and supported further dialogue between PlanWimbledon and the business community towards resolving the issues identified in this report.

7 ADOPTION OF MERTON'S DRAFT AIR QUALITY SUPPLEMENTARY PLANNING DOCUMENT (SPD) (Agenda Item 7)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report on the draft supplementary planning document on air quality submitted following public consultation which had been subsequently amended as a result of feedback received. The document also included guidance on air quality assessments.

The Cabinet Member thanked officers for their work on the report and it was

RESOLVED:

That Cabinet adopted the Air Quality guidance as a supplementary planning document to Merton's Local Plan.

8 NEIGHBOURHOOD COMMUNITY INFRASTRUCTURE LEVY REVIEW (Agenda Item 8)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report which detailed the findings of the review into the spending of neighbourhood community CIL funding carried out in Spring 2021.

The Cabinet Member gave an overview of some of the projects which had been undertaken with investment from neighbourhood CIL and recommended the recommendations be approved.

The Director of Environment and Regeneration re-iterated that the 2021 bidding round would open in July 2021.

It was RESOLVED:

That Cabinet:

1. Noted the contents of the Neighbourhood Community Infrastructure Levy (CIL) Review report at Appendix 1.
2. Endorsed the approach to enhanced engagement with ward councillors in order to identify and deliver specific Ward Allocation Scheme investments before the 2022 local elections.
3. Endorsed that a wholesale review of the implementation of Neighbourhood CIL (to include the Ward Allocation Scheme and the Neighbourhood Fund) be carried out following the completion of the 3 years duration of the Ward Allocation Scheme in May 2022 and informed by the results of the Your Merton survey due in late 2021.

9 EXPANSION OF MERTON MEDICAL EDUCATION SERVICES AND FUTURE OF LAVENDER NURSERY (Agenda Item 9)

The Chair amended the order of items so that Item 10 was moved prior to Item 9 on the agenda during the meeting.

The Joint Deputy Leader and Cabinet Member for Children and Education presented the report providing an update from the consultation undertaken earlier in the year and thanked all those who had responded to the consultation.

All the alternatives suggested within the feedback had been investigated however none had been found. Following further investigations a further option was proposed to move the current nursery to another local children's centre.

The Chair summarised the recommendations and it was RESOLVED:

A. That Cabinet noted the significant number of objections in the consultation to expand Merton Medical Education Services by moving into Lavender (London Road) Nursery and that, for the reasons outlined in this paper, the Lavender (London Road) Nursery building remains the only affordable option to house Merton Medical Education Services and provide sufficient provision for the borough's growing number of children with medical needs.

B. That Cabinet agreed to engage stakeholders on two options to implement from January 2022: The first, to continue with the council's proposal as per the January 2021 consultation proposal. The second, to proceed with an augmented option that will provide a continuation of the Lavender Nursery full-time day care provision in other Children, Schools and Families building(s) in Lavender Ward in addition to re-providing the sessional places for children aged 2, thus maintaining the service in alternative premises within reasonable proximity to the current site.

10 EXPANSION OF MELROSE SCHOOL INTO WHATLEY AVENUE SW20 (Agenda Item 10)

The Joint Deputy Leader and Cabinet Member for Children and Education presented the report detailing expansion of Melrose School to provide provision for the increasing number of children with special educational needs in particular those being diagnosed in with Autistic Spectrum Disorder.

The Cabinet Member for Finance noted the financial implications and considerations and thanked officers and the Cabinet Member for their work.

The Director of Corporate Services noted that the revenue savings had already been built into the current dsg deficit recovery plan.

The Chair spoke to thank Councillor Cowper for her input to discussions and it was RESOLVED:

That Cabinet agreed to publish statutory proposals to expand Melrose School by 80 additional places through the use of an additional site - Whatley Avenue SW20 and to extend the official designation of Melrose School from "Children with Social, Emotional and Mental Health" to "Children with additional complex and varied needs including Autism Spectrum Disorder (ASD), Speech, Language and Communication Needs (SLCN) and Social, Emotional and Mental Health (SEMH)"

11 JOINING THE LIFT THE BAN COALITION (Agenda Item 11)

The Cabinet Member for Women and Equalities presented the report and thanked the officers involved for their work on the report.

The Chair thanked the Cabinet member and officers for their work and noted that the recommendation within the report was to consider whether to join the Lift the Ban Coalition and requested that this should be amended to reflect that the Cabinet agreed to join.

It was therefore RESOLVED:

That Cabinet agreed that Merton Council should join the Lift the Ban Coalition to give the right to work in any occupation for everyone waiting for more than 6 months for a decision on their asylum claim.

12 CAPITAL LETTERS (Agenda Item 12)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report which recommended joining the pan-London Capital Letters to help collaboratively procure properties for homeless and at-risk households, noting that Merton currently had 197 persons in temporary accommodation.

It was RESOLVED:

(a) That Cabinet approved the decision to become a member of Capital Letters (London) Ltd.

(b) That Cabinet noted that the main reason for joining Capital Letters is to increase housing supply for vulnerable homeless households, given the acute shortage of social housing nominations.

13 AWARD OF CONTRACT FOR THE SUPPLY OF TEMPORARY AGENCY WORKERS FOR THE LONDON BOROUGH OF MERTON (Agenda Item 13)

The Cabinet member for Finance presented the report which proposed awarding a two-year contract following a procurement process, with the proposed contractor as the current incumbent, who it was noted had served the Council well in providing temporary workers during the pandemic. The Cabinet Member thanked officers for their work.

It was RESOLVED:

A That Cabinet agreed to award the new contract for the supply of temporary agency workers for a period of 2 years with a 2 year potential extension, starting from 13th December 2021 at an estimated value of £13m per annum.

B That Cabinet agreed to implement a vendor neutral solution, as currently in place, when the current Contract for the supply of temporary agency workers on 13th December 2021

C In accordance with Contract Standing Orders (CSO 24.3) that authority be

delegated to the Director of Corporate Services to exercise, in consultation with the Cabinet Member for Finance, the council's option to grant the extension of the contract term for any period up to two further years beyond the expiry of the initial contract term on 13 December 2023.

14 APPOINTMENT OF COMMITTEES AND PROPOSED CHANGES TO THE CONSTITUTION (Agenda Item 14)

The Cabinet Member for Finance presented the report, thanking the Monitoring Officer for her work on the constitutional amendments as well as the members of the Constitution Working Group.

The Cabinet Member advised that on committee appointments, Councillors Byers and Irons were nominated to the South West London Joint Waste Management Committee, with Councillors Allison and Whelton appointed as substitutes. Councillors Cooper-Marbiah and Irons were appointed to the Wandle Valley Regional Park Trust and Councillor Allison to the South London Partnership Joint Committee.

On the constitutional amendments, three broad areas of changes were proposed those being; responsibility for executive functions, delegation to officers and Cabinet procedure rules.

The Chair added thanks to the Monitoring Officer and it was RESOLVED that Cabinet:

- A. agreed to appoint two Cabinet members and two substitute members to the South West London Joint Waste Management Committee;
- B. agreed to appoint two Cabinet members, to the Wandle Valley Regional Park Trust;
- C. agreed to appoint the Leader of the Council to the South London Partnership Joint Committee;
- D. agreed to delegate to the Chief Executive the authority to fill vacancies on the bodies detailed at recommendations A and F on the nomination of the group with a vacant position;
- E. agreed a revised Part 3C of the Constitution – Responsibility for Executive Functions set out in Appendix A;
- F. agreed the scheme of delegation attached as Appendix C in so far as it relates to functions which are the responsibility of the executive; and
- G. agreed a revised Part 4D of the Constitution - Cabinet Procedure Rules as set out in Appendix B;
- H. Authorised the Managing Director, SLLP, to make any minor or consequential amendments to appendices A-C as in her opinion reasonably necessary.

15 INCLUSION OF MISCARRIAGE AND STILLBIRTH AS SPECIFIED CATEGORIES INTO THE BEREAVEMENT/SPECIAL LEAVE POLICY (Agenda Item 15)

The Cabinet Member for Women and Equalities presented the report, thanking officers and noting that Merton Council would be one of the first Councils to include these categories within the Bereavement/Special Leave policy.

RESOLVED that:

Cabinet noted the inclusion of miscarriage and stillbirth as specified categories into the Bereavement/Special Leave Policy. This would allow those staff members suffering the grief of miscarriage or stillbirth to have up to 5 days (10 with Directors discretion) paid leave.

Following this item, at the invitation of the Chair, the Cabinet thanked the staff within Democratic Services and Facilities for their work on the hybrid meeting.

16 EXCLUSION OF THE PUBLIC (Agenda Item 16)

The Cabinet agreed not to refer to the exempt information contained in items 13 during consideration of the item and therefore the meeting remained in public.

Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Committee: Cabinet

Date: 12 July 2021

Wards: All

Subject: Reference from the Sustainable Communities Overview and Scrutiny Panel – Clarion Repairs and Maintenance.

Lead officer: Hannah Doody, Director of Community & Housing

Lead member: Councillor Aidan Mundy, Chair of the Sustainable Communities Overview and Scrutiny Panel

Contact officer: Rosie Mckeever, Scrutiny Officer, 0208 545 4035

Recommendations:

-
1. The Sustainable Communities Overview and Scrutiny Panel requests that Cabinet note and approve its reference set out in paragraphs 2.5 to 2.8 below.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. At its meeting on 24 June 2021 the Sustainable Communities Overview and Scrutiny Panel welcomed senior management representatives from Clarion Housing to discuss a number of repairs and maintenance issues affecting Merton residents on the Eastfields estate.
- 1.2. The Panel agreed to make a reference to Cabinet as set out in paragraphs 2.5 to 2.8 below.

2 DETAILS

2.1. Scrutiny process

- 2.2. The Panel received an update from the Director of Housing and Regional Managers at Clarion outlining the issues highlighted by the media and residents and the subsequent planned works. Councillors asked questions of clarification and discussed at length the possible options for improvement.
- 2.3. Further details of points made in the discussion will be published in the minutes of the meeting.

2.4. Scrutiny response

- 2.5. The Panel RESOLVED (eight votes for, none against) to send the following recommendations to Cabinet;
- 2.6. The Panel proposes that Merton's Housing Team lead on hosting a one-stop shop on Merton's council's website, in partnership with Clarion and with the support of the Council's Communications Team. The purpose of this page is to (a) Inform residents of their rights, responsibilities and signpost into the current repairs process. This may also include letters and replies sent by the Cabinet member; (b) provide single source of information on issues already identified through the publication and regular updating of KPIs for housing repair on Clarion's estates; (C) List as set out in precedent in the papers for Sustainable Communities paper of 24th June the current open repair cases for Clarion estate. New repairs should be included when they arise. Where

possible common issues should be highlighted.

The goal of these measures is to restore resident and partner confidence in Clarion's management of their stock. The page should be implemented as a matter of urgency and remain until the Cabinet Member is satisfied confidence has been restored.

- 2.7. The Panel further request that Cabinet write to Clarion asking for detailed information on the conformity with the decent home standard of stock across the borough. The response to this request be shared with the Sustainable Communities panel.
- 2.8. Additionally, the Panel RESOLVED to revisit this item at the next Sustainable Communities meeting 2 September 2021.

3 ALTERNATIVE OPTIONS

- 3.1. None – Cabinet is required under the council's constitution to receive, consider and respond to references from overview and scrutiny.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Invitations to provide submissions to the Panel were sent to a wide range of residents' associations and local community organisations.

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1. None for the purpose of this report.

6 LEGAL AND STATUTORY IMPLICATIONS

- 6.1. Cabinet is required under the council's constitution to receive, consider and respond to references from overview and scrutiny. The Local Government and Public Involvement in Health Act 2007 requires Cabinet to respond to reports and recommendations made by scrutiny committees within two months of written notice being given.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1. There are no human rights, equalities and community cohesion implications as a result of this report.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1. These are no crime and disorder implications as a result of this report.

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1. There are no risk management and health and safety implications as a result of this report.

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

- None

11 BACKGROUND PAPERS

None

Committee: Cabinet – 12nd July 2021

Wards: All

Subject: PARKING INFRASTRUCTURE AND MODERNISATION

Lead officers: Chris Lee, Director of Environment & Regeneration

Lead members: Cllr Rebecca Lanning Cabinet Member for Adult Social Care and Public Health

Martin Whelton, Cabinet Member for Housing, Regeneration and Climate Emergency

Contact officer: Ben Stephens, Head of Parking Services

1. RECOMMENDATIONS

To seek approval for a recommended approach to the modernisation of the existing parking infrastructure within the Borough. The proposed infrastructure is designed to provide additional choice and payment options for residents, and to reflect the changing ways in which people are choosing to make payments for services.

- 1.1. To approve Option 1 as set out in section 5. To replace 78 existing high usage pay and display machines with new Payment Terminals commencing in October 2021.
- 1.2. To remove the remaining 334 low usage, cash (coin) only pay and display machines, and to remove a further 22 machines where an alternative upgraded payment terminal will be available and offer pay by RingGo or cash at local retail outlets.
- 1.3. To agree to the introduction of the use of PayPoint at retail outlets throughout the Borough to allow for cash payments to be taken for pay to park at all on street parking locations. The current network of PayPoint retailers is set out in appendix 1C attached.
- 1.4. To approve the installation of:-
- 1.5. 28 new on street payment terminals with coin, card and contactless payment facilities , 33 new on street payment terminals with card (chip) and contactless payment facilities only as they are considered medium usage machines.
- 1.6. All 14 of the councils car parks will have at least one machine that accepts coins, contactless, and card (chip) payment facilities. These machines will also be able to produce a VAT receipt for customers on request. 3 car parks will have an additional machine with contactless and chip facilities due to high usage.
- 1.7. It is recommended that the cash facilities at new payment terminals in the Borough remain under review. The ability to remove the payment terminal cash boxes in

the future will be determined by means of reviewing usage figures and customer payment patterns as demand for cash payments changes over the coming years.

- 1.8. Members agree to delegate authority to the Director of Environment and Regeneration, in consultation with the Cabinet Members for Regeneration, Housing and the Climate Emergency and Adult Social Care and Public Health, to finalise any operational matters in relation to the implementation of the proposals.

2. BACKGROUND

Future parking infrastructure and delivery models

- 2.1. The age of digital parking is with us and will continue to be more widespread in the coming years. Already 'contactless' parking exists at thousands of payment terminals around the country.
- 2.2. The use of pay by phone and on-line applications has transformed the way in which customers can pay for their parking sessions and permits. Councils have been moving to more digital payment solutions for many years. This scheme affords Merton an opportunity to review the parking payment options and infrastructure available to residents and customers.
- 2.3. Almost all Council's across the UK have chosen to implement different pay options throughout on and off street locations and in private sector locations such as train stations and hotels. The introduction of new payment methods has proven to be popular with a significant shift from cash only to digital and phone based payments. Covid has also seen a further reduction in the use of cash and more emphasis on digital payments.
- 2.4. In reviewing the infrastructure investment going forward, it is worth noting that a number of the major parking payment suppliers are now working with car manufacturers to develop in car payment systems, where a charge can be registered based on the GPS location of the vehicle and payment being made automatically. The proposed infrastructure options that are being suggested in this report strike a balance between current needs and trends and the ability to transition to more intelligent payment systems in the future.
- 2.5. With the development of new payment terminal technology, open data and digital, more accurate data can be used by companies to find drivers a space near to their destination, reducing emissions and travel time required to find a space. Indeed RingGo already do this on their APP in Merton,
- 2.6. Nationally, over 95% of the UK population own at least one mobile phone and 96% have a bank card. Given the requirements to register, insure, and run a vehicle, it is very likely that many motorists within the borough will have access to a bankcard.

Developing a Parking Service for the future

- 2.7. Merton has taken a number of bold decisions in the last two years to put Parking at the heart of its ambition around air quality, active travel, and climate change.
- 2.8. In line with the desire to modernise its parking services the council is keen to ensure that customers are provided with a broad range of payment options.
- The council implemented a pay by phone and on line APP payment service in 2014. Over the years this has become the main payment method for customers and provides the following benefits: Being able to pay by electronic means negating the need to carry and use coins.
 - Being able to pay at your convenience without having to walk to use a payment terminal. When the new on and off street service is introduced there will no longer be any requirement to display a ticket on your vehicle as all customers will purchase a virtual parking session instead.
 - Being able to extend your parking session without having to return to your car.
 - Additional service options are provided where customers can receive reminder texts about the expiry of their session, further negating the likelihood of getting a Penalty Charge Notice.
 - The online App also provides a facility to be able to review your parking history and preferences.
- 2.9. In January 2020, Merton also introduced 'virtual' Residential/Business and other Permits including the very popular e-visitor permit which is quickly replacing scratch cards as the most popular form of visitor parking sessions. In April 2021 63% of all visitor permit parking was through the e-visitor option, from 0% in January 2020 when first introduced.
- 2.10. The upgraded system made it easier for customers to apply online, with 97% of residents registering for online accounts. By logging into your customer account a resident can now manage and make a range of online changes, including the facility to register a different vehicle for a temporary period e.g. a hire car, if for example your vehicle is in the garage.
- 2.11. The recent parking infrastructure review considered a number of future payment infrastructure options including the use of local retail outlets where customers can choose to pay by card or with cash. Covid has also accelerated the need to consider electronic and on line payment methods is due to the pandemic.
- 2.12. At present, approximately 76% of all payments for parking in Merton are made through the RingGo system with only 24% of transactions involving the use of cash at machines.
- 2.13. Over 268 machines across the Borough take less than £2,000 cash and 171 between 0 and £1,000. This equates to usage of less than £5 per day for machines taking less than £2000 and £2.80 per day for machines taking between, £0 - £1000. The uptake in online payments has moved from 43% in 2018/19 to 76% 2021 and we anticipate further take up of approximately 20% percent over the coming years.

- 2.14. Modern Payment Terminals now offer a range of service options and have the ability to link to 'cloud based' services. Such as the ability to look up details of a vehicle and apply the correct charge based on data from the DVLA. Screens are now larger and brighter and have touch screen options. The information does not just need to only display the parking charge, for example, local information could also be displayed.
- 2.15. These Terminals now offer a range of payment methods, including 'contactless', 'chip' and cash (coin) facilities. There is an option to have one or all of these combinations, based on the location, usage and value of transactions at each location.
- 2.16. Other options include the ability to move to the introduction of virtual tickets or parking sessions, where the information from vehicle registrations can link directly to the Civil Enforcement Officers mobile units whilst out on street. Virtual tickets or parking sessions negate the requirement to use old fashioned paper rolls and reduce emissions, by removing the need to drive round and restock the machines.
- 2.17. The RingGo system can accommodate charges based on vehicle type and has been delivered in a number of other authorities and the system is currently being configured to apply the appropriate charge based on the year of manufacture and fuel type which is the basis of the ULEZ Charge.
- 2.18. The move to alternative parking payment systems and the removal of old dumb payment terminals has been taking place across London and nationally for a number of years, with many Central London boroughs providing completely cashless services for a number of years. Whilst this remains an aspiration for Merton, the ability to provide a seamless transition for customers remains a priority.
- 2.19. For example, in LB Richmond, the first phase of their machine removal project will see the removal of 100 parking machines in residential areas before the end of June 2021 - with the first 50 having already being removed by March. In Kingston, recommendations were approved this year to move to RingGo only across the borough, with the exception of a few town centre locations, which will have payment terminals. Kingston have offered an alternative cash option at local retail outlets only.
- 2.20. In light of the levels of card ownership and the shift away from cash during the pandemic, consideration has been given to not having a cash (coin) option at the new payment terminals.
- 2.21. There are already a number of other local authorities who have made a cashless parking transition, including City of London and Westminster, London Borough of Islington, London Borough of Camden, City of London and Tower Hamlets. Kingston and Richmond have Cabinet approval to remove the cash payment option.
- 2.22. It is however recognised that there are still a number of transactions made by cash at some locations, and it is anticipated that some customers will require additional time to familiarise themselves with the new technology and payment options. In order to support this transition Option 1 detailed below, seeks to maintain the

provision of some payment terminals with a cash option, combined with a network of PayPoint locations, to aid this transition.

- 2.23. There is the option to go entirely cashless although we recognise this may not be the right approach at this time as there are some machines that continue to take high volumes of cash, we will replace these with new payment terminals and keep cash as an option, as set out in option 1. However, there is an option that 28 payment terminals in key locations have a cash (coin box) option in the first instance because they are considered high usage (in excess of £5,000 per annum). Usage of cash and the uptake of digital payment at these locations will be monitored and as cash payments reduce in the medium term, the option for cash payments can easily be removed from the machines, due to their modular design, or in fact, the terminal could be removed altogether.

In essence, there are three core options to consider:

- 2.24. Option 1 – To replace the existing high usage terminals with new intelligent payment systems. The remainder of the existing infrastructure will be removed and become RingGo only, supported by a cash option through local retail outlets (PayPoint) and updated signage.
- 2.25. Option 2 – To adopt a machine-less approach for the future where the existing on street payment terminals are removed and replaced with signage directing users to the mobile and on line apps for payment, supported by a network of Paypoint outlets for cash payments
- 2.26. Option 3 – Do nothing - if this option was chosen then the existing on street infrastructure would be unable to accurately identify the user's vehicle and the council would be unable to move to modern, digital parking infrastructure. At this stage, it is recommended that this option be discounted.

3. CURRENT INFRASTRUCTURE

- 3.1. The Council currently operates 434 Pay & Display machines (comprised of 392 on-street, 38 car parks, 4 recreational grounds) located 'on and off street' across the borough, see also appendix 1A. Payment at these machines can be made by cash (coinage) only.
- 3.2. At each pay and display machine location, customers are offered the option to pay using the council's selected pay by phone / app provider RingGo as well as at the machine. Using the RingGo service, the payment can be made by a telephone call to an automated service, by text/SMS or by installing and using a mobile application.
- 3.3. In recent years, there has been a steady growth in payments made by RingGo and a decline in customers paying by cash (coin). In the period, 2019/20 the payment split was 70% pay by phone / app (RingGo).
- 3.4. As at April 2021 the RingGo usage is at 76% and coins at 24%. There has been an approximate 1% movement to RingGo from coins each month for the last 24

months. It is expected that this trend will continue, but may accelerate given the proposals set out in this report.

- 3.5. There are a number of machines in close proximity to each other that serve the same parking area, multiple machines will be removed and not replaced as an alternative machine will remain available.
- 3.6. Many of our current machines are over 10 years old and the cost to repair and maintain the existing estate of machines continues to rise.
- 3.7. The current annual cost to manage and maintain all existing 434 machines including the provision of the RingGo service is in the region of £240k. This includes costs, such as, parts and labour to repair and maintain machines, power and SIM card data charges and costs including pay and display ticket stock and cash collections.

4. PROPOSED INFRASTRUCTURE

- 4.1. In order to determine the required infrastructure, we have undertaken a review that takes into account current and projected RingGo usage and frequency/use of machines. This review has provided the opportunity to offer customer enhancements such as contactless and card payments and bigger brighter screens.
- 4.2. We have analysed the last 2 years of transactions including volumes of cash taken at machines and number of customers. The table below displays this information.

£0 - £1,000	171
£1,000 - £2,000	97
£2,000 - £3,000	65
£3,000 - £5,000	36
£5,000 - £10,000	35
£10,000 - £20,000	15
Over £20,0000	15

- 4.3. Our aim is for all customers to be within a reasonable walking distance from either a payment terminal or PayPoint location, although it is envisaged that RingGo will continue to be the main payment option for the vast majority of customers.
- 4.4. In locations where the walking distance is high, we will consider the benefits of installing an additional terminal (based on likely usage, current usage of the terminal and existing RingGo usage at that location).
- 4.5. At machines that currently take over £5,000 we will replace the machine with a terminal that accepts coin as well as chip and contactless. These are considered high volume machines. There are 35 that take between £5,000 and £10,000, 15 that take between £10,000 and £20,000 and 15 that take in excess of £20,000 per

annum. It is for this reason that these machines will be replaced with terminals that have coin functionality.

- 4.6. Based on the data from machines 2019/20, a medium volume machine taking between £3,000 and £5,000 per annum equates to income of approximately £10 per day and based on an average stay of 2 hours this equates to 5 customers using the machine each day. These machines will be upgraded with terminals that accept chip and contactless.
- 4.7. Based on the data from machines 2019/2020, a low volume machine taking under £3,000 per annum equates approximately £3 per day and based an average stay of 2 hours this equates to less than 3 customers using the machine each day. These machines will be removed.
- 4.8. A further piece of work will be undertaken aiding customers with the transition towards cashless parking and the walking distance required to make payment at a terminal or PayPoint location. In cases where a walking distance is high, we will review the area to see whether an additional terminal would be beneficial.

Payment Terminal Options

- 4.9. There are a number of companies who can provide payment terminals, which have keyboards for customers to enter their vehicle registration. A real time look up will take place to present the correct charge to the customer.
- 4.10. The upgraded machines are built on a modular basis. The cost of purchasing and installation of new machines is dependent on the outcome of a procurement process, and following a soft market exercise this is estimated at approximately £523,000.
- 4.11. Benchmarking data suggests that when a contactless option is introduced approximately 30% of customers choose to pay by card as opposed to cash. Covid has seen a further move away from cash over the last 18 month's and the use of cash continues to diminish in day to day use.
- 4.12. Listed below are the different considerations in respect of the functionality of the new payment terminals.
 - a) **Keyboards.** All upgraded payment terminals will have a keyboard which require customers to insert their vehicle registration. This will ensure the correct fee is applied based on vehicle type.
 - b) **No requirement to 'pay and display a ticket'.** It is not proposed for the new machines to dispense pay and display tickets. The payment/session will show up on the Civil Enforcement Officers hand held device after the customer enters their vehicle registration.
 - This works in the same way as the virtual parking permits on the RingGo system. There is no requirement for customers to display a pay and display ticket in the car windscreen, however, some terminals in car parks will still issue receipts for VAT and expenses purposes.

- In effect all parking sessions will now be recorded virtually and customers will see a confirmation on the payment terminal screen. It is envisaged that a communications campaign to explain the new changes will be rolled out in advance of the new changes being implemented to raise customer awareness in good time.
- c) **Cash option at new terminals.** Only 24% of payments are now paid by cash (coin). If cash (coin) was not an option at the new terminal, customers could pay for parking via RingGo phone or APP.
- d) **Chip & insert, and/or contactless payments.** Because of the low transactional value, not all machines require a pin number and card insertion (chip only) is an option. This is a quick and convenient way for the customer to pay for their parking at a payment terminal. Customers who wish to pay by debit or credit card could of course use the RingGo service and would not need to go to the machine and enter the vehicle registration and make payment. However, many customers are now familiar with and would expect to see the option to pay by card at a parking machine.
- As referenced above over 96% of the UK have a bankcard and 95% have a mobile of which 87% are smart phones. However as a number of customers do provide cash, a number of payment terminals will have a cash option in the first instance. The coin option can be removed based on future activity, with the machine becoming contactless only or removed altogether.
 - It should be noted there is a cost for each transaction made by credit or debit card at a payment terminal. These have been taken account of in the financial implications and have been estimated at £98,000 per year based on forecast activity.
- 4.13. With the new payment terminals being able to take card payments, there will be a further significant shift away from cash to card payments at payment terminals. Other authorities who have introduced chip and contactless have seen a shift typically of 30% and above from coin to card payments at terminals within the first month of introduction.
- 4.14. It is therefore recommended that all new terminals purchased have as a minimum a chip and insert and contactless module included, which we believe will further reduce cash payments.
- 4.15. The proposed removal of the majority of pay and display machines will have a number of benefits, including a reduction in repair and maintenance costs, reduced cash collection and banking costs and a reduction in staff travel time to service, repair and collect cash.

5. OPTION 1

- 5.1. During Covid and lockdown, customer's habits have changed. For example, how customers pay for their parking, how often they park, for how long and where. Parking activity remains under close review. The rationale used in determining how many new payment terminals are required included the level of transactions and income taken per machine, geographic considerations to PayPoint locations along with the combined activity of a number of machines serving one area.
- 5.2. The review looked at all locations and machines. Of the 434 payment terminals 333 are proposed to be removed as they currently take less than £3,000 per year (£8 per day) which is considered low activity. Another 22 machines have been identified for removal where an alternative upgraded payment terminal will be available.
- 5.3. It has therefore been determined that in Option 1, 78 new payment terminals are required to serve the majority of customers who do not wish to use the RingGo service in the first instance. This will result in 76% of customers who currently pay at a payment terminal still being able to do so, with a minimum of 39% still being able to pay by cash/coin in the future if they park at the same location.
- 5.4. In all cases where a payment terminal is no longer available and a customer cannot use the RingGo solution, customers will have the ability to pay by cash at one of the 55 PayPoint facilities within the borough. The average distance is 0.22 miles from current machine locations, which will further aid the smooth transition from current payment options to digital parking transactions. The locations of these are shown in appendix 1C.
- 5.5. We are further reviewing geographical information to ascertain whether some areas can be combined so that a single terminal can serve several locations, or whether some locations would benefit from an additional terminal, which may prove convenient for the customer initially and aid the transition to cashless parking, including distance to nearby PayPoint locations.
- 5.6. A meeting has been held with Public Space regarding the payment infrastructure in the 4 recreation grounds, of which only Wimbledon Park would qualify for a new terminal based upon the usage criteria set out above. However, Public Space have agreed to go cashless and not replace this machine as this provides consistency across the recreation grounds.
- 5.7. The detailed financial cost of implementing Option One is set out in appendix 2. The additional ongoing annual revenue equates to c£32,000. The one off cost of capital expenditure to replace the infrastructure including machines, signage and associated costs is £833,000.

5.8. The table below summarises the proposed upgrading of the 79 payment terminals:

Type	Recommendation (Payment Terminal type)	Rationale.	Number of payment terminals
In excess of £5,000 per annum	To be upgraded and have coin, chip, contactless and functionality.	Considered to be high cash volume machines. A coin function at this stage is advised to assist customers with a smooth transition.	28 on street, *14 in Car Parks. Total 42
Between £3,000 and £5,000 per annum	To be upgraded and have contactless, chip and contactless (no coin function).	These are considered to be medium volume machines, but were considered sufficiently busy to warrant a contactless and chip and insert machine to assist with customer's transition. These include a 2 nd payment terminal at some locations.	33 on street, 3 in Car Parks. Total 36
Recreation Grounds	It is proposed that Wimbledon Park will have a chip and contactless payment terminal installed	There are currently 4 payment terminals in our Recreation Ground with paid for parking provision. 3 of which take a minimal amount and 1 terminal could be replaced (Wimbledon Park). However, Public Space have agreed not to replace this machine as it applies consistency across the recreation grounds.	0

* Car park machines will also have a function to dispense a VAT receipt.

6. OPTION 2

- 6.1. Option 2 – To adopt a machineless approach for the future where the existing on and off street payment terminals are removed and replaced with signage directing users to the mobile and on line apps for payment, allied to a network of Paypoint outlets for cash payments
- 6.2. All customers will be required to make payment through either the RingGo phone/ (APP) solution or using a PayPoint location nearby. It is worth noting that currently remains the primary method of payment for customers with 76% of all paid for transactions being made through the RingGo app.
- 6.3. With this option, even though there are no machines, cash and card payments can still be made at local retail outlets. Merton has the highest number of PayPoint locations of all of the London boroughs and is a viable alternative option for customers.

- 6.4. This option would represent a significant change from the existing payment provision, however it is recommended that it remains under review as the further migration away from cash is explored.
- 6.5. Cost savings with Option 2 –
- 6.6. With this RingGo only option there is no requirement to purchase 78 new payment terminals. The cost to remove and dispose of the existing machines and make good the ground is c£104,000, and to sign all areas is £310,000.
- 6.7. The cost of processing a parking session and taking a payment via chip or contact at a payment terminal as described in option 1 will also not be applicable.
- 6.8. The detailed financial cost of implementing Option Two is also set out in appendix 2. There will be a capital saving of £523,000 if option two is implemented rather than option 1. The new signage costing £310,000 would need to be funded leaving a saving of £190,000 from the existing capital programme budget of £500,000.
- 6.9. The existing payment Terminals will be removed in a phased approach between October 2021 and March 2022.
- 6.10. There will be a full communications plan developed setting out the time scales and alternative payment options for customer, this will be implemented in advance of any of the changes occurring.
- 6.11. If a machineless option is selected then it will be critical to ensure that the communications package is delivered well in advance of the physical changes on street to ensure that customers are not confused by the new arrangements. It is currently envisaged that costs will be funded from existing resources but if there are additional costs these will be funded from parking revenue resources.

7. CUSTOMER AND SERVICE DEVELOPMENT

- 7.1. Prior to implementation, Merton will undertake a communication and awareness programme to inform and assist customers with the new charges and technologies being implemented. This will be undertaken through social media, My Merton and Civil Enforcement Officers assisting customers at payment terminals at point of payment. Additional communications would be targeted, where possible, at groups that are likely to be less digitally enabled to ensure they are prepared for these changes.
- 7.2. New and additional signage will be required to ensure customers fully understand the changes. In some cases, there may be no machine option therefore 'pay at machine' signs will need to be updated.
- 7.3. If option 1 is approved, it is proposed that all new payment terminals and signs will be in place and the ULEZ charge will be applicable from 1st October 2021

8. FINANCE

8.1. Financial implications are set out in the body of the report and in Appendix 2

8.2. Revenue Implications

8.2.1. The removal, disposal and making good costs in relation to the existing 434 machines is estimated to cost c£104,000, which is a one-off cost.

8.2.2. Option 1 - There is also an estimated additional ongoing revenue cost to the Parking Section of c£80,000 p.a. relating to the running costs, licence fees, and transactions fees, whilst corporate cash collection costs should reduce by c£48,000 p.a.

8.2.3. Option 2 - There is also an estimated additional ongoing revenue cost to the Parking Section of c£21,000 p.a. relating to the running costs, licence fees, and transactions fees, whilst corporate cash collection costs should reduce by c£74,000 p.a.

8.2.4. The additional costs will be funded from the revenue income.

8.3. Capital

Option 1 – Replace 78 Machines

8.3.1. The approved capital programme includes £500,000 for the emission based charging scheme. The current proposed capital costs for this option are £833,000, leaving a shortfall of £333,000 in funding. The main cause of this variation is the cost of replacing signage, for which only minimal allowance was made in original estimates

8.3.2. Allowing for slippage the approved capital programme includes £978,530 for the Carparks Upgrade. Progression of this scheme has been paused until the long term impact of COVID has been assessed, only £65,000 has been committed from the budget to undertake essential works at St Georges Carpark. Officers have reviewed the proposed scheme and removed costs mainly in relation to ANPR Cameras with some tweaks to other elements of the scheme totalling £333,000. This will leave a budget of £645,530

8.3.3. This £333,000 will be made available to fund the shortfall in the emission based charging scheme. The formal progression and approval of the virement of £333,000 required to fund the proposed scheme are included in the "Financial Report 2021/22 - Period 2, May 2021" elsewhere on this agenda.

Option 2 Remove all Payment Machines and use RingGo Only

8.3.4. The approved capital programme includes £500,000 for the payment infrastructure modernisation scheme. The current proposed capital costs of this option are £310,000 for new signage, this would allow £190,000 from this scheme to be relinquished.

8.3.5. Alternative Option to Replace All Machines

8.3.6. The approved capital programme includes £500,000 for the payment infrastructure upgrade scheme (emissions based charging). Replacement of

all machines is estimated to cost up to £3.25m. There is no provision within the MTFs for the option to replace all machines and progression of this scheme would require significant additional revenue savings or virements within the capital programme to be identified to balance the budget. At present, it is not proposed that this scheme be progressed.

9. ALTERNATIVE OPTIONS

- 9.1. **Do nothing** -. Failure to deliver a modern Parking Service would result in the customer choice and service not improving and lead to customer dissatisfaction.
- 9.2. **RingGo only**. (Option 2 above) An option could be to have RingGo as the only payment option, apart from the option for customers to pay by cash at local retail outlets. This option would result in the removal of all 434 payment terminals. This option would result in customers having to transition to pay by phone/app in a short period and there is a risk of some customers not being able to make payments initially or be inconvenienced. Customers are also familiar with payment terminals in Merton and total removal would be a significant change.
- 9.3. **Replace all machines** – There are currently a very high number of payment terminals that take very little cash on a daily basis. The cost of replacing all 434 machines is c£2.2m - 3.25m based price of purchase of machine and all associated works to replace and make good. Signing cost will remain the same as option 1 and 2 irrespective of whether machines are removed or replaced. Customers are now familiar with alternative payment methods such as RingGo and by phone and in the medium term, there is less of an expectation to continue to pay at static terminals. Paragraphs 2.2 to 2.4 also refer to the modernisation of parking payments and transactions and replacement of machines is not in line with this approach.

9. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION

IMPLICATIONS

- 9.1. An equalities assessment EA accompanies this report as appendix 3.
- 9.2. The EA sets out the overarching aims objectives and desired outcome of the proposal and their contribution to the council's corporate priorities. It also includes a detailed background on who will be affected by this.
- 9.3. The council believes that in accordance with the equality assessment guidance, the wide-ranging consultation process, the above referenced/linked documentation, and the recent direct consultation with equality groups, that the council has met its statutory requirement.
- 9.4. Public Sector Equality Duty is a duty to have "due regard" to impacts on protected characteristics groups. The EA did identify some limited detrimental impacts for some groups based on age, socio-economic status and pregnancy and maternity.
- 9.5. There are concerns that some older groups may be less likely to have access to a mobile phone and would find the distance to some PayPoint locations too far to

walk. Some distances could also inconvenience those who are pregnant or with buggies, although this group is less likely to be subject to digital exclusion.

- 9.6. However, mobile phone ownership is at approximately 95% of the adult population and given the requirements to register, insure, and run a vehicle, it is unlikely that a motorist does not have access to a bankcard as 96% of the general population have such.
- 9.7. Those that are socio-economically disadvantaged but not also part of any other protected group may not have access to a mobile phone or bank card but can pay in cash at a PayPoint location.
- 9.8. It is however recognised that there is still a significant number of transactions made by cash and customers will require some time to familiarise themselves with the new technologies. It is therefore an option that a number of payment terminals in key locations have a cash (coin) option in the first instance. Usage of cash and the uptake of digital payment at these locations will be monitored and as cash payments reduce in the medium term, the option for cash payments can easily be removed from the machines, due to their modular design, or in fact, the terminal could be removed altogether.
- 9.9. The Council believes that it has met the legal duty imposed by the Public Sector Equality Duty and will continue to seek ways to mitigate any negative impact.
- 9.10. **Consultation with Equalities Groups– Steps Taken**
- 9.11. In advance of the release of the cabinet report, and in order to feed into the equalities assessment, the organisations listed below were e-mailed and called and invited to a series of Webinars held at varying times throughout the day and evening on 17th June 2021. Officers presented on the principle of the removal of a machine and asked for comment on how their members may be affected if a machines was removed and their members had to use RingGo or a Pay Point location.
- 9.12. Equality groups were written to following the publication of this report. Equality groups will invited to attend further webinars and/or comment on the recommendations and detail of this report.

Wimbledon Guild
Age UK Merton
Polish Family Organisation
BAME voice
Carers Support Merton
Ethnic Minority Centre
Mitcham and Morden Guild

Merton CIL
Merton Seniors Forum
Merton Vision
Merton Mencap
Merton CAB
Wimbledon and District NCT Group
South London Tamil Welfare Group :
West Indian Friends and Families Association :
Wimbledon Mosque ,
Shree Ghanapathy Temple -
Morden Islamic Community Centre -

9.13. The Webinars were attended by the Polish Family Organisation (PFO), Merton Citizens Advice Bureau (CAB, the Centre for Independent Living (CIL) and the Chair of Merton Seniors Forum and BAME voice (same representative).

- 9.14. The following positive comments were received;
- It’s good to see the old machines being upgraded
 - We’re glad there is no change for blue badge holders.
 - The following issues were raised;

Issue Raised	Council Response
General walking distance to a PayPoint location – in some instances this may be too far.	76% of customers will continue to be able to make a payment at the same machine location. Customers will continue have the RingGo App.
What will happen if someone receives a Penalty Charge Notice when they have walked to a PayPoint location, will they be allowed more time.	At the moment, a grace period is allowed in which to purchase a parking ticket from the machine. This will continue to be allowed. In the event a PCN is issued we will review by exception and take into account the time the PayPoint transaction was made in relation to the time the PCN was issued.

What happens if the RingGo system is out of order?	This is extremely rare but under the legislation if it is not possible to take a payment then we would not issue a PCN.
How can a motorist extend their parking session via PayPoint?	The motorist would need to return to the PayPoint location. This is no different from the current situation paying at pay and display machines. The only way to top up parking time remotely is via RingGo.
What happens if English is not the motorists first language?	<p>The new payment terminals will have the facility to operate in the most commonly used languages, similar to cash points.</p> <p>RingGo is available in the following languages;</p> <ul style="list-style-type: none"> English -Spanish -Polish -Welsh -Portuguese -Simplified Chinese -Romanian -Italian <p>Google Chrome can be set to read websites in alternative languages</p>

10. CRIME AND DISORDER IMPLICATIONS

The visible presence of Civil Enforcement Officers can deter crime, in particular vehicle crime. Pay and Display machines on street also reduces the risk of vandalism and theft.

11. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

12. LEGAL AND STATUTORY IMPLICATIONS

- 12.1. This Report relates to rationalisation of payment methods provided for in the Borough's Traffic Management Orders, including the provision of machines which forms part of the overall system of payment methods and apparatus.
- 12.2. It is not considered that the rationalisation of on/off-street payment terminals/options gives rise to any statutory duty of public consultation.
- 12.3. The provisions for making traffic management orders are contained in the Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996.
- 12.4. The proposals in this Report can be effected by Minor Order under reg.21 of the Regulations, as the proposals fall within Schedule 4 Part 1 Paragraph 9, being the variation of provisions regulating the method of payment and regulating the use of apparatus for paying charges.
- 12.5. Upon making a Minor Order, the Council is obliged to publish notice of the order, in a local newspaper, including a brief statement of the general nature and effect of the Order, and listing the locations where copies of the Order can be inspected and the times at which inspections can take place (including the principal offices of the Council during normal office hours). The Order cannot take effect until 14 days after such publication.

Decision-making: Public Sector Equality Duty (PSED)

- 12.6. In considering this Report and coming to their Decision, Members should have due regard to the need to:
 - (a) *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this act;*
 - (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
 - (c) *foster good relations between persons who share a relevant characteristic and persons who do not share it.*

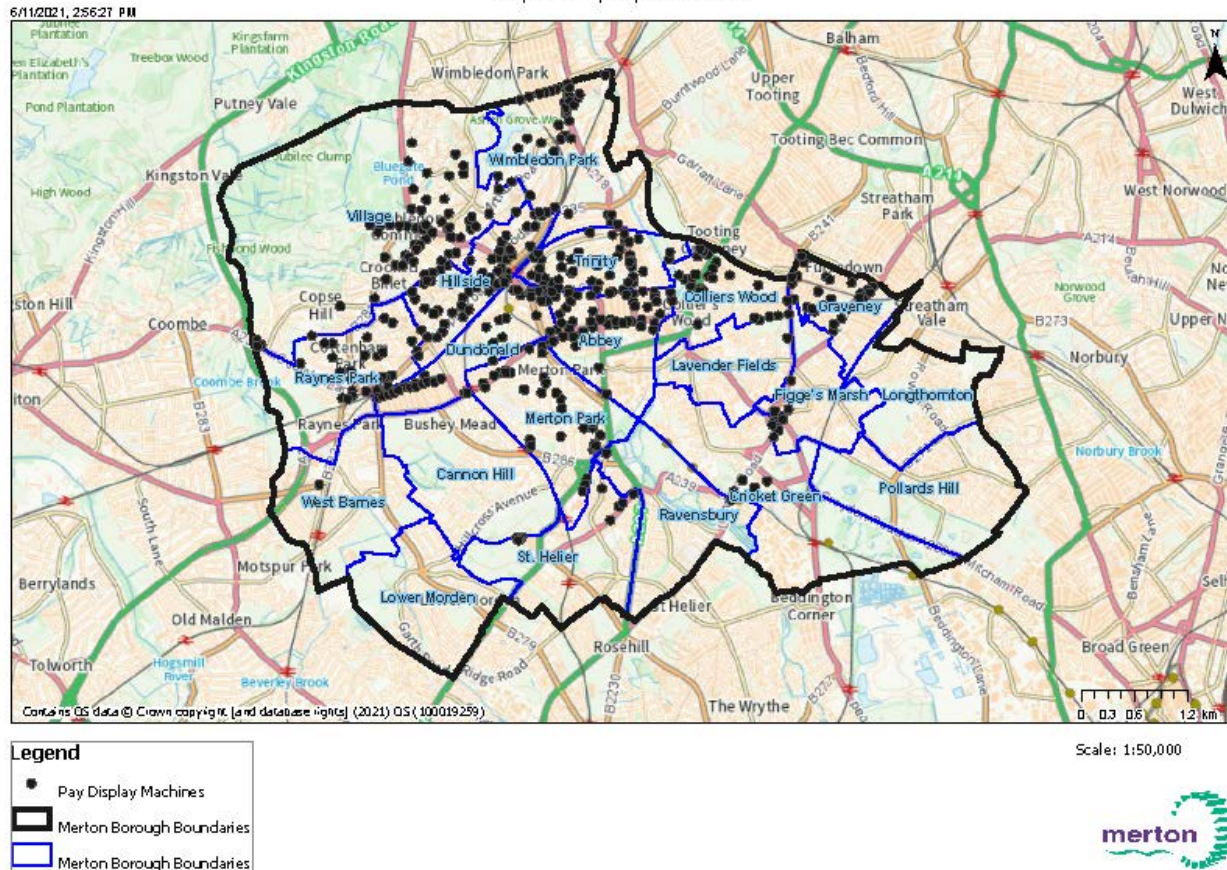
(Public Sector Equality Duty (s.149 Equality Act 2010))

- 12.7. The characteristics protected by the Act are:
 - a. age;
 - b. disability;
 - c. gender reassignment;
 - d. marriage and civil partnership;
 - e. pregnancy and maternity;
 - f. race;
 - g. religion and belief;
 - h. sex; and

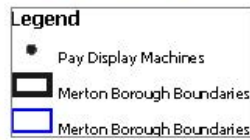
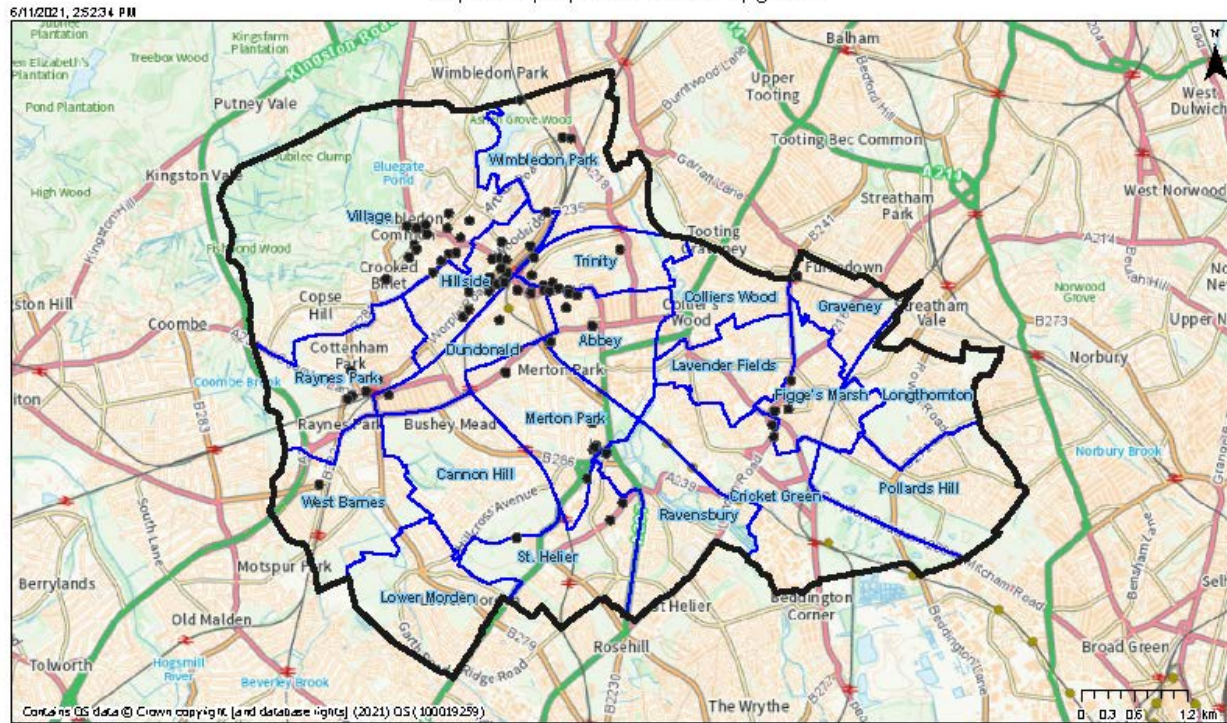
i. sexual orientation

- 12.8. Due regard means that the duty has been considered ‘substance, with rigour, and with an open mind’ and requires a proper and conscientious focus on the statutory criteria.
- 12.9. The PSED is a duty to have due regard to the specified issues, and not to achieve a particular outcome.
- 12.10. Members should have due regard to the Council’s Equality Impact Assessment which accompanies this Report.

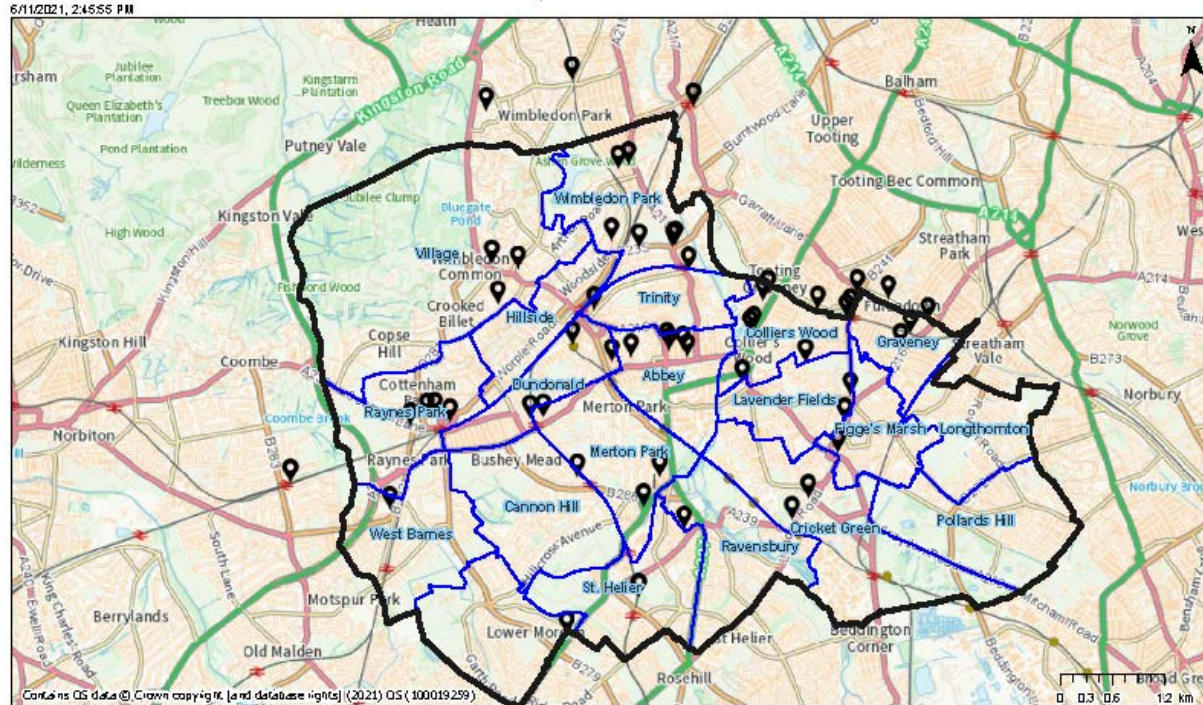
Pay & Display Machines



Pay & Display Machines to Upgrade



PayPoint Locations



Legend

- Merton Borough Boundaries
- Merton Borough Boundaries
- Parking Paypoint Location

Scale: 1:50,000



Financial Detail

Appendix 2

Current			Option 1			Option 2					
			Saving over current cost			Saving over current cost					
				New Machines including installation costs (estimated one of cost)	£523,000.00			New Machines (estimated one of cost)	N/A		
				Signage (estimated)	£310,000.00			Signage (estimated)	£310,000.00		
				A. CAPITAL SUBTOTAL	£833,000.00			A. CAPITAL SUBTOTAL	£310,000.00		
Current Infrastructure - 434 Coinage Pay & Display Machines & RingGo Annual Costs of Managing and Maintenance over the last 3 years	Parts	£35,028.00		Parts	£0.00	-\$35,028.00		Parts	£0.00	-\$35,028.00	
	Staff management & maintenance	£22,931.00		Staff management & maintenance	£8,350.00	-\$14,581.00		Staff management & maintenance	£0.00	-\$22,931.00	
	Pay & Display Ticket stock	£3,360.00		Pay & Display Ticket stock (estimated)	£500.00	-\$2,860.00		Pay & Display Ticket stock	£0.00	-\$3,360.00	
	Power to machines	£90.00		Power (if still required)	£114.00	£24.00		Power (if still required)	£0.00	-\$90.00	
	Cash Collections	£73,624.00		Cash Collections	£25,000.00	-\$48,624.00		Cash Collections	£0.00	-\$73,624.00	
	Pay & Machines Back Office System	£52,000.00		Payment Terminals Back Office System (new provider)	£25,000.00	-\$27,000.00		Payment Terminals Back Office System (new provider)	£0.00	-\$52,000.00	
	Licencing Fee	£53,469.00		Licencing Fee	£53,469.00	£0.00		Licencing Fee	£53,469.00	£0.00	
	B. SUBTOTAL	£240,502.00		B. SUBTOTAL	£112,433.00	-\$128,069.00		B. SUBTOTAL	£53,469.00	-\$187,033.00	
Revenue and system costs.	Transaction and License Costs	£0.00		Revenue and system costs.	Transaction and License Costs	£160,000.00	£160,000.00	Revenue and system costs.	Transaction and License Costs	£134,000.00	£134,000.00
	C. SUBTOTAL	£0.00		C. SUBTOTAL	£160,000.00	£160,000.00		C. SUBTOTAL	£134,000.00	£134,000.00	
	GRAND TOTAL (B+C)	£240,502.00		GRAND TOTAL (B+C)	£272,433.00	£31,931.00		GRAND TOTAL (B+C)	£187,469.00	-\$53,033.00	

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Equality Analysis



<p>What are the proposals being assessed?</p>	<p>To modernise the existing parking infrastructure within the Borough in order to provide additional payment options for residents and enable the digitisation of parking payments in line with other boroughs and the changing way people are choosing to make payments.</p> <p>Option 1 –</p> <p>To replace the existing dumb terminals with intelligent payment systems and continue the trend to reduce on street payment infrastructure with a transition to online app (application) and mobile phone payments, allied to a network of PayPoint outlets for cash payments.</p> <p>In Option 1, some of the new payment terminals in high cash areas will be replaced with coin, chip and contactless, some will be replaced with chip and contactless only (in medium cash areas) and some will be removed altogether with RingGo (electronic payment) and PayPoint (cash) at local businesses, being the payment options available to motorists.</p> <p>Option 2 –</p> <p>To adopt a machine-less approach for the future where the existing on street payment terminals are removed and replaced with signage directing users to the mobile and on line apps for payment, allied to a network of PayPoint outlets for cash payments</p> <p>Cash alternative for both Options 1 & 2.</p> <p>To help facilitate the above options, all customers who may have no other means of paying for their parking other than by cash would be able to use a network of PayPoint outlets across the borough. There are 55 Pay Point retailers in Merton near to machine locations (which has the highest number of PayPoint providers in</p>
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	<p>London). A map setting out the distribution and location of these PayPoint locations is attached as Appendix 1 to this report.</p> <p>PayPoint retailers provide an alternative cash payment infrastructure. When a customer enters a PayPoint location the customer would pay the shopkeeper in cash and their session would be uploaded to the RingGo solution. This is a payment option that is already in use across other London Boroughs, however with the migration to cashless options the uptake remains very low</p>
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Which Department/ Division has the responsibility for this?	Parking Services, Environment and Regeneration
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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.)	<p>Background</p> <p>The age of digital parking is with us and will continue to be more widespread in the coming years. Already ‘contactless’ parking exists at thousands of payment terminals around the country.</p> <p>The use of pay by phone and on-line applications has transformed the way in which customers can pay for their parking sessions and permits. Councils have been moving to more digital payment solutions for many years. This scheme affords Merton an opportunity to review the payment options and infrastructure available to residents and customers.</p> <p>Almost all Council’s across the UK have chosen to implement different pay options throughout on and off street locations and in private sector locations such as train stations and hotels. The introduction of the new payment methods has proven to be popular with a significant shift from cash only to digital and phone based</p>

payments. Covid has also seen a further reduction of the use of cash and more emphasis on digital payments.

In reviewing the infrastructure investment going forward, it is worth noting that a number of the major parking payment suppliers are now working with car manufacturers to develop in car payment systems, where a charge can be registered based on the GPS location of the vehicle and payment made automatically. The proposed infrastructure options that are being suggested in this report strike a balance between current needs and trends and the ability to transition to more intelligent payment systems in the future.

With the development of new payment terminal technology, open data and digital, more accurate data can be used by companies to find drivers a space near to their destination, reducing travel and time required to find a space. Indeed RingGo already do this on their APP in Merton,

Nationally, over 95% of the UK population own at least one mobile phone and 96% have a bank card. Given the requirements to register, insure, and run a vehicle, it is very likely that a motorist will have access to a bankcard.

Proposals detail.

The infrastructure review has also considered a number of options including the transition towards alternative payment options, including the use of local retail outlets and the uptake of card payments in recent years. Covid has also added in a further dimension in terms of the use of terminals during the Covid pandemic.

At present in Merton, approximately 80% of all payments are made through the RingGo system with only 20% of transactions involving the use of cash at machines.

Key opportunities for consideration (Option 1) include the replacement of dumb terminals with machines that incorporate keyboards, the potential for added functionality such as chip and contactless and the establishment of a network of PayPoint retail outlets, which could serve as the cash mechanism from the autumn.

Modern Payment Terminals now offer a range of service options and have the ability to link to 'cloud based' services. Screens are now larger and brighter and have touch screen options. The information does not just need to only display the parking charge, for example, local information could also be displayed.

	<p>The modern Payment Terminal now offers a range of payment methods, including 'contactless', 'chip' and cash (coin). There are options to have one or all. Other options include the ability to remove or keep the dispensing of pay and display tickets or for the information from vehicle registrations to link directly to the Civil Enforcement Officers enforcing on street, in the same way RingGo currently works. One of the advantages of having no tickets is the use of less paper rolls and the need to drive round and restock the machines.</p>
<p>2. How does this contribute to the council's corporate priorities?</p>	<p>The proposal will make a vital contribution towards Merton's strategic objectives and policies as set out in the Transport Strategy (LIP3), Health and Wellbeing Strategy, Air Quality Action Plan, and the Climate Strategy and Action Plan.</p> <p>Covid-19 Transport Impacts</p> <p>The Covid-19 crisis developed in March 2020 and has since had a significant impact on work and travel patterns as well as the availability and capacity of public transport. The initial complete lockdown resulted in a reduction in travel by all modes and a dramatic fall in car use. As the roads became quieter, the levels of cycling and walking increased. Provisional air quality monitoring data indicated a significant improvement in air quality across the borough during the full lockdown period, with levels at most sites reducing to within legal limits. An early study estimated that across the UK, 1,752 premature deaths attributable to air pollutant exposure were avoided during the 1st month of lockdown alone.</p> <p>However, this dramatic decline in car use was only temporary and as the lockdown has eased, car use and congestion have increased again and it has been reported to exceed pre Covid levels in outer London. The associated rise in air pollutants recorded is particularly concerning in light of emerging reports that high levels of local air pollutants can worsen the health impacts of Covid-19. 35% of UK COVID deaths occur in those with a pre-existing respiratory or cardiovascular medical condition.</p> <p>This has reinforced the need to act robustly and quickly to ensure that any changes to transport behaviour as a result of Covid do not further contribute to the transport challenges we face, particularly in relation to air quality. Whilst public transport has been adversely affected during the pandemic this is not expected to be a permanent change and we expect public transport use to return to pre Covid levels over time during 2021.</p>

	<p>The reduction in the use of cash and coins can assist to reduce the transmission rate of Covid, particularly if the RingGo option is used.</p>
<p>3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.</p>	<p>All residents, businesses, workers and visitors across the borough are potentially affected.</p> <p>The proposals to modernise the payment infrastructure will have either a positive or neutral effect on most of the stakeholders set out above. It may negatively affect age and disability groups although all other protected groups are unaffected. Mitigation to reduce the impact of this is set out in the action plan contained within this document.</p> <p>The existing provisions for free parking for Blue Badge holders and free Carer permits will be unaffected by these proposals.</p> <p>In some areas, additional upgraded facilities will be provided including chip and contactless payment options as well as the current coin option, RingGo option and PayPoint option (explained below).</p> <p><u>Current Payment Options</u></p> <p>Pay and display machine</p> <p>There are 434 pay and display machines which accept coin only and do not require vehicle registration mark entry. In some areas where coin usage remains high, these will be upgraded to coin, chip and contactless, providing an additional (and more Covid safe) method of payment.</p> <p>RingGo</p> <p>Over 76% of payments are currently through the mobile payment service and it is by far the most dominant of payment options. Customers choose this option because;</p> <p>It allows the flexibility of paying by phone, text or APP Parking time can be 'topped up' remotely without the need to return to a machine or the vehicle</p>

There is the option for a reminder text to be sent to ensure the customer returns to their vehicle in time or 'tops up' remotely
There is the option for a confirmation text to be sent
Electronic receipts can be downloaded and parking history viewed
It negates the need to carry change
It negates the need to walk to a machine and return to the vehicle, particularly in inclement weather
100% Covid safe option

PayPoint

This service is available at local retailers and allows customers to make a range of payments (such as utilities but also parking via RingGo) in cash.

Merton has the highest number of PayPoint locations (55 near to machine locations) of all of the London boroughs and it is a viable alternative option for customers, although there are varying walking distances to these, the average is 0.22 miles, which could pose problems for those with impaired mobility, although recognising that these people will likely be eligible for a disabled drivers Blue Badge.

Current usage for parking payments at PayPoint is low across London due to the popularity of cashless payment options.

It should be noted that Merton have experimented with removal of some pay and display machines in very low coin areas and there are some cashless only areas at the moment. This has had no impact on the motorist behaviour or compliance levels. No formal or informal complaints have been received.

Those affected by the proposal to remove pay and display machines or in areas where the new payment terminals will only accept card include those without access to a mobile phone or bank card. Note that a smart phone is not required and a standard mobile phone can be used to access the RingGo service by phone or text.

Over 96% of the population have a bank card and over 95% own at least one mobile phone. It is highly likely that this % will increase when applied to the motoring demographic and when next updated as it is from 2017.

	<p>(Source - 3 Source: "Percentage of households with mobile phones in the United Kingdom (UK) from 1996 to 2017", https://www.statista.com/statistics/271851/smartphone-owners-in-the-united-kingdom-uk-by-age</p> <p>Source: "Debit Cards Set To Overtake Cash in 2018, Three Years Earlier Than Expected", Payments UK, https://www.paymentsuk.org.uk/ 2 Source</p>
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	<p>Responsibility is shared with the following departments, organisations and partners: Public Health, Future Merton, Planning, Environmental Health. Department for Transport, NHS, Mayor of London, TfL, Transport Operators.</p>

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?

Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Merton's profile

Merton has a diverse and growing population.

Data from the housing-led population projections for London which are produced by GLA Demography estimate the future trajectory of London's population at local authority level. Merton has a projected resident population of 211,787 for 2020 which is projected to increase to 224,502 by 2030. The Female population slightly exceeds the male population, particularly in the over 75 age groups.



Date: 2020 Source: GLA

2020 population projection for all persons by 5 year age group are shown in the chart above. Merton's 2020 projected ethnic makeup is shown in the following chart.



Date: 2020 Source: GLA

Consultation with Equalities Groups– Steps taken

The list below shows the organisations that we have contacted and consulted with on the payment infrastructure changes.

Wimbledon Guild
Age UK Merton
Polish Family Organisation
BAME voice
Carers Support Merton
Ethnic Minority Centre
Mitcham and Morden Guild
Merton CIL
Merton Seniors Forum
Merton Vision
Merton Mencap
Merton CAB
Wimbledon and District NCT Group
South London Tamil Welfare Group :

West Indian Friends and Families Association :
Wimbledon Mosque ,
RHEMA Church Ministries
Shree Ghanapathy Temple -
Morden Islamic Community Centre -

Webinars were held on 17th June 2021 an attended by the Polish Family Organisation (PFO), Merton Citizens Advice Bureau (CAB, the Centre for Independent Living (CIL) and the Chair of Merton Seniors Forum and BAME voice (same representative).

The following positive comments were received;

It's good to see the old machines being upgraded

We're glad there is no change for blue badge holders.

The following issues were raised;

Issue Raised	Council Response
General walking distance to a PayPoint location – in some instances this may be too far	76% of transactions will be made at the same location and will be unaffected because RingGo usage is very high and is the payment method of choice for the vast majority of people. Customers will continue to have the RingGo App.
	At the moment, a grace period is allowed in which to purchase a parking ticket from the machine. This will continue to be allowed. In the event a PCN is issued we will review by

What will happen if someone receives a Penalty Charge Notice when they have walked to a PayPoint location, will they be allowed more time.	exception and take into account the time the PayPoint transaction was made in relation to the time the PCN was issued.
What happens if the RingGo system is out of order?	This is extremely rare but under the legislation if it is not possible to take a payment then we would not issue a PCN.
How can a motorist extend their parking session via PayPoint?	The motorist would need to return to the PayPoint location. This is no different from the current situation paying at pay and display machines. The only way to top up parking time remotely is via RingGo.
What happens if English is not the motorists first language?	The new payment terminals will have the facility to operate in the most commonly used languages, similar to cash points. RingGo is available in the following languages; English -Spanish -Polish -Welsh -Portuguese -Simplified Chinese -Romanian -Italian Google Chrome can be set to read websites in alternative languages

Stage 3: Assessing impact and analysis

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

Protected characteristic (equality group)	Tick which applies		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		X		<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>There may be some accessibility issues with PayPoint locations as the average walking distance is 0.22M from the parking area/former machine location. In addition to this, they may not be open correlating times to the parking restrictions. However, all town centres with later parking charges will have payment terminals installed and in most cases there are no charges after 6.30pm. Most PayPoint locations are at convenience stores with extended opening hours, e.g. 7am – 10pm.</p> <p>Data from TfL for London on car ownership by age (Travel in London report 12, 2019) indicates that younger adults (20-29) and the elderly (80 +) are the groups will the lowest levels of car ownership, so will be less likely as a group to be subject to any negative implications.</p> <table border="1"> <thead> <tr> <th></th> <th>No car</th> <th>One car</th> <th>Two or more cars</th> </tr> </thead> <tbody> <tr> <td>20-29</td> <td>47.4%</td> <td>32.5%</td> <td>20.0%</td> </tr> <tr> <td>30-39</td> <td>39.6%</td> <td>46.5%</td> <td>13.9%</td> </tr> <tr> <td>40-49</td> <td>31.0%</td> <td>47.2%</td> <td>21.8%</td> </tr> <tr> <td>50-59</td> <td>29.0%</td> <td>41.2%</td> <td>29.8%</td> </tr> </tbody> </table>		No car	One car	Two or more cars	20-29	47.4%	32.5%	20.0%	30-39	39.6%	46.5%	13.9%	40-49	31.0%	47.2%	21.8%	50-59	29.0%	41.2%	29.8%
	No car	One car	Two or more cars																						
20-29	47.4%	32.5%	20.0%																						
30-39	39.6%	46.5%	13.9%																						
40-49	31.0%	47.2%	21.8%																						
50-59	29.0%	41.2%	29.8%																						

60-69	29.3%	44.7%	25.9%
70-79	35.2%	47.5%	17.4%
80+	56.8%	38.1%	5.1%

However, elderly residents may be more likely to be subject to digital exclusion because they do not own a mobile phone and/or online banking so would be unable to make a payment via this method. Whilst Smart phone usage is increasing and is currently at 96% of the adult population, it falls to 80% for those aged over 65 and is likely to be significantly less for those over 80. A non-digital alternative will continue to be available at PayPoint locations although some of these may pose accessibility issues for elderly people with impaired mobility that are not eligible for a blue badge.

Disability	X		X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chippayments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>The blue badge scheme has recently been extended to allow for those with hidden disabilities including brain disorders and anxiety to be eligible for a badge.</p> <p>Removal of machines and signs can improve the street environment for those with visibility and mobility issues, particularly wheelchair users, by blocking crossing opportunities and reducing pavement widths.</p> <p>Negative Impact</p> <p>There may be a small number of people with temporary disabilities, for example, a fracture making walking difficult, that will not be eligible for a disabled badge because of the temporary nature of their ailment. These users may find it difficult to access a PayPoint location however,</p>
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				<p>they would also have found it more difficult to walk to a pay and display machine and return to display the ticket in the vehicle, so in all likelihood would use RingGo.</p> <p>Merton is committed to supporting its residents that have mobility issues and is a member of the national Blue Badge scheme, which provides a range of parking and other motoring concessions for people who are registered blind or have severe mobility problems. In 2019 The Blue Badge eligibility scheme was further extended to those with a wide range of hidden health issues that affect their mobility.</p> <p>5564 Merton residents currently hold a Blue Badge. Residents with mobility issues and complex needs who reside in a CPZ and require regular support and care are also entitled to apply for a free carer's permit. This is a free, annual permit that is not vehicle specific, and can be used by carers, relatives, and tradespeople visiting the Blue Badge holder.</p> <p>Blue Badge holders are unaffected by these proposals and can continue to park free of charge in any Merton disabled parking bay, pay & display and shared use bay or permit holder bay. Carers permits are also unaffected by these proposals as they are eligible for a permit so do not need to make on site payment. Those with disabilities are also able to apply for the creation of a dedicated disabled bay in proximity their home.</p> <p>Disabled residents are also eligible for the freedom pass that enables them to travel free on all public transport services in London during off-peak hours, which is a significant benefit that supports the use of sustainable transport modes. Other transport schemes including dial a ride, Merton Community Transport and Personalised Transport Services are also available to assist Merton residents who have a substantial and permanent physical or sensory disability that affects their mobility and means they are unable to use public transport without extreme difficulty.</p>
Gender Reassignment	X		X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p>

				<p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>None identified</p>
Marriage and Civil Partnership	X		X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>None identified</p>
Pregnancy and Maternity	X		X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Potential Negative Impact</p>

					It is not considered that new parents may be particularly subject to digital exclusion, although for those that are, walking to a PayPoint location with a buggy may pose accessibility issues depending on the distance. However, the same could be applied for walking to and from a pay and display machine and in reality this group would likely have a mobile phone and or bank card.
Race	X			X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>Those affected by the proposal to remove pay and display machines or in areas where the new payment terminals will only accept card include those without access to a mobile phone or bank card, this may disproportionately affect BAME residents. Note that a smart phone is not required and a standard mobile phone can be used to access the RingGo service by phone or text.</p> <p>Over 96% of the population have a bank card and over 95% own at least one mobile phone. It is highly likely that this % will increase when applied to the motoring demographic and when next updated because it is from 2017.</p>

				<p>(Source - 3 Source: "Percentage of households with mobile phones in the United Kingdom (UK) from 1996 to 2017", https://www.statista.com/statistics/271851/smartphone-owners-in-the-united-kingdom-uk-by-age)</p> <p>Source: "Debit Cards Set To Overtake Cash in 2018, Three Years Earlier Than Expected", Payments UK, https://www.paymentsuk.org.uk/ 2 Source: "Debit Cards Set To Overtake Cash in 2018, Three Years Earlier Than Expected",</p> <p>It should be noted that Merton have experimented with removal of some pay and display machines in very low coin areas and there are some cashless only areas at the moment. This has had no impact on the motorist behaviour or compliance levels. No formal or informal complaints have been received.</p> <p>Additionally, as a result of the COVID pandemic, there have been campaigns to encourage increased use of debit cards to prevent to transfer of illness via coins, with some businesses refusing to accept cash payments altogether. The use of contactless technology, either through use of card or via a mobile device is at an all time high across all age groups.</p> <p>This specific group, unless also affected by one of the other protected characteristics, is considered to be able bodies and thus able to utilise one of the 55 plus PayPoint locations within a maximum half mile walking distance.</p>
Religion/ belief	X		X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p>

					The PayPoint opening times may not correlate with worshipping times, for example, Sunday mornings, Friday evenings.
Sex (Gender)	X			X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>None identified</p>
Sexual Orientation	X			X	<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip payments in some high cash areas.</p> <p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>None identified</p>
Socio-economic status	X		X		<p>Positive Impact</p> <p>The introduction of additional (more Covid safe) options of contactless and chip and pin payments in some high cash areas.</p>

				<p>The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas</p> <p>The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3</p> <p>The retention of a cash option at over 55 PayPoint locations</p> <p>Negative Impact</p> <p>Those affected by the proposal to remove pay and display machines or in areas where the new payment terminals will only accept card include those without access to a mobile phone or bank card. Note that a smart phone is not required and a standard mobile phone can be used to access the RingGo service by phone or text.</p> <p>Over 96% of the population have a bank card and over 95% own at least one mobile phone. It is highly likely that this % will increase when applied to the motoring demographic and when next updated because it is from 2017.</p> <p>(Source - 3 Source: "Percentage of households with mobile phones in the United Kingdom (UK) from 1996 to 2017", https://www.statista.com/statistics/271851/smartphone-owners-in-the-united-kingdom-uk-by-age</p> <p>Source: "Debit Cards Set To Overtake Cash in 2018, Three Years Earlier Than Expected", Payments UK, https://www.paymentsuk.org.uk/ 2 Source: "Debit Cards Set To Overtake Cash in 2018, Three Years Earlier Than Expected",</p> <p>It should be noted that Merton have experimented with removal of some pay and display machines in very low coin areas and there are some cashless only areas at the moment. This has had no impact on the motorist behaviour or compliance levels. No formal or informal complaints have been received.</p> <p>Additionally, as a result of the COVID pandemic, there have been campaigns to encourage increased use of debit cards to prevent to transfer of illness via coins, with some businesses</p>
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				<p>refusing to accept cash payments altogether. The use of contactless technology, either through use of card or via a mobile device is at an all time high across all age groups.</p> <p>This specific group, unless also affected by one of the other protected characteristics, is considered to be able bodies and thus able to utilise one of the 55 plus PayPoint locations within a maximum half mile walking distance.</p>
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7. If you have identified a negative impact, how do you plan to mitigate it?

The mitigations for disability, age, pregnancy and maternity, and socio-economic status are set out in the Action Plan below.

Stage 4: Conclusion of the Equality Analysis

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

Please refer to the guidance for carrying out Equality 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.
- Outcome 2** – The EA has identified adjustments to remove negative impact or to better promote equality.
- Outcome 3** – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully.
- Outcome 4** – The EA shows actual or potential unlawful discrimination.

Stage 5: Improvement Action Pan

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

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?
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<p>Age It is recognised that the proposals to remove some machines may have a detrimental impact on the elderly that may be more likely to suffer from both social isolation and digital exclusion.</p>	<p>Option 1 recommends a replacement/upgrade of 60 – 95 machines at which a coin option will remain along with an enhanced contactless facility which will service approx. 80% of all transactions within the borough</p> <p>Option 2 recommends the removal of all machines in the borough and a move to cashless. Currently 80% of transactions are through RingGo and the PayPoint option will cater for the remaining customers.</p> <p>Promote and advertise existing transport and parking schemes to support older residents including the freedom pass, dial a ride etc.</p> <p>Continue to engage in ongoing dialogue with relevant equalities groups including Age UK</p> <p>Ensuring we have suitable accessibility and customer service options (channels) for older users who wish to make payments and access customer service assistance. Engage with equality groups via workshops, promo campaigns My Merton press etc</p>	<p>Customer feedback Uptake in RingGo, card and PayPoint payments</p>	<p>Current</p>	<p>Existing</p>	<p>Ben Stephens</p>	<p>Yes</p>
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	<p>CEO /parking team training to assist RingGo uptake via a series of promotional demonstration of ease of use</p> <p>Merton has the highest number of Paypoint locations in London where payment for parking can be made by cash. However, we will continue to work to develop additional PayPoint locations in borough</p> <p>Communications campaigns repeated at regular intervals to explain alternative payment options, including engagement with affected groups, e.g. Age UK</p>					
<p>Pregnancy and Maternity</p> <p>Given the age demographic, these customers are highly likely to have a bank card and/or mobile phone so will benefit from additional payment options</p>	<p>Merton has the highest number of PayPoint locations in London where payment for parking can be made by cash. However, we will continue to work to develop additional PayPoint locations in borough</p> <p>Communications campaigns repeated at regular intervals to explain alternative payment options</p>	<p>Customer Feedback</p>				
<p>Socio-economic status</p> <p>Access to bank card and phone</p>	<p>Merton has the highest number of PayPoint locations in London where payment for parking can be made by cash. However, we will continue to work to develop additional PayPoint locations in borough and promote</p>	<p>Customer Feedback</p>				

	the location of these via regular communications campaigns	Increased use of contactless technologies to make payments as a result of COVID pandemic				
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Note that the full impact of the decision may only be known after the proposals have been implemented; therefore, it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

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

This Equality Analysis has resulted in an Outcome **3** Assessment

Please include here a summary of the key findings of your assessment.

There are both negative and positive impacts identified by the EA. Officers have reviewed the equity of the proposals and accept that there will be some residents who may be negatively impacted. However, in light of the mitigation set out above the level of impact is assessed as likely to be low. The council considers that the impact is proportionate to the legitimate aim sought to be achieved through the policy that will have positive impacts for all residents.

Positive Impact

- The introduction of additional (more Covid safe) options of contactless and chip and pin payments in some high cash areas.
- The introduction of new DDA compliant payment terminals with bigger easier to read screens in some high cash areas
- The retention of telephone, text and app payments providing the convenience and additional benefits set out in section 3
- The retention of a cash option at over 55 PayPoint locations
- increased uptake of active travel modes

- Improve road safety outcomes

The proposals enhance improvements in technology which improve convenience for users by enabling parking to be paid for remotely and without cash.

In addition, by moving away from traditional pay and display machines and encouraging the use of cashless payments, whether they are through RingGo, debit cards and mobile devices, or via cash payments at local businesses, there will be a reduction in the councils carbon footprint as less cash collections will need to take place, and in addition, pay and display machines are less likely to be criminally damaged to access the cash they contain, this reducing the councils costs.

Neutral Impact

There are no implications for Blue Badge Holders or Carer's permits.

Negative Impact

It is recognised that the proposals for changing the payment terminal infrastructure for visitors may have a particularly detrimental impact on the elderly, that may be more likely to suffer from both social isolation and digital exclusion. TRace and those with low socio-economic status may also be negatively affected and to a lesser extent (because they do not tend to be a group subject to digital exclusion) pregnant and maternal citizens. The action plan endeavours to mitigate against the negative impact as best as possible.

Monitoring

The original equalities assessment has been updated following the recent engagement with equalities groups. (October 2020), further engagement will take place during June 2021. The Improvement Action Plan in Section 5 of the document sets out the actions and timescales proposed to be undertaken and the EA plan will be signed off and monitored by the Director of Environment and Regeneration and the Head of Parking Services.

The EA Plan and the policy would be kept under review and representatives of the affected groups will be consulted with to assess ongoing impacts and further mitigations.

There is a commitment that the EA Plan will be reviewed in 12 months' time and will be published on the Council's website.

What course of action are you advising as a result of this assessment?

Section 5 – Improvement Action Plan sets out the actions and timescales proposed to be undertaken.

Stage 7: Sign off by Director/ Head of Service

Assessment completed by	Ben Stephens – Head of Parking Services	Signature: <i>Ben Stephens</i>	Date: 30/06/2021
Improvement action plan signed off by Director/ Head of Service	Chris Lee – Director of Environment and Regeneration	Signature: <i>Chris Lee</i>	Date: 30/06/2021

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Committee: Cabinet

Date:

Wards: All

Subject: Additional Restrictions Grants

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers, Cabinet Member for Finance

Contact officer: David Keppler, Head of Revenues and Benefits

Recommendations:

1. For Cabinet to review and agree the Additional Restrictions Grant Policy for Phase three
 2. For Cabinet to agree that stream three of Phase three is delegated to the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services to determine the distribution to businesses
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To update Cabinet on phase two of the Discretionary Additional Restrictions Grant scheme.
- 1.2. For Cabinet to identify if any changes to the phase three policy are required.
- 1.3. For Cabinet to agree to delegate stream three of Phase three to the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services to determine the distribution to businesses

2 DETAILS

- 2.1. On the 22 October 2020 the government announced additional funding to businesses under restrictions in Local Covid Alert Level High (LCAL2) and Very High (LCAL3).
- 2.2. National restrictions were announced on 31 October 2020 to come into force from 5 November 2020. From this date the Local Restrictions Support Grants (Closed) Addendum 5 November to 2 December scheme was introduced for businesses.
- 2.3. When the national restrictions were announced the Government announced further support for businesses. The scheme is the Additional Restrictions Grant (discretionary scheme) and can be used across financial years 2020/21 and 2021/22.
- 2.4. Merton was allocated funding of £4,130,960 for this discretionary scheme.

- 2.5. On 7 December 2020 Cabinet agreed phase one of the discretionary scheme. The scheme targeted businesses that pay business rates and had received no support and also businesses run from home that employ staff.
- 2.6. Phase one of the scheme was allocated £2 million to be awarded in grants. As at the 31 May 2021 £1,100,000 had been paid to 58 businesses.
- 2.7. In early January 2021, when further national restrictions were announced, the Government allocated the Council a further £1,834,777 funding for the discretionary scheme. This took the total funding to £5,965,737.
- 2.8. On 22 March 2021 Cabinet agreed phase two of the scheme. This consisted of two streams, the first stream was an allocation of up to £1,000,000 to Future Merton for wider business support measures. The second stream was for direct business support grants to micro and small businesses including businesses run from home.
- 2.9. In phase one £2,000,000 was allocated to direct business grants. Of this £1,100,000 was paid out. The remainder of this allocation and the additional funding was allocated to the phase two direct business support grants. A minimum of £3,865,737 was allocated to phase two direct business support grants.
- 2.10. Councillors felt that with the level of grants awarded they would likely have the biggest impact on micro and small businesses given the relative scale of losses. They felt these businesses would need the most support to recover from the Covid crisis. They also felt that they would likely have less reserves than medium and large businesses, and would find it harder to sustain the business without this support.
- 2.11. The direct business support grant scheme was a points based scheme with points awarded for accommodation costs, number of employees and a weighting for employees that are Merton residents. To qualify businesses had to demonstrate a 40% or greater loss of income for the period 1 April 20 to 31 March 21 compared to the same period for the previous year.
- 2.12. Once all applications were reviewed the value per point would be calculated based on the total number of points awarded for all successful applications and the £3,865,737 funding allocated to the scheme.
- 2.13. On 3 March 2021 the Government announced a further top up to local authorities of this discretionary fund. To qualify the Council has to have spent the full £5,965,737 funding for the discretionary schemes by the 30 June 2021.
- 2.14. The scheme was devised as above to ensure that all funding would be spent and the Council would be eligible for the additional funding.
- 2.15. The Director of Corporate Services was delegated authority to divert any unspent funding from Future Merton's £1,000,000 to the direct business support grant scheme to ensure all funding was spent by the deadline.
- 2.16. Merton will be eligible for a further £1,936,708 providing it spends all of the £5,965,737 funding.
- 2.17. [Update on phase two spend](#)
- 2.18. Future Merton have spent £55,200 on the following:

Purchase of £50,000 materials for building of ten park lets across the borough

Cost of Graphic Designer £5,200

2.19. As the allocated funding of £1 million was not spent the balance of £944,800 was clawed back and redistributed as part of the grants to businesses to ensure it was spent by the deadline

2.20. 275 applications were received for the discretionary grants and of these 138 met the criteria.

2.21. Where businesses had received previous grants from the Council or other Government grants, such as the Culture Recovery Fund, these would be taken into account as income during 2020/21.

2.22. In total the 138 businesses accumulated 1,582 points under the scheme and the level of funding available for the direct grants was £4,801,537. Once a small number of businesses had their grants capped at the level of loss it meant that each point was worth £3,058.

2.23. Businesses grants were capped at their total income loss between 2019/20 to 2020/21.

2.24. Some of examples of level of grants issued are detailed below:

Businesses run from home by individuals with no other accommodation costs received a grant of £9,175.

A business with 35 employees of which 11 are Merton residents and suffered a loss of income of £3.6 million received a grant of £183,508.

A business with 7 employees of which 5 are Merton residents and suffered a loss of income of £400,000 received a grant of £61,169.

2.25. Businesses have responded very positively to receiving their grants with numerous emails thanking the Council for the support. Two quotes received are as follows:

“Let me take the opportunity to whole heartedly thank you and your panel for considering our application. By awarding this grant you have not only save this business but also save the livelihood of the current employees. Also this grant would help us to create at least another 20 to 30 new jobs in the local area. We are a labour intensive business and our objective to employ people from the local area. If there are any scheme or grants available in the future from the local Government please keep us posted. Once again thank you very much” - Abul Muazzam, Crystal Everest Linen

“You have thrown us a lifeline and we are so so grateful. We will continue to struggle until the borders open for international travel, but this will certainly help us keep going until that happens, and we hope remain in business in the longer term.” - Jane Dancaster, Managing Director of Wimbledon School of English

2.26. In total 138 business were supported, these businesses employed 814 staff of which 262 were Merton residents. The total loss of income evidenced by these businesses totalled £72.6 million

- 2.27. The level of grants paid equated to 6.6% of the reduction of income for the qualifying businesses.
- 2.28. The scheme was administered successfully and Merton allocated and paid all of the £5,965,737 by the deadline.
- 2.29. Evidence of 100% spend has been provided to BEIS and we await confirmation that Merton has qualified for the further funding of £1,936,708. An update will be provided at the meeting. This allocation must be spent by 31 March 2022
- 2.30. Phase three scheme
- 2.31. Phase three will be made up of three streams.
- 2.32. Stream one will be an allocation of £600,000 to Future Merton to continue to implement wider business support packages, which includes contributions to cover works which were started under Phase 2 but not completed by 18 June 2021.
- 2.33. Stream two will be a reopening of direct business grants for micro and small businesses that did not apply during phase two. We received reports from a small number of businesses that missed the application window. We also acknowledge that the initial period for submitting grants was at the same time as businesses were beginning to reopen in early April.
- 2.34. Businesses that received a grant under phase two will not be eligible and will not receive another grant.
- 2.35. The criteria will be exactly the same as Phase Two. It is felt that support to micro and small businesses who have suffered during the pandemic may make the most difference to them being able to continue trading. The weighting of support to those companies who employ Merton residents also helps limit the impact on Merton and its partners and strategic agencies if they are able to remain in employment. The value per point will be 'capped at' the value in phase two i.e. £3,058. Again grants will be capped at the loss of income the business had.
- 2.36. The balance of the funding will be allocated to stream two. If the total value of grants to be paid based on the value per point of £3,058 exceeds the allocated funding then the value per point will be reduced proportionately.
- 2.37. It is proposed to have an application window from 27 July 2021 for 21 days for phase two of the scheme.
- 2.38. It is estimated that grant payments will commence in mid-September 2021. All applications will have to be reviewed before any payments are made.
- 2.39. The discretionary policy for Additional Restrictions Grant Phase Three is detailed in Appendix 1
- 2.40. For all grant schemes the Government expects the Council to undertake pre and post payment validation. Validation measures will be implemented prior to payment and the Fraud service will be engaged to assist with post payment assurance.
- 2.41. The Government also requires Council's to collate and report data for all businesses receiving grants. Performance returns are required.

- 2.42. Stream three will be another direct business grant scheme and will use any funding over from stream two detailed above. This will be devised and agreed by the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services under delegated powers. This scheme will be devised after stream two has been fully administered and concluded.
- 2.43. At this stage its difficult to estimate the value of this scheme as it depends on take up on stream two. The funding could increase depending on the outcomes of stream one's spend by Future Merton.
- 2.44. The Council will undertake a communication strategy to reach businesses in the borough to encourage applications. This will include using the Chamber of Commerce and BIDS to reach businesses.
- 2.45. The Revenues and Benefits team will review all applications for stream two. A decision making panel will sit and agree applications. The Director of Corporate Services will make final decisions on grants.
- 2.46. The Policy allows for the Director of Corporate Services to agree to divert the funding allocated to the Wider Business Support into the direct grants fund if it is proving difficult to spend within the existing timeframe or if the Government set any new timeframe on spend..

3 ALTERNATIVE OPTIONS

- 3.1. The Council could look to implement different local priorities for the policy.
- 3.2. The Council could choose to not distribute the additional funding.
- 3.3. Any unspent funding as at 31 March 2022 will need to be returned

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. .

5 TIMETABLE

- 5.1. Estimated time frame for implementation of schemes

Task	Time frame
Policy agreed Cabinet	12 July 2021
Call in period ends	19 July 2021
Communications with businesses	19 July 2021
Application window for stream Two opens	27 July 2021
Application window for stream Two closes	16 August 2021
Payments to commence – estimated	15 September 2021
Review of funding available for stream Three	20 September 2021

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The Council initially received £4,130,960 Additional Restrictions Grant funding. A further £1,834,777 funding for the discretionary scheme. This took the total funding to £5,965,737.
- 6.2. To qualify for the additional £1,936,708 the previous funding had to be spent by 30 June 2021. The additional money has to be spent by 31 March 2022 and if not spent will need to be returned.
- 6.3. The Council's business rates system supplier have provided a solution to administer and award all grants. The cost of the new software is £17,500. The same software can be used for ARG 3
- 6.4. Staffing levels to administer the scheme will come from existing resources.
- 6.5. The Government have indicated that New Burdens funding will be provided to all Council's for the administration of the grants

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Council is able to make such grants under the general powers of competence set out in section 1 of the Localism Act, the enabling powers set out in section 111 of the Local Government Act 1972 and in line with Central Government Guidance with regards the Additional Restrictions Grants which has come about as a result of the Covid 19 Pandemic
- 7.2. The application and evaluation process need to be complied with in order to ensure that no claims of discrimination or inequality are made. The grants will be awarded in accordance with the application process and evaluation criteria, that will be fully disclosed and an audit trail of the decision making process retained. Successful applications will be awarded the grant on the terms and conditions set out in the policy.
- 7.3. The application process will take account of issues around state subsidy to ensure compliance.
- 7.4. Cabinet may by virtue of section 101 of the Local Government Act 1972, s.9J of the Local Government Act 2000 and the Scheme of Delegation at Part 3E of the Constitution, delegate authority to award this agreement.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. An Equalities Analysis has been completed. (Appendix 2)
- 8.2. The web form that has been designed links automatically to the business rates system. This enables the payments of the grants to be automated. Therefore, the web form will not enable the capture of equalities data.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. The Government expect pre-payment checking and have stated they will pursue and prosecute fraudulent awards.
- 9.2. The Government have provided an online tool to help with verification.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. Plans must be made to ensure the service is not overwhelmed by the number of applications received.

- 10.2. The Council will need to monitor and ensure that applications can be reviewed, financially vetted and decisions made within the timeframes indicated above.
- 10.3. Additional resource should be made available if required.

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

- Appendix 1 – Additional Restrictions Grant Policy Phase Three
- Appendix 2 – Equality Analysis

12 BACKGROUND PAPERS

- 12.1. Government Guidance and FAQ's

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Additional Restrictions Grant (ARG) – Discretionary Grant Policy Phase Three 2021/22

Government Guidance

Introduction

This support was announced on the 31 October 2020 for Local Authorities under national and Local Covid Alert Level 3 restrictions. It is not retrospective and the Council cannot vary this.

Local authorities can use this funding for business support activities. We envisage this will primarily take the form of discretionary grants, but LAs could also use this funding for wider business support activities.

Local Authorities can determine how much funding to provide to businesses from the ARG funding provided, and exactly which businesses to target.

However, we encourage Local Authorities to develop discretionary grant schemes to help those businesses which – while not legally forced to close – are nonetheless severely impacted by the restrictions put in place to control the spread of Covid-19. This could include – for example – businesses which supply the retail, hospitality, and leisure sectors, or businesses in the events sector.

Local Authorities may also choose to help businesses outside the business rates system, which are effectively forced to close – for example market traders.

Finally, Local Authorities could use ARG funding to provide additional support to larger local businesses which are important to the local economy, on top of the funding provided to those businesses via the LRSG (Closed) scheme, with due reference to State Aid.

In taking decisions on the appropriate level of grant, Local Authorities may want to take into account the level of fixed costs faced by the business in question, the number of employees, whether they are unable to trade online and the consequent scale of coronavirus losses.

Managing the risk of fraud and payments in error

Local Authorities must continue to ensure the safe administration of grants and that appropriate measures are put in place to mitigate against the increased risks of both fraud and payment error. In this respect, grant administrators should consider supplementing existing controls with digital tools to support efficient, appropriate and accurate grants awards.

Pre- and post-event assurance

The general principle applies that Local Authorities are responsible and accountable for the lawful use of funds under Section 151 of the Local Government Act 1972. The Section 151 Officer within the Local Authority is required to exercise their duties in line with the Chartered Institute of Public Finance and Accountancy (CIPFA)

guidance, ensuring their oversight of the proper administration of financial affairs within the Local Authority, including these grants.

To deliver this assurance requirement, Local Authorities should develop pre and post-payment assurance plans for the grant scheme.

The volume and depth of checks that a Local Authority undertakes as detailed in these plans should be proportionate to the grant value versus the cost of the check, and informed by a Fraud Risk Assessment of the likelihood of error and/or fraud in the payments they have made.

The full guidance is available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935130/additional-restrictions-grant.pdf

Merton's Phase One Update

Cabinet agreed on 7 December 2020 phase one scheme for the ARG grants. This prioritised businesses that pay business rates that had not received any previous business rates reliefs or grants. It also prioritised businesses run from home that employ staff in addition to the director/owner. Grants of £5,000, £10,000 and £25,000 would be awarded

Cabinet allocated £2 million to phase one. A large number of applications were received, many from businesses that did not meet the qualifying criteria, the most common being:

- Sole traders or directors working from home that did not employ staff
- Businesses that had received the initial business support grants or retail, hospitality and leisure grants
- Businesses in shared accommodation (not the rate payers but renting offices or space)

As at 31 May £1,100,000 had been awarded in grants to 58 businesses. There are still a small number of applications outstanding where further information is due.

The scheme awarded grants up to £25,000 grants to businesses that have so far not had any support, including those that support the hospitality and events sector and the language schools.

Merton's Funding

The Council received £4,130,960. This funding is available to support sustainable businesses between 3 December 2020 and 31 March 2022. In early January 21 the Government announced a further £1,834,777 in funding, taking Merton's total funding to £5,965,737 of which approximately £4,865,737 was available for Phase 2.

Merton's Phase Two Update

Cabinet agreed on 22 March 2021 phase two scheme for the ARG grants which consisted of two streams.

Stream one was to allocate £1 million of funding to Future Merton team to procure support for businesses that will help ensure sustainability, development and enhance the high streets and our business premises offer.

Stream two was for direct business support grants to home based businesses and micro and small businesses. Businesses had to have had a 40% or greater loss of income for period April 2020 to March 2021 compared to the previous year.

The level of grants was based using three factors and each factor had a points ranking.

- Fixed Business Property/Accommodation Costs
- Number of employees of the business
- Number of Merton residents that are employees of the business

Each application was calculated a point score based on the criteria. After all applications were reviewed and scored the total number of points for all applications was calculated and based on the exact level of funding available each point was awarded a monetary value. Successful applications received a grant to the value of their points score multiplied by the value per point. Grants will be capped at 100% of the total loss of income

In March 21 the Government announced further funding available to local authorities who had spent all of their initial funding by 30 June 21. A further £1,936,708 is available to Merton.

To ensure that the Council could apply for the additional funding £994,800 of unspent funding from the wider business support stream was transferred to the direct business support funding in line with the policy.

The total funding available for the direct business grants was £4,801,537, the value for each point was £3,058 and grants were paid to 138 successful businesses.

All grants were authorised and paid on 21 June 2021 ensuring the Council is eligible for the additional funding.

Merton's Policy

Phase three of the scheme will consist of three streams detailed below:

Stream one - Wider Business Support Initiatives

Stream one will be an allocation of £600,000 to Future Merton to continue to implement wider business support packages, which includes contributions to cover works which were started under Phase 2 but not completed by 18 June 2021.

The Director of Corporate Services can divert any of this funding into the third stream if it's proving difficult to spend the allocated amount or to ensure future bids for discretionary funding can be made.

Stream two - Direct Business Grants to Home Based Businesses and Micro and Small Businesses

The balance of the funding will be allocated to stream two.

The criteria will be exactly the same as Phase Two. The value per point will be 'capped at' the value in phase two i.e. £3,058. Again grants will be capped at the loss of income the business had. If the total value of grants to be paid based on the value per point of £3,058 exceeds the allocated funding then the value per point will be reduced proportionately.

Stream three – Further Direct Business Grant scheme.

Stream three will be another direct business grant scheme and will use any funding over from stream two detailed above. This will be devised and agreed by the Cabinet Members for Finance, Performance, Recovery and the Local Economy and the Director of Corporate Services under delegated powers. This scheme will be devised after stream two has been fully administered and concluded which is likely to be in September 2021. This will give the Council six months to implement and pay further grants before the 31 March 2022 deadline.

Stream two – Direct Business Grant criteria is as set out below (same as phase two):

Home Based Businesses

- Minimum turnover of £15,000 per year – turnover is the amount of sales for a given period
- Business run from a Merton residential address

Micro and small businesses

Definition of micro business

To be a micro business, under the Companies Act 2006, a business must satisfy two or more of the following requirements—

- Turnover: Not more than £632,000
- Balance sheet total: Not more than £316,000
- Number of employees: a headcount of staff of not more than 10

Definition of small business

To be a small business, under the Companies Act 2006, a business must satisfy two or more of the following requirements in a year—

- Turnover: Not more than £10.2 million
- Balance sheet total: Not more than 5.1 million
- Number of employees: a headcount of staff of less than 50

Eligibility Criteria

- Trading prior to 1 January 2020
- Evidence a 40% loss of income for period April 2020 to March 2021 compared to previous year (business grants or other Government grants will be treated as income)
- Micro and Small Businesses have accommodation costs – either business rates and/or rent/mortgage/licence fees. (Businesses in shared office/spaces are included)
- Not national run companies operating a number of stores or chains locally or across the UK.
- Businesses that have received previous business rates relief and/or grants can apply (Small and Micro businesses only)
- Not received Government self-employed grant (Home based businesses)

Level of Grants

The level of grants will be based using three factors and each factor will have a points ranking.

- Fixed Business Property/Accommodation Costs
- Number of employees of the business
- Number of Merton residents that are employees of the business

Calculation of Level of Grant

Each application will be calculated a point score based on the criteria. After all applications have been reviewed and scored the total number of points for all applications will be calculated and based on the exact level of funding available each point will be awarded a monetary value. Successful applications will then receive a grant to the value of their points score multiplied by the value per point.

For example, if after all applications have been reviewed the total points calculated for all was 3,500. As the total funding was £3,500,000 each point would be worth £1,000 grant (£3,500,000 fund divided by total points 3,500)

If a business scored 20 points from their application they will be awarded £20,000 in grant, subject to the cap.

This approach will ensure that all the funding will be spent in phase two of the scheme.

Grants will be capped at 100% of the total loss of income

Points Ranking

Accommodation costs

- Monthly accommodation costs are £500 or less – 1 point awarded
- Monthly accommodation costs are £501 to £1,000 - 2 points awarded
- Monthly accommodation costs are £1,001 and over – 3 points awarded

Accommodation costs are calculated as rent and businesses rates combined. If the business has more than one property in Merton accumulated costs will be taken.

If in 2020/21 the business has received business rates relief then the rates charge per month will be zero.

Accommodation costs for properties outside of Merton will not be included

Number of employees of the business

- For each non Merton resident employed by the business – 1 point awarded
- Number of Merton Residents employed by the business – 3 points awarded

Loss of Income

All applicants must evidence a 40% or greater loss of income for the period April 20 to March 21 compared to the same period in the previous year. Loss of profit will not be considered)

If a business does not have a full years trading records for 2019/20 the Panel will extrapolate income for the part of year over the whole 12 months

Additional Information

Businesses that received a grant under the scheme in phase two will not be eligible for a further grant. Only one grant per business can be awarded and the level of grant will be capped to the amount of income lost for the year

A business run from home would be awarded three points as the application must be a Merton resident. Additional points would be for any staff employed. Property costs for the home will not be taken into account.

If a business has more than one site in Merton accumulative accommodation costs and employees for both sites will be calculated.

If a business has one or more sites located outside of Merton then the accommodation costs and employees associated with these sites will be excluded.

Employees need to be salaried and not contractors or self-employed staff.

Merton's approach

The Council will invite applications for a 21 day period to be made via an online form on the Council's website. Businesses will be required to provide information and evidence to support the claim via the online form.

All applications will need to have been received and assessed before any grants are paid.

Evidence will be required to validate the claim and captured to provide to the Government. This information will include, evidence of property costs, bank details for the business, evidence of loss of income , number of employees of the business, number of Merton residents employed by the business, type of business, proof of trading since 1 January 2020.

Businesses must have been trading prior to 1 January 2020

Businesses will be required to confirm that they meet the criteria of one of the three elements of the scheme, and that the amount of relief is not in excess of State Aid limits. (See the De Minimis Regulations (1407/2013)

There will be pre and post payment checks undertaken.

Exclusions from the discretionary grant

Businesses that are in administration, are insolvent, struck off or where a striking-off notice has been made are not eligible for funding under these schemes

Businesses that were not trading at 1 January 2020

Businesses/Charities that received funding through Merton Giving will not be considered for a grant.

Decision making

If the information requested is not provided, after working with the applicants, the application will be refused.

Decisions on applications and awards will be made at a panel consisting of:

- Director of Corporate Services
- Chief Executive of Merton Chamber of Commerce
- Chief Executive of MVSC
- Head of Revenues and Benefits
- Economy Manager

Final decision will be made by the Director of Corporate Services.

The applicant will be notified of the decision by email.

The progress and results from the scheme will be reported to Cabinet and BEIS and successful applicants published on our website

Appeals

Merton is not required to provide a right of appeal against any decision as this is because grants awarded under the Additional Restrictions Grant scheme are discretionary awards.

However, Merton will work with applicants to make sure they provide the necessary evidence to support a successful application.

The Council operates a complaints process for dissatisfied service.

Equality Analysis



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

What are the proposals being assessed?	Local Authority Additional Restrictions Grants Policy Phase Three
Which Department/ Division has the responsibility for this?	Corporate Services / Resources

Stage 1: Overview	
Name and job title of lead officer	David Keppler, Head of Revenues and Benefits
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	<p>Policy to enable award of discretionary grants to businesses.</p> <p>The aim of the Government grant is to help support businesses following the national lockdown</p> <p>Funding of £5.9 million provided by Government for phases one and two. Local policy agreed by Cabinet.</p> <p>A further £1.9 million will be allocated to the Council in July 2021 which will be implemented in phase three</p>
2. How does this contribute to the council's corporate priorities?	This addresses some concerns with the impact of small businesses and others in the community that have been affected by the pandemic economically and have not received any business support
3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	<p>Local authorities are asked to identify local priorities although the Government state that Council's should look to support businesses that have not had any of the previous business support. Local authorities may choose to make payments to other businesses based on local economic need. The allocation of funding will be at the discretion of local authorities.</p> <p>The Council has already implement two phases for this support. Phase one was allocated £2 million in support although only £1.1 million was distributed to successful applicants. Phase two distributed £4.865 million in direct business grants and wider business support initiatives.</p>
4. Is the responsibility shared with another department, authority or organisation? If so, who are the	None – the Council has responsibility for delivering this scheme – the council will look to include MVSC and Chamber of Commerce in the decision making process

partners and who has overall responsibility?	
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Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?

Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

This is a very recent addition to economic packages announced by Central Government to address the financial impact on business as a result of the pandemic.

We have used the guidance issued by Central Government as the underlying principles of the scheme although we have the discretion to modify to address any known local issues.

Consultation has taken place as outline in 4 above to inform the best model to impact on those most at need. There is no equality data available for businesses that will be potentially be applying for the grants. Many SMEs are run by women and BAME residents.

Applications will be assessed against the Council's criteria and policy by the decision making panel.

The grants may have a positive impact on businesses or organisations in the borough. Those that meet the criteria and receive grants will benefit.

The level of funding available will not match the likely demand and therefore there will be a negative impact on the businesses and organisations that do not benefit from the grants.

The council will engage with the chamber of commerce and MVSC to promote the scheme and invite applications to businesses and organisations meeting the criteria.

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Stage 3: Assessing impact and analysis

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

Protected characteristic (equality group)	Tick which applies		Tick which applies		Reason Briefly explain what positive or negative impact has been identified
	Positive impact		Potential negative impact		
	Yes	No	Yes	No	
Age		N		N	All local specialist businesses will be able to apply if they meet the criteria.
Disability		N		N	All local specialist businesses will be able to apply if they meet the criteria.
Gender Reassignment		N		N	
Marriage and Civil Partnership		N		N	
Pregnancy and Maternity		N			
Race		N		N	All local specialist businesses will be able to apply if they meet the criteria.
Religion/ belief		N		N	
Sex (Gender)		N		N	All local specialist businesses will be able to apply if they meet the criteria.
Sexual orientation		N		N	
Socio-economic status		N		N	All local specialist businesses will be able to apply if they meet the criteria.

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

The decision making panel will not have knowledge of the protected characteristics prior to the application and award stage.

Stage 4: Conclusion of the Equality Analysis

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

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

- Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. No changes are required.
- Outcome 2** – The EA has identified adjustments to remove negative impact or to better promote equality. Actions you propose to take to do this should be included in the Action Plan.
- 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?
Potential negative impact if the grant criteria excludes local specialist companies, particularly Community Interest Companies.	Collect local data at the application stage	Attempt to collect data at the application stage although it may be challenging as web form does not capture equalities data	April 21 to June 21	Existing	D Keppler	No

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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 is potential negative impact on the SMEs that do not meet the Government criteria. Local equality data needs to be collected at the application stage to give a better picture of the types of businesses applying for the grant or may be ineligible for the grant.

Stage 7: Sign off by Director/ Head of Service

Assessment completed by	David Keppler – Head of Revenues and Benefits	Signature: D Keppler	Date: 26.6.21
Improvement action plan signed off by Director/ Head of Service	Roger Kershaw – Assistant Director Resources	Signature: R Kershaw	Date: 26.6.21

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Committee: Cabinet

Date: 12th July 2021

Wards: all

Subject: Draft housing delivery strategy for public consultation

Lead officer: Director of Environment and Regeneration, Chris Lee

Lead member: Cabinet Member for Housing, Regeneration and the Climate Emergency, Councillor Martin Whelton

Contact officer: Deputy FutureMerton Manager, Tara Butler

Recommendations:

- A. That Cabinet approve six weeks of public consultation on Merton's draft housing delivery strategy
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. It is recommended that six weeks of public consultation take place on Merton's draft housing delivery strategy.

2 DETAILS

- 2.1. Building more homes is one of the ways government, the Mayor of London and the council use to help meet housing needs for Merton's residents.
- 2.2. Increasing the supply of high quality homes is a priority for the council. On 7th July 2021 the strategic theme for full council will be on housing supply.
- 2.3. In addition to the uncertain housing market caused by macroeconomic change (the covid19 pandemic, leaving the EU), Merton is substantially built up since the 1800s and has fragmented land ownership. The characteristics of the land market is one of lots of small sites, with relatively limited larger single-ownership sites available for housing. This makes economies of scale difficult for housebuilders.
- 2.4. Work undertaken by the council's housing scrutiny task group in 2015 demonstrated that Registered Social Housing Providers also seek out larger sites and do not usually develop smaller sites such as those found in Merton.
- 2.5. Despite these challenges, for many years the borough has built more its share of London's new homes. The council has supported initiatives ranging from modular affordable housing at Y-cube Mitcham to estate regeneration in conjunction with Clarion Housing Group. However there remains a consistent need to increase the supply of new homes, particularly affordable homes.
- 2.6. The council is undertaking a number of projects towards increasing the delivery of high quality new homes. This draft housing delivery strategy

should be read in conjunction with other council strategies, such as Merton's Homelessness Strategy and Action Plan, Merton's Climate Strategy and Action Plan, Merton's draft Local Plan and associated housing delivery research and guidance.

- 2.7. In 2020 / 2021, consultancy Campbell Tickell undertook consultancy work for Merton Council to develop a draft housing delivery strategy as one of a range of actions Merton is undertaking to increase the supply and the quality of new homes.
- 2.8. The work included research on Merton's housing supply and interviews with Registered Housing Providers and others involved in housing supply in Merton.
- 2.9. The strategy is laid out to include chapters on:
 - Introduction
 - Vision
 - Background and context
 - What does Merton need?
 - Barriers and Constraints
 - Delivering the Right New Homes
 - Partnership
 - Direct Intervention
 - Density and Intensification
 - Housing for Particular Needs
 - Using and Improving the Existing Stock
 - Governance and Decision Making
- 2.10. The strategy is accompanied by a draft action plan for each chapter, that sets out a number of actions to deliver each section. Officers are working on the outputs for the actions
- 2.11. It is recommended that six weeks of borough-wide public consultation take place on this draft housing delivery strategy. The consultation feedback will be used to inform the final housing delivery strategy.

3 ALTERNATIVE OPTIONS

- 3.1. The alternative option is not to undertake public consultation on the draft housing delivery strategy. This is not considered a reasonable alternative option as increasing the supply of quality homes is a priority for the council and not undertaking public consultation would weaken the final strategy.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Public consultation will be borough-wide. Exact dates will be confirmed to consider the holiday periods and ongoing engagement on "your Merton, your place"

5 TIMETABLE

- 5.1. The exact timetable for public consultation will be confirmed.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Funding for the preparation of this draft housing delivery strategy has come from existing resources.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. There are no legal implications at this stage.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. An equalities impact assessment will inform the final housing delivery strategy.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None for the purposes of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None for the purposes of this report.

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

- Draft housing delivery strategy and action plan 2021

12 BACKGROUND PAPERS

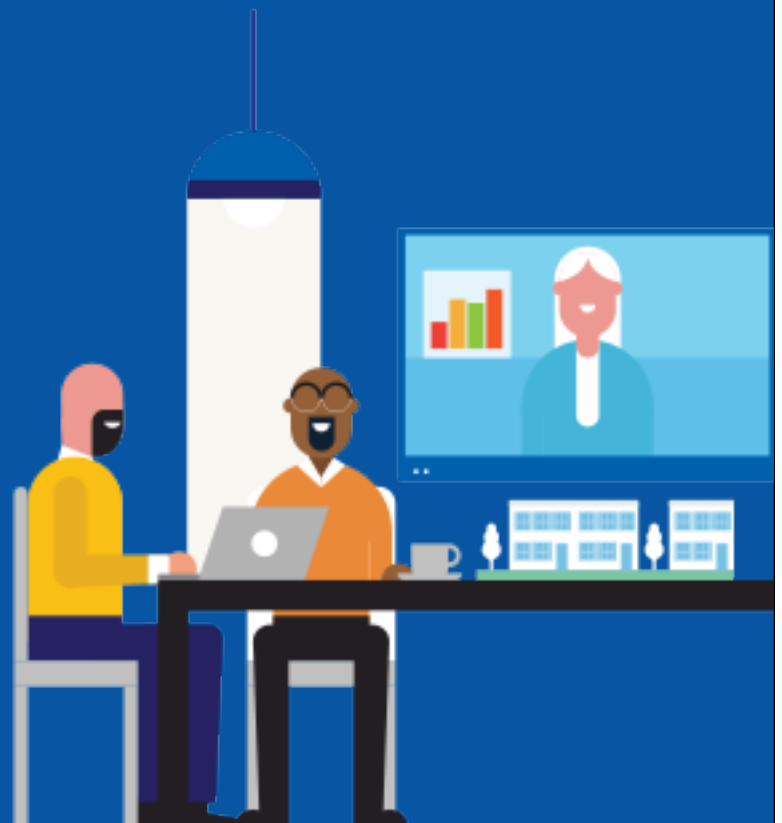
- 12.1. London Plan 2021 and London Housing Strategy
<https://www.london.gov.uk/what-we-do/housing-and-land>
- 12.2. Merton's Strategic Housing Needs Assessment
<https://www.merton.gov.uk/assets/Documents/SHMA%20Report%20July%202019.pdf>
- 12.3. Merton's Local Plan <https://www.merton.gov.uk/planning-and-buildings/planning/local-plan>
- 12.4. Merton's housing delivery evidence
<https://www.merton.gov.uk/Documents/Merton%20Housing%20Delivery%20Research%20Final%20Report%20March%202021.pdf>
- 12.5. Merton's affordable housing viability study 2020
<https://www.merton.gov.uk/assets/Documents/Merton%20Local%20Plan%20Housing%20Viability%20Study%202020.pdf>

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Housing Delivery Strategy

Final Draft

June 2021



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1. Introduction

- 1.1 This document considers the need for new homes in Merton and the mechanisms through which they might be delivered, with an emphasis on the need for new affordable housing. Drawing on views expressed in workshops and conversations with groups and individuals across the Council and externally and on a range of evidence in relation to housing supply and demand, it identifies options for further action, with an emphasis on those most relevant to and with the best prospect of success in the Merton context.
- 1.2 This is an overarching strategy with a focus on securing housing growth, and is intended to complement a wider group of policies and strategies, in particular the Local Plan and the Homelessness and Rough Sleeping Strategy, to which it makes reference as appropriate.

2. Vision

- 2.1 To support sustainable growth and deliver a high quality mix of housing types, sizes and tenures that match identified needs.

3. Background and Context

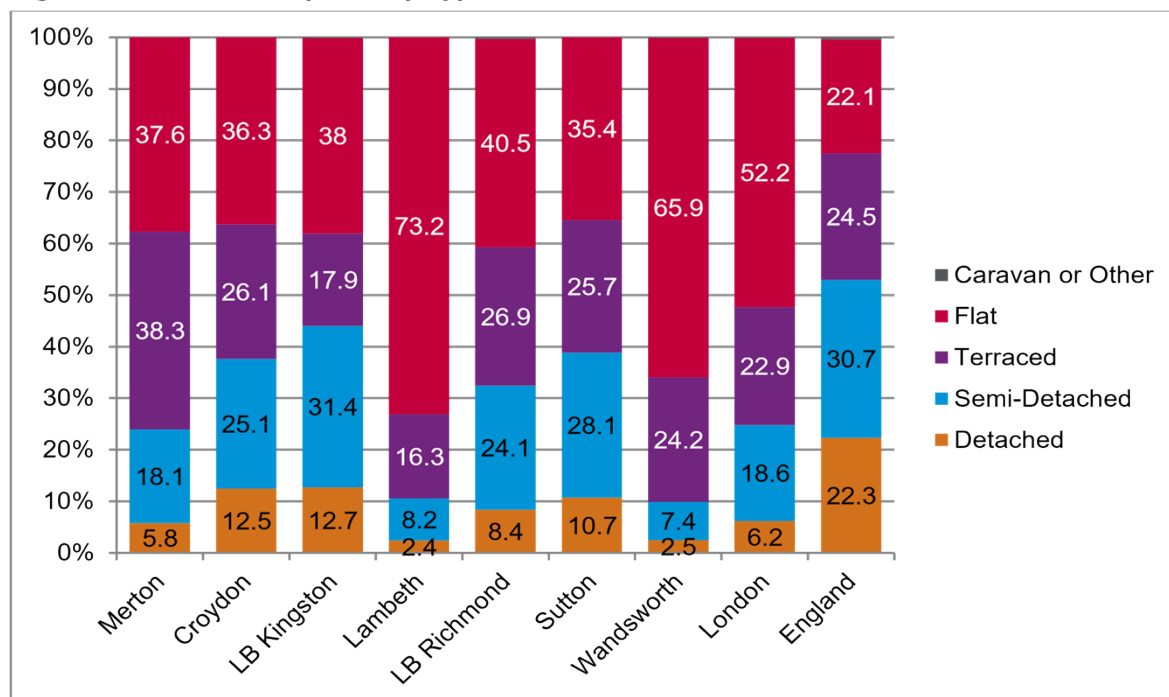
- 3.1 In many respects, Merton has the features of an outer-London borough, with a typical housing stock. The most common housing type is a three-bedroom semi-detached house and development historically has been at relatively low densities. However, such a superficial suburban characterisation hides underlying complexities. The following paragraphs highlight some key features of the borough.
- 3.2 Merton is unusual among London boroughs in no longer owning or managing any social housing and the proportion of social rented stock is the fifth lowest in London at 14.1% compared to the regional average of 24.1%. The private rented sector has grown, standing at 24.8%, just below the London average of 25.1%. Owner occupation, outright or with a mortgage, is the dominant tenure. Over 60% of the overall stock, including the private rented sector, comprises houses and 37% flats. The tables below, taken from the 2019 Strategic Housing Market Assessment (SHMA) illustrate the distribution by neighbourhood and dwelling size and household spaces by dwelling type compared to neighbouring boroughs and the London and England averages.

Table 1: Housing Stock, June 2018 (rounded to nearest 10)

	Stock 2011	Dwelling Stock 2018	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Colliers Wood/ South Wimbledon	14,470	15,230	26%	40%	22%	12%
Mitcham	24,370	25,800	18%	27%	44%	10%
Morden	15,570	16,050	9%	26%	48%	17%
Raynes Park	10,010	10,630	18%	28%	36%	18%
Wimbledon	16,490	17,010	18%	28%	20%	33%
LB Merton	80,920	84,720	18%	29%	36%	17%

Source: Census 2011, LB Merton Monitoring Database– edited by GL Hearn

Figure 1: Household by Type (SHMA 2019)



- 3.3 There is significant variation across the borough, reflecting the availability of sites and other factors, with Mitcham, Colliers Wood and South Wimbledon delivering a significant proportion of all new homes. However, affordable housing delivery has only made up an average of 26% within the total. This includes a high proportion of one- and two- bedroom homes, for which demands is highest in the borough.
- 3.4 A number of factors influence delivery, in particular, the predominance of small sites. For example, all completions in 2018/19 were on small sites of less than 0.25 hectares. All schemes except one delivered 10 homes or fewer, with one scheme of 11 homes and there were no large schemes completed. 52 new homes were delivered through the prior approvals process, meaning that the Council had no influence through the normal planning process. Proposed extension of prior approvals, for example allowing conversion of office and retail space to residential use, is likely to lead to more development through this route, adding to the 683 homes delivered in this way in the five years from 2014/15.
- 3.5 2018/19 was exceptional in that London Plan targets were not met, while over the period from 2004/5 to 2019 the Council delivered 140% (2,300 additional homes) of its target, but the low affordable housing proportion is a factor of the lack of a requirement to deliver on small sites and the growth of prior approvals, where affordable housing cannot be required. In addition the introduction of prior approval for office and other conversions to residential with no requirement for affordable housing has impacted on delivery and there are serious concerns about the poor quality of some developments. Proposed extension of permitted development rights is likely to exacerbate this problem.

- 3.6 Purchase prices and rents in the private sector are unaffordable for many Merton households but, as with other factors, there is significant variation across the borough. For example, as of August 2020, the GLA's London Rents Map gives an average monthly rent of £1553 for a two-bed flat in Wimbledon, compared to £1258 in Mitcham. Purchase prices vary even more widely, with the average price in Wimbledon at £801,741, compared to £445,499 in Mitcham and the average house price to earnings ratio is 15.4:1. Affordability is considered further below.
- 3.7 The Council has an ambitious regeneration programme, partly underway and partly at the planning stage. Clarion are working on the Council's former estates following transfer of the stock to them and the Council has wide-ranging proposals for Morden town centre, for example. The new Local Plan is at an advanced stage of preparation and a new Homelessness and Rough Sleeping Strategy is being developed. This document will need to remain aligned closely with both.
- 3.8 The population is expected to grow by 4% by 2029 and the impact of this is considered further below. There is a waiting list of 9,845 households (April 2020), of whom around 4,376 fall into "reasonable preference" categories. Homelessness acceptances and temporary accommodation occupation are low for London but still a significant challenge. Eviction from private rented sector through the ending of assured shorthold tenancies is the most common cause of homelessness and it is expected that the ending of Covid- related restrictions on no fault evictions could lead to a spike in applications.
- 3.9 While Merton is ranked 214 on the Index of Multiple Deprivation, placing it among the least deprived authorities, this again masks local contrasts. For example, East Merton is, on average, 2.5 times more deprived than the west of the borough⁶ and the borough as a whole is ranked much lower at 128 on the barriers to housing and services element of the Index. 15.8% of households are overcrowded⁷ and 10.2% of are fuel poor⁸. While these figures are not especially high for London, they are an indicator of poor conditions and housing need. The SHMA gives the median wage of residents in full-time employment as £35,708, slightly higher than the London wide median of £34,725. However, median earnings of those working and living in the borough are lower at £29,627, closer to the national average of £29,083 and well below the London figure of £37,171. This reflects the fact that many Merton residents work in other parts of London, with 43% of residents working in Inner London.
- 3.10 At the national level, Brexit had dominated political debate leading up to the election and will influence the direction of policy for the immediate future as the terms of future trade deals and other arrangements are negotiated. However, the Covid 19 pandemic now overshadows other matters. Speculation at this point is difficult and, to a large extent, issues and priorities will be unchanged. However, there are some obvious points that should be considered. There has been an impact on local authority revenues and costs that may be difficult to quantify immediately but will almost certainly affect ability to invest. The long-term impact of unprecedented government intervention on borrowing levels and the future approach to spending is also difficult to quantify but the economic downturn is likely to have

at least a medium-term effect on housing demand and need with, as noted earlier, the risk of a short-term spike in homelessness.

- 3.11 The impact on the housing market is particularly difficult to anticipate, although it seems unlikely that London will see falls in prices and rents large enough to have much impact on affordability, especially when coupled with expected rises in unemployment. In the short term, there are indications that purchase prices have risen, although this is combined with evidence that households are seeking moves out of cities including London, where prices in the prime market have fallen. Similarly, there is evidence that landlords in inner-London have reduced rents in response to falling demand, while outer-London boroughs are becoming more attractive, partly as a result of home working.
- 3.12 The government has announced an £11.5 billion Affordable Homes Programme for the 5 years 2021 to 2026, aiming to deliver up to 180,000 new homes across the country (although note the caveat “should economic conditions allow”). It is expected that the programme will unlock a further £38 billion in public and private investment in affordable housing. Around half of the new homes will be available for affordable home ownership and the rest will be made available for discounted rent, including 10% for supported housing. The GLA has been offered £4 billion and negotiations about what they will deliver with this funding are in progress.
- 3.13 The programme includes funding for Social Rent, which is welcome, but also emphasises a new model for Shared Ownership. This will reduce the minimum initial share from 25% to 10%, allow purchase of additional shares in 1% instalments and introduce a 10-year period for new shared owners where the landlord will cover the cost of any repairs and maintenance. Most significantly, a Right to Shared Ownership will be available on the vast majority of rented homes delivered by RPs through the new programme.
- 3.14 The most important shift is set out in the recent Planning White Paper. Further relaxation permitted development rules and proposals to designate neighbourhoods on zoning principles have the potential to seriously weaken local authority input into planning decisions and development control, while a new infrastructure levy replacing S106 is intended to deliver the same proportion of affordable homes, although the mechanism through which this will be achieved is unclear. There is as yet little detail on some aspects such as design principles but a steering group has been set up to establish a design body that will *“support communities in producing binding design codes for their local area, massively increase focus on design and quality in the planning process and ensure local design and architecture is recognised and conserved”*.

4. What does Merton need?

- 4.1 Decisions on the quantity, tenure and size mix of housing take account of several sources of evidence, which are considered in this section. The desired outcome is that delivery on the ground should be achievable and match as closely as possible identified need, with a time horizon matching the Local Plan.
- 4.2 A new Local Development Plan is being prepared, to be informed by a body of supporting evidence including the SHMA and this will underpin decisions on the level and mix of new housing. The draft Local Plan includes a borough wide affordable housing target requirement of 50% with a tenure split of 70% low cost affordable rented and 30% intermediate housing.
- 4.3 The SHMA's assessment of housing need relies to a large extent on predicted population growth. Different methodologies produce different predictions so that, for example, the GLA will not arrive at the same figure as the Office for National Statistics. At the higher end, an Objectively Assessed Need for 1,534 new homes a year is indicated and at the lower the figure is 832. Either scenario should be viewed in light of the revised Mayoral target of 918 a year following the Inspector's Report on the London Plan, to which both local housing and planning policy must have regard. The Council's Strategic Land Availability Assessment arrived at a figure of 823 dwellings annually and the SHMA recommends that the lower figure is realistic. The Mayor's target assumes that 261 of its proposed 918 homes would be delivered on smaller sites of 0.25 hectares or less. For the purposes of this strategy, the aspiration will be to meet the London Plan target. Within the overall total, the SHMA suggests the following distribution for general needs housing:

Table 2: Housing Supply Requirements

Bedrooms	Affordable Rent %	Low Cost Home Ownership %	Market %
1	25-30	25-30	5-10
2	35-40	30-35	20-25
3	25-30	25-30	45-50
4	5-10	10-15	20-25

- 4.4 A more immediate picture of need is provided by applications on the Housing Register and homelessness data, as set out in the tables below.

Table 3: Households on Housing Register at year end

2017/18	2018/19	2019/20
9802	10216	9845

- 4.5 Housing Register demand has remained relatively stable over the three years. It should be stressed that these figures only include those who have made an application, while it is likely that other households will not apply as they have little expectation of securing a home through this route. The total will also include households who are considered low priority.

Table 4: Current Housing Register by bedroom requirement at 1st November 2020

No of Bedrooms	1	2	3	4	5	6	Total
Count of Applications	4331	2937	2046	395	59	6	9774

- 4.6 The shape of need for different bedroom sizes is similar to that in other London boroughs. The highest demand is for one and two bedroom homes (which are also the primary product for developers) but the most difficult needs to meet are those for larger homes.

Table 5: Households in Temporary Accommodation at year end and current

2017/18	2018/19	2019/20	31 October 2020
165	174	199	214

- 4.7 Merton has been successful in managing homelessness demand, as demonstrated by tables 5 and 6. Temporary accommodation use is low and homelessness preventions are high. Nevertheless, further reduction in TA use and associated costs remains a priority.

Table 6: Homelessness Preventions at year end and current

2017/18	2018/19	2019/20	31 October 2020
465	504	480	264

- 4.8 The SHMA also considers affordability, reviewing the various approaches adopted in terms of the proportion of income a household should reasonably spend on housing. The recommendation is that the starting point should be that no more than 37.5% of household income should normally be spent on housing costs and this should be the basis for any assessment of the affordability of new homes. It should be stressed that the 37.5% threshold is arrived at through examination of private rents. Some flexibility should be applied, for example acknowledging that a lower figure may be appropriate for social rented housing and a higher figure, not exceeding 40%, to higher cost products. This assumes that it is reasonable for a household with a lower disposable income and a more restricted choice of accommodation to spend a lower proportion on housing costs than a household with a relatively high income which, as well as having more cash to spend, may exercise a choice to spend more on housing costs, for example to purchase a home that represents a long-term investment or to rent a home in a more expensive area
- 4.9 The tables below are taken from the SHMA. The first illustrates suggested income thresholds for different housing costs and should be seen as a guide rather than a fixed approach. The second looks at costs in different locations as a further guidance on assessing affordability. Note that, even at lower quartile rents, the required income is above the median for

households working and living in the borough in all locations and above the median for all employment other than in Mitcham and Morden.

Table 7: Suggested income thresholds for different levels of housing cost

Housing Cost per Month (£)	% of Income	Income Threshold (£)
400	25	19,200
600	29.2	24,686
800	32.5	29,538
1000	35.2	34,065
1200	37.5	38,400
1400	39.4	41,615
1467	40	44,010

Table 8: Annual income to afford lowest cost private tenures in different locations

	Lower Quartile Price	Lower Quartile Rent pcm
Mitcham	63,900	33,600
Morden	79,900	33,600
Raynes Park	91,000	38,400
South Wimbledon/Colliers Wood	85,800	38,400
Wimbledon	115,300	43,200
Merton	81,700	38,400

4.10 Based on the latest London Rents Map figures, the table below contrasts weekly private sector rents (rounded to the nearest £1) in Wimbledon and Mitcham, the highest and lowest cost areas in the borough.

Table 9: Highest and Lowest Rents

Wimbledon	Lower quartile	Median	Borough Median
1 bed	£273	£294	£288
2 bed	£300	£346	£323
3 bed	£415	£464	£409
Mitcham	Lower quartile	Median	Borough Median
1 bed	£211	£231	£288
2 bed	£254	£282	£323
3 bed	£329	£344	£409

- 4.11 In practice, the majority of these rent levels are not affordable to those on median incomes without Housing Benefit Support. The relevant Local Housing Allowance levels for the borough, which falls into three Broad Market Areas, are set out in the table below.

Table 10: Local Housing Allowance Sept 2020

	1 bed	2 bed	3 bed
Inner SW London	£295.39	£356.71	£441.46
Outer SW London	£241.64	£304.93	£368.22
Outer S London	£241.64	£304.93	£368.22

- 4.12 Overall, while properties are available at LHA rates in both higher and lower cost areas, median rents will be out of reach in many cases for lower income households. This reinforces the need for homes at genuinely affordable rents and this is considered further below.
- 4.13 The Local Plan is the primary reference for new development. A key aim is “*creating a high quality urban and suburban environment where development is well designed and contributes to the function and character of the borough*” and new housing supply will be an important contributor to this ambition. The Plan currently allows for 13,770 homes in the period 2021-36 and aims to:
- a) Require good design and create socially mixed, inclusive and sustainable neighbourhoods
 - b) Seek a type and size mix to meet need across all tenures including family and smaller homes, affordable and special needs housing
 - c) Require all new homes to minimise energy use and to be net-zero carbon
 - d) 90% of all new homes to be accessible and adaptable, with 10% wheelchair accessible
- 4.14 Emerging policy in the Local Plan expects 50% of new homes to be affordable and the current 60:40 ratio of affordable rent to intermediate changes to 70:30, recognising the particular need for genuinely affordable rented products in the context of the need profile outlined above. It is expected that sites of 10 or more homes should deliver 50% affordable homes on public land and 35% elsewhere, in line with the London Plan and the London Housing Strategy. For smaller sites of 2- 9 homes, a 20% financial contribution is sought.
- 4.15 As it stands, the Local Plan aligns well with the priorities identified in this document, to increase the supply of affordable homes. However, the recent Planning White Paper sets out proposals that may alter the context significantly.
- 4.16 In July 2019, the Council declared a Climate Emergency and committed to working toward becoming a net-zero carbon borough by 2050 in line with regional and national targets. This document should be viewed alongside the Climate Strategy and Action Plan, which set out the Council’s approach, in particular to the 86,000 existing homes that are responsible for

around 46% of emissions locally. Similarly, the Local Plan sets out policy in relation to the new homes with which this document is primarily concerned.

- 4.17 This document is not specifically concerned with the Private Rented Sector (PRS) except in so far as it contributes to fuelling or meeting need and demand. It has been suggested that a separate strategy to address the Council's relationship with the sector should be developed. For the purposes of this document, it is worth noting that the Council relies heavily on the sector to provide temporary accommodation but at high cost, including a relatively high proportion of nightly payments. Overall, the sector makes up over 20% of the housing stock and, as in the rest of London, has expanded in recent years. Most of it is well managed and is a vital resource for working people needing access to the local and London-wide jobs market. Parts of the sector are poorly managed and maintained, contributing to housing register demand, and impacting negatively on health and wellbeing.
- 4.18 The Council's Adult Social Care services (ASC) have statutory responsibilities to meet the needs of individuals eligible for support under the Care Act. Including accommodation-based care and support. Accommodation settings range from Residential and Nursing Care Homes (39 in the borough) to Extra Care Housing Schemes (3) and Supported Living schemes (20+). With the exception of care homes, the individual has a tenancy with an RP and care and support provision alongside, often provided by an arm of the housing provider.
- 4.19 Care Homes play an important role but there has been an over reliance on these settings, in and, where there is no local alternative, outside the borough. Part of the solution could be a process of de-registration, allowing providers to make improvements and re-register as supported living schemes. The Council should explore both the appetite of providers to undertake this change and the costs and benefits of facilitating this market shaping.
- 4.20 People with a Learning Disability are a particular focus. And a range of projects is underway to review the accommodation offer, with a view to market-shaping existing and prospective providers to change what they offer. In addition to this the day opportunities review has the potential to release some sites that currently have a day centre in situ and repurpose these, prioritising housing - either specialist or general needs dependent on the right fit for each site.
- 4.21 There are 763 people with a registration of moderate or severe LD. Of these:
- 287 of these are living with families and receive funded care packages.
 - 546 people aged 18+ are known to Integrated Health and Social care.
 - There are 233 service users receiving 24-hour support services: 127 in-borough services (55%) and 106 (45%) out of borough.
 - Of the 106 service users receiving out of borough services, 44 receive services from a neighbouring borough and 62 from other boroughs. The vast majority of these placements are in residential care homes
 - CCG has 16 CHC cases placed outside of the borough.
 - There is a significant proportion (estimated 100-150) adults aged 50+, and living with parents/family carers and it is questionable how sustainable these arrangements are.

- Demand in transitions is expected to be around 27 over the next year.
- 4.22 There is a wider group of children and young people for whom preparation for adulthood will require support to find the right accommodation in the borough. These include care leavers and people with Autism or mental health needs. The ideal is to develop small scale (typically less than 12 units) independent living units that allow people to have a tenancy at affordable rent and the ability to wrap around an individual package of care and support that can be flexed up and down as needs change.
- 4.23 Larger sites may lend themselves to Extra Care Housing or a mixed economy of units that serve a range of client groups and do not over-complicate barriers to community inclusion/cohesion. In Older people's services there are four main cohorts:
- People who live in their own home (owned and private rented)
 - People in social rented homes (mainstream and sheltered housing)
 - Extra Care Schemes where people own or rent their home but the scheme has a dedicated, often on site, care team
 - Residential and Nursing Care Homes.
- 4.24 With an ageing population, living longer, and many living more years with ill health/difficulties with everyday independent living, consideration needs to be given to the supply of decent and accessible accommodation, across all tenures, that can be adapted to help people live at home for as long as possible and where additional care and support can be increased and decreased as necessary.

5. Barriers and Constraints

- 5.1 There are barriers to achieving desired outcomes. There is a lack of larger sites, with 90% of planning applications on average currently for sites of ten or fewer homes. Some Registered Providers (RPs) have told the council that they are not interested in developing sites with fewer than 50 homes, although others have indicated that they can develop smaller sites if they have existing stock nearby. (Only 2 of the 51 registered brownfield sites exceed 50 units in capacity). S106 is producing limited rented housing due to the lack of large sites coming forward and there is a perceived over-provision of shared ownership, much of which is not genuinely affordable to those in housing need. In recent years, although overall delivery has exceeded London Plan targets, delivery of affordable homes has been low. Moving to a position in which new Local Plan and London Plan targets are met will be challenging. However, it should be recognised that if proposed planning reforms come into effect, the picture could change. For example, local authorities may be able to work with RPs to use the proposed infrastructure fund that may replace S106 and CIL to develop smaller sites among other options. This is considered further below.
- 5.2 The council has transferred its stock and owns relatively little land suitable for development¹. Around 24 sites are identified within the General Fund, but the council has no access to the Housing Revenue Account (HRA) land and borrowing opportunities that other boroughs are using to develop new social rented and other affordable homes. The council has closed its own Development Company, Merantun Developments Ltd, in November 2020.
- 5.3 Developers frequently question the viability of affordable housing delivery, a challenge shared across London, leading to delay in delivery and, frequently, inability to deliver the optimum outcome. At the same time, the RP sector is dominated by a relatively small group of organisations² and could benefit from both greater diversity and closer partnership with existing providers.
- 5.4 Achieving the required acceleration in supply will mean significant new development, alongside improvements to and more efficient use of existing housing stock. It is recognised that there may be anxieties about the scale of development in a borough with a broadly suburban character.
- 5.5 Any increase in affordable housing supply will require resources. Most obviously, capital investment through grant to providers and borrowing, by the council or partners. Borrowing rates for Public Works Loan Board (PWLB) funding are historically low and below commercial lending levels and local authorities are making increasing use of borrowing opportunities. Revenue investment to support delivery of policy will also be needed, for example recruitment and training of planning and development staff. Note that it is possible to capitalise some of these costs in relation to projects that go forward, potentially mitigating any revenue impact. In addition, it will be necessary to consider how other resources, such as public land, can be brought into play. With these and the other constraints noted above in mind, the following sections review the options.

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- 5.6 While it is difficult to assess the long-term impact of the Covid 19 pandemic, it has added extra pressure. The council is committed to helping the most vulnerable in society and has successfully used MHCLG funding and close partnership working with other statutory, voluntary and faith groups to house rough sleepers and others with no recourse to public funds during the pandemic. In addition, the Home Office is working to move many thousands of asylum seekers across the country into dispersed accommodation from the hotels in which they were housed during the pandemic. This welcome approach to supporting vulnerable households puts extra pressure on an already stretched housing market and accommodation spaces. Government and GLA funding will need to keep pace and not be reduced if the council is to sustain this good work.

6. Delivering the Right New Homes

Affordability

- 6.1 As noted earlier, the high costs of private renting and house purchase relative to local incomes is the main barrier to securing a suitable home for many households. While demand is met effectively by the market for many, this is not the case for households at or below median income levels. Improving affordability is therefore a key goal and the priorities and actions identified in this document place a strong emphasis on homes at social or London Affordable Rent levels³ and delivery of a higher proportion of these than is currently achieved. Market and intermediate options will also be needed but, to some extent at least, the former will be delivered without the need for significant intervention and delivery of the latter is already at an acceptable level. The key question, therefore, is what the council can do, alone and in partnership, to shift delivery in a direction more attuned to local needs and local incomes.
- 6.2 The very broad approach to affordability at the national level, encompassing everything from social rent to costs at 90% of market levels, is unhelpful and, while the council cannot impose and enforce a local approach, a clear statement of intent may be beneficial. To this end, the council should state its clear preference for new homes at Social and London Affordable Rents. It is possible, as some London councils have done, to adopt a “Merton Rent” approach, setting out a range of rents for different types and sizes of accommodation that are recognised by the council as genuinely affordable. However, this approach is not enforceable and, at best, is likely to produce figures broadly in line with social or London Affordable Rent levels.
- 6.3 Shared ownership will form part of the range of affordable housing products, within the ratio set out in the following paragraph. In general terms, while classed as affordable housing, shared ownership and other sub-market products are not accessible to those on lower incomes, although it is not straightforward to identify a specific income level above or below which intermediate housing is an attractive option. This will depend not only on incomes, but on household attitudes to housing costs, expectations about future income and employment, availability of support from, for example, family members and other factors. Costs will vary according to provider, type of scheme, size of property and so on but, as an indication, Clarion assess the average purchase cost of a new home at £309,000 and of a property bought on resale by an existing occupier at £265,000. The average share purchase is 37% and the average deposit is 5-10% of the value of the purchased share.
- 6.4 Planning policy will set out the proportions required based on 50% affordable homes with a 70:30 ratio of rented to affordable. However, it should be recognised that, while the 50% threshold remains London Plan policy and has been adopted by the majority of London boroughs, it is rarely achieved, as has been the case in Merton. This illustrates that although both the London Plan and Local Plan affordable housing planning policies are ambitious, they also contain appropriate levels of flexibility to ensure that these requirements do not impinge adversely on development viability. The Mayor has adopted pragmatic approach in

setting the 35% threshold, with 50% remaining the aspiration other than on public land. This approach is also replicated in the emerging Local Plan policies. In practice, approaches to affordable housing delivery will vary on a site by site basis, depending on factors such as land values, build costs and scale. Affordable housing proportions will therefore vary and, in some cases such as small sites, it may be more appropriate to seek a financial contribution in lieu of new homes, or in others to agree provision off-site.

- 6.5 While not directly a matter for this exercise, there is a need to identify the groups that new supply aims to assist. In the short term it will not be possible to meet all needs, so it will be necessary to prioritise and to explain the basis for decisions.

7. Partnership

- 7.1 Without a Housing Revenue Account, the Council depends on partnership with developers and RPs. A range of options could be adopted, in whole or in part, to maximise delivery and steer provision in the preferred direction. It has been suggested that Registered Providers are keen for the Council to set out its ambitions and a starting point should be the establishment of a revised and strengthened RP forum, bringing together RPs, developers, Planning and Housing staff. This would provide a basis to test approaches, improve communication and seek consensus and a setting for collaboration on other priorities, such as sustainability and delivery of low carbon homes. Within this, the council's relationship with Clarion, responsible for the council's former stock and the largest single provider in the borough, will be important.
- 7.2 Given the relatively small number of RPs and developers active at any scale in the borough, the council should consider whether greater diversity could be achieved, for example by approaching smaller RPs and companies who may be willing to consider smaller sites. At the same time, it will be important to maintain and improve existing relationships. A renewed Forum should be the mechanism through which approaches are identified and tested.
- 7.3 Clarity over the treatment of planning applications, particularly matters that may lead to refusal, is important. This might include establishing processes for early and open engagement and a clear and vigorous approach to viability challenges where affordable housing proportions are questioned. At the political level, there is a need to clarify priorities, for example how housing provision is treated, in comparison to and relationship with other development such as schools or alongside other requirements that may impact on housing viability. The Local Plan sets out approaches to design and quality and the council should be proactive in creating area design codes, so developers and RPs know what is acceptable and achievable.
- 7.4 The preponderance of small sites has been highlighted as an issue. Over 90% of applications for new homes over the last ten years have been for sites accommodating less than ten homes, a position very different to that of most London boroughs. This is due in larger part to fragmented land ownership and high land prices, both factors making land assembly expensive. This also makes it more difficult and costly to deliver estate and town centre-based regeneration projects. In recognition of the opportunity that small sites could make to contributing to meeting affordable housing needs the new Local Plan is proposing a policy requiring a cash in lieu payment from sites below 10 units.
- 7.5 The council seeks market value on land disposal when, in some cases, alternatives might be more beneficial and lead to cost savings longer term. There may also be options to redevelop or repurpose council owned buildings within the General Fund to achieve similar benefits. Housing officers should develop the case for a different approach for member consideration.

8. Direct Intervention

- 8.1 There are opportunities for Council-led approaches directly or through a wholly owned subsidiary or joint venture vehicle, enabling the Council to take risk and profit from development. A company that can deliver new schemes without the need for a developer can have a significant impact on delivery and on the type of development that can be achieved as well as using the potential developer profit as cross-subsidy. This would offer more control over what is built, potentially increasing the number of genuinely affordable homes.
- 8.2 It has also been suggested that the council could consider re-establishing an HRA, with the borrowing capacity that goes with it. While the process for this is simple, only requiring the council to have a stock holding of 199 or more homes, it would require significant upfront investment and a long lead in. A key question for both options is whether the council currently has the internal capacity, skills and knowledge to implement them and, if not, whether the necessary capital and revenue resources can be secured and over what time period. PWLB funding is the most obvious source of capital investment in the medium term, since it would be some time before the HRA itself could support significant borrowing through rent revenues. In addition, the Mayor's Building Council Homes for Londoners programme offers both capital investment through grant and capacity building through training and access to GLA expertise. A new build programme leading to the eventual establishment of a HRA could, over the longer term, offer the best opportunity to deliver new homes at social rents.
- 8.3 An immediate priority should be the establishment of a Housing Investment Fund, consolidating resources including the RTB receipts still available under the stock transfer agreement, commuted sums, prudential borrowing, New Homes Bonus and S106 and use this to invest strategically to create the desired mix of housing types, sizes, tenures and affordability. Alternatively, or alongside this approach, funding (such as from CIL) could be used to invest in public realm improvement and social infrastructure to facilitate or unlock sites and to encourage support for development among the community and politicians. However, it should be stressed that the sums involved are not large enough to support large scale interventions. For example, the S106 pot is £5m and identifying creative uses is not simple. Using the funding to support viability has been suggested but with no specific proposals, while using such funding as direct grant has limited potential as the sums involved may not be large enough to attract interest from RPs. Support from the GLA housebuilding capacity fund has been secured but this is primarily seed funding aimed at building capacity, not a capital resource. It would be important to develop a Housing investment Strategy alongside this to identify investment priorities and mechanisms.
- 8.4 The Council is exploring the potential for council land to be used for housing, with the work due to complete during 2021. A Property Asset Management Board reviews opportunities and the case for housing investment needs to be made here, for example by identifying future cost savings, service improvements or community benefits rather than simply seeking the maximum capital receipt. For example, it has been suggested that the council's own land

resources could be focussed on vulnerable groups rather than general needs, offering both more certain delivery of specialist housing and revenue savings.

- 8.5 The relative lack of larger sites or, where they exist, the slow pace at which they come forward, have been identified as barriers to delivery. As well as supporting site assembly or packaging of smaller sites, by the council and with partners, the council could consider land acquisition through its company, through joint ventures or support from the Mayor's Land Fund and its own Housing Investment Fund.
- 8.6 It would also be possible to create new sites and opportunities by proactively identifying strategic sites for demolition / acquisition / partnership led development and, if required, use CPO powers to do this. This approach is being taken forward for regeneration programmes on the High Path, Eastfields and Ravensbury estates. The Council could also use its CPO powers with Clarion, who have no such powers, to buy back leaseholds, subject to back-to-back funding by them.
- 8.7 Where key sites are not being brought forward for development, the council could consider entering negotiations to acquire them in order to speed up development. Opportunities could be identified by reviewing the current site allocations in the Local Plan and a thorough review of land and property assets in Merton's ownership. As noted above, the council has a number of sites in the General Fund and it would be helpful to review these in terms of their potential and location, in particular where there may be other publicly owned sites adjacent or nearby. As the public-sector contracts (e.g. rationalised NHS and LA neighbourhood facilities) and as town centre retail uses decline, there are opportunities to re-vision the use of land and assets. The One Public Estate map of land ownership indicates that opportunities are limited outside Morden Town Centre, but this should be kept under review to identify, align and merge public sector land interests with partners to unlock opportunities and bring greater additionality. As part of this, the council should identify gap funding needs for partners and developers to see whether a portfolio approach with the GLA on grant funding could help. A successful approach to GLA would require identified sites and proposed funding requirements.
- 8.8 Similarly, any review of potential sites should include surplus brownfield sites. The London Plan includes two open space sites and one industrial site and all three are coming forward but, again, the position should be kept under review as new opportunities emerge. In terms of other changes of use, particularly on high streets, the recent announcement of further changes to permitted development will doubtless result in increased delivery through this route, although the lack of planning input and local authority engagement means that the benefits may at best not be fully realised or, at worst, that delivery will be in direct conflict with local priorities. It is unlikely that such developments will produce affordable housing and, as noted earlier, there are continuing concerns over quality, although government has put forward proposals to address this issue. It is not yet clear how far planning authorities will be able to exert control and it may be that a pre-emptive approach to assessing opportunities, including CPO or agreed purchase options for the council or partners would be appropriate.

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- 8.9 Innovative techniques such as modular building and off-site construction are increasingly available and may have potential to speed up delivery. While these approaches are not being adopted at a scale that offers significant cost or time savings, at this stage, the most practical approach may be to encourage development of this kind where it could provide in-borough temporary accommodation as an alternative to using the PRS.
- 8.10 Given the preponderance of smaller sites, the council should also consider mechanisms to engage with local SME builders and developers and owners of small sites around development, where some government support is available. This could include guidance and assistance on planning and building control processes, supporting site assembly and packaging of small sites to improve viability, and use of a Housing Investment Fund should the council decide to establish one. The Homebuilding Capacity Fund is being used to take this forward. All of these might sit alongside support for construction training and other employment initiatives.
- 8.11 Finally, both government and the Mayor are taking steps to support self-build and community building. While neither will deliver large numbers, they could be a useful adjunct to more traditional approaches and play a role in helping local people to access the housing ladder.

9. Density and Intensification

- 9.1 Any new development faces the prospect of local opposition through the planning process, particularly if it is perceived as out of keeping with local character or likely to put pressure on local amenities and services, for example through increased traffic or demand for school places. In turn, local opposition can encourage both officers and members to be cautious in supporting development. In a borough with an established suburban character, development that increases building heights or density is likely to be a concern for residents and therefore for members.
- 9.2 While new supply should be delivered in a way that is sensitive to and respectful of the character of the borough, this need not preclude intensification. Indeed, meeting housing demand will require a change of approach. It will therefore be essential to demonstrate the benefits of change to residents, businesses and local politicians, beyond the immediate benefits of reducing housing need and preventing homelessness. For example, improving the quality and liveability of neighbourhoods, the positive impact of good design, benefits to the local economy and business through provision of more affordable homes such as increased disposable incomes, better access to employment.
- 9.3 Merton received money from the GLA's Homebuilding Capacity Fund to increase housing delivery in the borough, in particular on small sites. This included a Characterisation Study of Merton, looking at opportunities for intensification and Housing Delivery Research, looking at historic delivery trends, engaging with developers, landowners, registered providers and council officers and members about barriers to housing delivery and opportunities to increase delivery.
- 9.4 Merton has also prepared a Small Sites Supplementary Planning Guidance document, which is aimed at landowners and developers and their design teams seeking planning permission. The document provides guidance on delivering high quality developments on sites below 0.25 Ha and will explore the different types of small site found across the borough that may be suitable for delivering new homes.
- 9.5 The Council has declared a Climate Emergency and is undertaking a range of actions to deliver ambitious carbon reduction targets among other environmental measures. As part of this, the Council is considering more ambitious standards for new homes in the New Local Plan to minimise Merton's future domestic retrofit burden (and the significant associated costs) and to ensure that energy use and carbon emissions from new homes are minimised.
- 9.6 Building on this work, the starting point should be identification of areas where there is potential for intensification and, conversely, neighbourhoods where this approach would not be appropriate, giving clarity to developers and residents, and this work has commenced as part of the Characterisation Study. This could include areas where density is already above average, such as former council estates and town centres or neighbourhoods with a high PTAL score. It could also include areas where there is no or limited residential development at present, such as poor quality or under-used open space or redundant industrial land. Developer challenge to affordable housing on viability grounds has been noted earlier and

supporting intensification is one way to increase viability, with demonstrable benefits for affordability.

- 9.7 Promotion of and support for good design, the provision of physical and social infrastructure and measures to improve energy efficiency, minimise carbon emissions and water use, and promote other environmental benefits should be at the forefront of policies embracing intensification. Some of this is already in place through planning policy and design guidance at the London and Local Plan levels but it may be advisable to review the local approach to provide a clear direction. It will also be necessary to balance the need for more homes with the need for greater quality, recognising that this may involve some trade-offs.
- 9.8 It should be stressed that much of the above may be subject to change if the Planning White Paper proceeds as planned. For example, the designation of neighbourhoods on zoning principles and introduction of national level design guidance may undermine or entirely replace local approaches. As noted earlier, at this stage it is prudent to avoid too much speculation and to proceed based on legislation and policy as is exists.

10. Housing for Particular Needs

- 10.1 The needs of more vulnerable households, for example older people, those with physical or learning disabilities and care leavers, emerged strongly in initial discussions and will need to be addressed as part of wider ambitions for new supply. It was also recognised that current and future demand from these groups is not well understood and that further work will be needed to obtain an accurate picture, both of needs and of the pathways through which households access housing. Having said this, it is also felt that there is significant existing provision, although not all of it is fit for purpose or making best use of land and buildings. Enabling people to stay in the borough is a priority, for example to allow care leavers or those in other care settings to sustain support networks.
- 10.2 The older population is predicted to grow by 17% over the next decade but demand for sheltered housing and extra care appears to be weakening.⁴ This may reflect changing attitudes as well as the availability of more flexible home care options using new technology. Certainly, the direction of travel in care is towards home-based alternatives and community support. However, the demographic trend suggests a need to keep this under review while recognising that there is too much sheltered housing capacity at present. This offers opportunities to re-purpose existing provision and/or intensify use of sites.
- 10.3 There are similar questions around supported housing, where relatively large numbers are in large shared houses while support could be better provided elsewhere with existing buildings re-purposed for general needs and sites reconfigured to enable mixed development.
- 10.4 There is a need for greater clarity around move-on options, for example into independent living from supported housing and, more widely, on options at different life stages. Linked to this, there is potential for more interventions to support people to remain in their homes, for example through aids and adaptations using DFGs, extensions and deconversions.
- 10.5 Identifying and delivering the right options will require effective integration of policy and service provision across key service areas, including Housing, Children and Families and Adult Social Care. It will also require informed decisions about the use of capital and revenue resources to strike the right balance between, for example, capital expenditure on new provision and revenue spend on existing or new support options that could keep people in their present homes. It should also be stressed that investment in specialist provision will need to be balanced with investment in general needs and the Council will need to make decisions on resource allocation accordingly. There will also be opportunities to seek funding in partnership with RPs through the Affordable Homes Programme, which includes a specific allocation for supported and specialised housing.
- 10.6 There is potential to support the development of innovative solutions, such as Homeshare. Where older people are under-occupying homes, the Council could offer a 'vetting' and management service for older people prepared to offer a room for rent to young people, particularly those affected by the increased age for the single room rate.

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- 10.7 Although primarily a matter for the Homelessness and Rough Sleeping Strategy, it has been reported that there is no locally provided supported accommodation for rough sleepers and agencies working with rough sleepers are keen to see the Council trial a Housing First approach. It remains to be seen what lasting impact emergency measures to get people off the streets during the pandemic will have but there is some commitment to deliver lasting change.
- 10.8 In terms of homelessness and supply, immediate questions for the Council include the potential role of modular buildings in providing a short to medium-term option for temporary accommodation to avoid expensive PRS placements, potentially incorporating Housing First, through a relatively modest capital investment, what mix of new supply would best fit the demand profile from homeless households and what proportion of new lettings should go to this group?

11. Using and Improving the Existing Stock

- 11.1 Whatever the level of new development, most of Merton's 86,000 housing stock has already been built. This section considers, across tenures, measures to make best use of it to meet need, address physical and economic regeneration objectives and assist other priorities, such as climate change.
- 11.2 In partnership with Clarion, a major regeneration programme is underway on Eastfields, High Path and Ravensbury estates formerly owned and managed by the Council. Most of the delivery of new homes within this 15 year regeneration programme will take place outside the timescale of this five year housing strategy. Further opportunities exist, for example around town centres, which could be supported by Mayoral or government funding subject to successful bids. Regeneration is expected to play a key role in addressing the significant disparities in income, health and wellbeing between the east and west of the borough and planning policy sets out intentions for a range of neighbourhoods.
- 11.3 Clarion is the largest provider of affordable homes in the borough and its regeneration programme has the potential to make the largest single contribution to increased supply if development on the estates can take place at scale alongside improvements to the existing stock. As noted above, given the 15 year programme, much of this will happen beyond the timeframe of this document. In general, and beyond the transferred estates, it is recognised that the main opportunities for development at scale are around transport hubs and areas where the Council owns land.
- 11.4 The need to reach an agreed position on intensification has been considered above but, in general and beyond the transferred estates, it is recognised that the main opportunities for development at scale are around transport hubs and areas where the Council owns land.
- 11.5 In general, regeneration is influenced by the same factors considered earlier in relation to any new housing supply. Decisions on the Council's approach to intensification and its capital expenditure priorities, along with other factors, will be relevant here. Given the potential scale of programmes in, for example, town centres, particular attention will need to be paid to the Council's use of its own land, its willingness and ability to buy land to facilitate development and delivery of infrastructure, including access to GLA funding, and its approach to viability assessment.
- 11.6 Discussion so far has identified the need for better joint working across Housing and Planning functions. Suggestions for further action include a housing presence in discussions on applications at an early stage, encouragement for RPs to sign up to schemes at the point planning applications are submitted and work with Planning Committee members to ensure the case for housing is well understood.

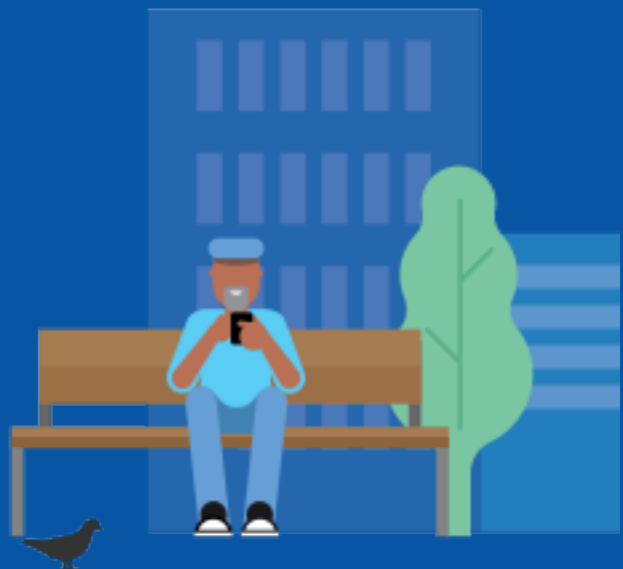
12. Governance and Decision Making

- 12.1 The role of the housing service in a non-stock holding borough is necessarily limited and delivering the objectives in this strategy will require consideration of organisational structures and governance. This should include a review of the required skills, knowledge and associated responsibilities and opportunities for stronger partnership arrangements with RPs and developers, together with an assessment of the potential costs of establishing an improved development function.
- 12.2 The Council is not at present geared up to take on significant new responsibilities around development and this may require investment in staffing with revenue implications. For example, Bromley (also a borough with no stock) is establishing a new HRA and has invested in a multi-disciplinary development team and a revised and strengthened partnership group involving RPs and developers. Investment in staffing may be required to ensure the required knowledge and skill are in place.

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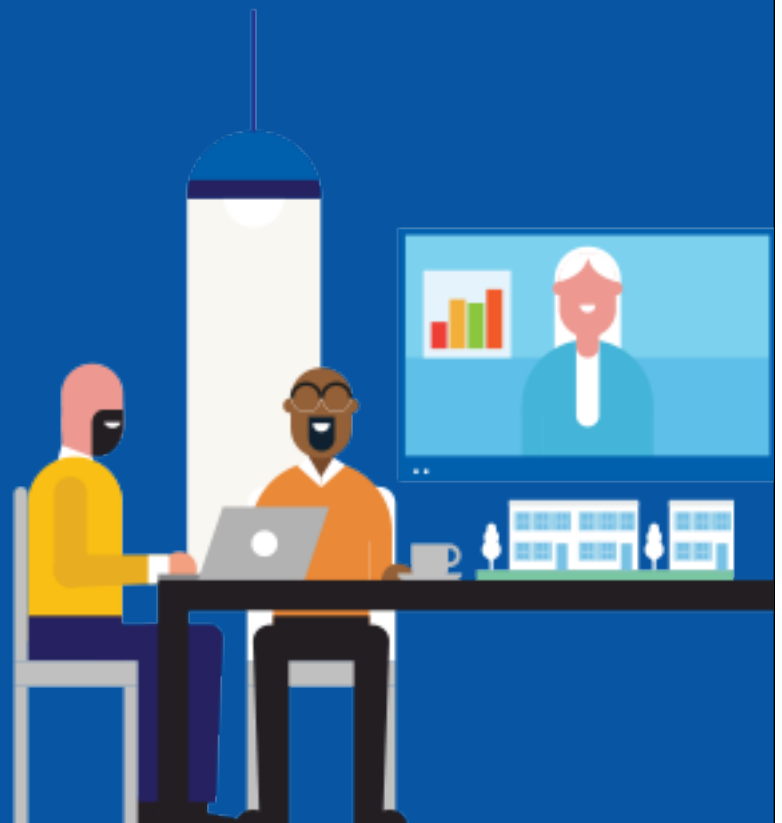
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Housing Delivery Strategy Action Plan

June 2021



1. Action Plan

6	Delivering the right new homes
6.1	Emphasise intention to deliver social rented homes in guidance and negotiations with developers and RPs
6.2	Adopt benchmarks as a baseline
6.3	Support London Living Rent development
6.4	Consider approach to cash in lieu on smaller sites

7	Partnership
7.1	Review and relaunch RP and Developer Forum
7.2	Identify and approach additional providers
7.3	Review approach to viability challenge and identify any need for additional resources
7.4	Consider ongoing programme of continuous development for members in relation to viability
7.5	Review and update design codes
7.6	Develop approach to assessing value in land sales

8	Direct intervention
8.1	Consider re-establishment of HRA
8.2	Establish Housing Investment Fund including establishment for a PWLB investment strategy to provide genuinely affordable homes in Merton
8.3	Review potential for off-site construction and modular building
8.4	Review engagement with SMEs

9	Density and intensification
9.1	Build on Characterisation Study and Small Sites Supplementary Planning Guidance to identify and make the case for areas where intensification will be supported
9.2	Establish local zoning guidance to indicate heights and densities that can be achieved and supported with good design

10	Housing for particular needs
10.1	Research to assess demand for supported and older people's housing and review existing provision and assess its effectiveness
10.2	Assess demand for independent living and the scope for shared options, including the potential of an appropriate programme of aids, adaptations and use of technology to reduce demand for new or alternative homes.
10.3	Assess the scope for redevelopment/remodelling of existing sheltered housing
10.4	Identify housing options that enable older people to right size and free up equity and larger family housing; potentially offering financial incentives around support to move etc.
10.5	Consider partnering with a housing association to develop a product for older people that enables older owners the opportunity to access an ethical equity

	release product on their existing home. The equity released could be used to invest in a long-term care package or to pay for ongoing maintenance and repairs
10.6	Quantify potential savings through capital and revenue investment

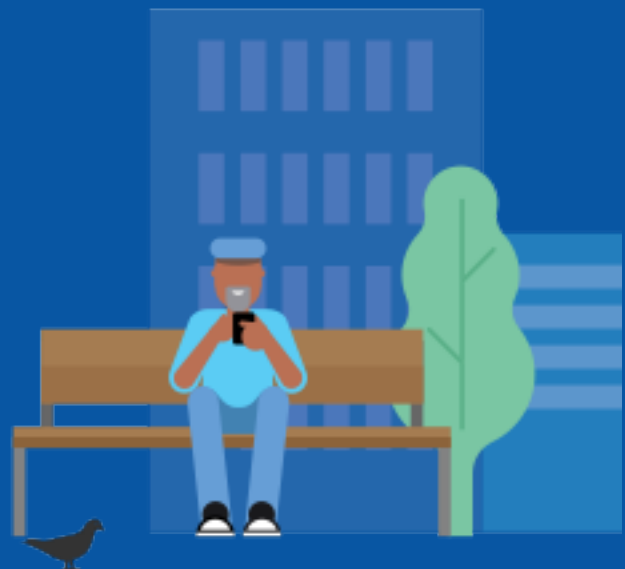
11	Using and improving the existing stock
11.1	Establish housing staff presence alongside planning colleagues in early-stage planning discussions on estate regeneration
11.2	Agree and publish position on intensification, including neighbourhood level guidance on acceptable heights and density
11.3	Implement Housing Investment Fund with guidance on its application in regeneration schemes

12	Governance and decision making
12.1	Determine the appropriate structures within Merton's governance framework to ensure agile decision making
12.2	Establish a Delivery Board to oversee progress
12.3	Establish Housing and Land Commission
12.4	Consider establishing an appropriate structure and decision-making channels to support housing development

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Committee: Cabinet

Date: 12 July 2021

Wards: All

Subject: Strategic Partner Grants Programme – future approach

Lead officer: John Dimmer, Interim Head of Corporate Policy and Improvement

Lead member: Councillor Marsie Skeete, Cabinet Member for Women and Equalities
Councillor Rebecca Lanning, Cabinet Member for Adult Social Care & Health

Contact officer: Amanda Roberts, Policy, Strategy and Partnerships Officer
(020 8545 4685 / amanda.roberts@merton.gov.uk)
Heather Begg, ASC Commissioner
(020 8545 4515 / heather.begg@merton.gov.uk)

Recommendations: That Cabinet:

- (1) Agree to the extension of funding for one further year (April 2022-March 2023) for each of the five elements of the Strategic Partner Programme 2019-22 as set out in Appendix I and summarised in paragraphs 3.1 to 3.5 to support the full development and implementation of the current work streams outlined in this report.
 - (2) Note the progress of key strands of the Recovery and Modernisation Programme as set out in paragraphs 2.3 to 2.8.
 - (3) Note the further review of C&H prevention activities as set out in paragraphs 2.9 to 2.11.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report sets out the current funding allocations to voluntary and community sector organisations who receive grant funding from the Strategic Partner Programme 2019-22. The 15 organisations receive Strategic Partner funding totalling £4,572,159 over the 2019-22 period.
- 1.2. The report sets out a proposal to extend the current Strategic Partner programme arrangements for a further year and requests grant funding of £1,524,053 be rolled forward into 2022/23. This would allow time for the development of a new programme focussed on increasing community resilience and providing access to appropriate support when needs first arise. This is a key project in our Recovery and Modernisation Programme. Extending the programme also ensures that the current arrangements for supporting residents during the Pandemic are not destabilised at a critical time.
- 1.3. The current Strategic Partner Programme, co-designed with the VCS, has been highly effective in achieving what it was designed to do, as

demonstrated through the numbers of people that the existing providers have assisted and the outcomes that they have delivered for residents.

- 1.4. The current Strategic Partners have demonstrated their value in both their response to the pandemic and the work they have undertaken together as part of the wider response, including the setup of the Community Response Hub.
- 1.5. Extending the current programme for a further year would enable us take forward our work on the Transforming How We Work with Communities project and other key work streams. We would then be positioned to align this funding programme with any new models, ways of working and opportunities for innovation we have identified through this project, building on existing good practice. Due to the current engagement and development work, there would not be sufficient time to re-launch the Strategic Partner Programme ready for the next financial year.
- 1.6. We have identified that any new model would need to ensure there are opportunities built in for smaller VCS organisations going forward. The Council has ensured continued funding opportunities for smaller and community led organisations. In particular, the Council has provided additional financial resources via Merton Giving to ensure that smaller and medium organisations can bid for necessary support. The Council has allocated significant resources to all three Phases of the fund to date, with Phase 3 just launching. We will continue to review funding for this scheme going forward. In addition, BAME voluntary and community sector organisations will also be able to access a new funding opportunity via Phase 2 of the Community Resilience Programme.
- 1.7. The proposed extension to current funding arrangements would also provide a further period of stability for current Strategic Partners, many of which have reported a large rise in the number and complexity of cases. Current and future challenges include the end of the moratorium on evictions and the likely end of furlough, as well as a rise in the need for debt and benefits support, plus an immediate need to tackle loneliness and isolation for our vulnerable communities. Relaunching the Strategic Partner Programme at this point may destabilise the current work of these organisations while we are still in the pandemic.

2 DETAIL

- 2.1. The Strategic Partner programme comprises of five elements:
 - Information and Advice provision;
 - Voluntary Sector Infrastructure Support;
 - Wellbeing Services;
 - Carers Services; and
 - Healthwatch Merton
- 2.2. The Strategic Partner Programme is due to come to an end on the 31 March 2022. This report recommends an extension of one year from the 1

April 2022 to 31 March 2023. This is for a number of factors highlighted in this report.

- 2.3. The pandemic has shone a light on existing inequalities, both in terms of the direct impact of infection but also the indirect economic and social impacts. There is work to do to understand this better as it is still early days, but we expect that the pandemic will have exacerbated those inequalities. Some of the impacts are likely to have been masked by the furlough scheme and temporary restrictions on evictions. We need to understand further how we can work to support families and communities to improve their physical, social and economic resilience. Some of the work within the Recovery and Modernisation Programme and the Community and Housing Recovery and Reset Programme will be learning from the engagement work undertaken or currently happening and local data to help shape and inform the strategic direction of the grants programme going forward.
- 2.4. The core focus for the Your Merton strand of the Recovery and Modernisation Programme is the development a new long-term vision for Merton post-pandemic. The Council has launched its biggest-ever engagement programme to understand the views, experiences and ambitions of local people to help shape this new vision outlining the key priorities for Merton going forward. Continuation of the current Strategic Partner Programme for a further year would ensure the alignment of the new programme outcomes with this new strategic vision and priorities.
- 2.5. Through the Transforming How We Work with Communities strand of the Recovery and Modernisation Programme we want to explore how we can support community resilience and whether that will in turn help people to support each other. We aim to build on the experience we have had working with many different partners in our community during the pandemic and before. We will also be looking at opportunities for service redesign or improvement and the starting point will be from our residents or service users.
- 2.6. The Council has now engaged Collaborate CIC, experts in helping public services collaborate to tackle complex social challenges, to support us in this project. In the initial stages, Collaborate is helping us to gain better insights around how residents access support and services in the borough and how different services join up. Engagement is underway with a wide range of stakeholders, including a planned workshop with commissioners and local place-making leads. The work on this project over the coming year is likely to open up further opportunities to join up our commissioning of preventative services across a wider range of services.
- 2.7. Some of the intended benefits to the sector include a more central role in the co-design of commissioned services, a strengthened relationship between commissioners and providers and greater capacity to identify assets and efficiencies across the system. We have also identified that any model would need to ensure there are opportunities built in for smaller VCS organisations.

- 2.8. Both the latest 2020-21 VCS funding database, also for consideration at this meeting, and the soon to be published State of the Sector report will inform the intelligence base for the Transforming How we Work with Communities project. Merton Council has commissioned Merton Connected to produce the 2021 State of the Sector (SoS) report to provide up to date information on the key issues affecting VCS organisations, their trustees, volunteers and employees. This latest report also focuses on the impact of Covid on the sector, its capacity going forward and any gaps in provision. These pieces of work will in turn inform the future direction of the Strategic Partner funding programme.
- 2.9. As part of the recovery work, the Community and Housing department are developing preventative and community based services that reach out to where people are and want to be.
- 2.10. Adult Social Care has recently commissioned the Community Response Hub (contract commencing 1 June 2021-31 May 2022, with the option to extend for a further year). This preventative and early intervention service will support individuals and families who are self-isolating, or who are vulnerable and isolated. This service will make best use of the increased volunteer offer and social capital available as a result of the pandemic. We would want the partners that support this service as part of the wider community emergency and preventative response to expand to include services that directly support young people and families. As this service and approach develops, we would use the data to help inform the Strategic Partner Programme going forward.
- 2.11. Both ASC and CSF commission services with Carers Support Merton. ASC commission the Carers Hub via the Strategic Partner Programme. CSF have a contract with Carers Support Merton to support young carers to the value of £67kpa. The CSF contract has been extended until March 2022, but CSF are proposing an exemption to continue until March 2023, to co-terminus with other contracts and grants that have been identified to be part of Integrated Community Services. Therefore, it makes sense to align both of these services to co-terminus at the same time to ensure a more joined up partnership approach to commissioning carer preventative services is developed in the future.
- 2.12. The recommended programme extension will ensure continued support for key preventive services, who continue to have a key role in the local community response to the pandemic, while we work with our wider partners to develop and implement the key recovery work streams outlined above.
- 2.13. Performance has continued to be measured for these organisations against key outcomes and outputs. All organisations commissioned through this programme have continued to operate during a challenging year. Some organisations have reported a sharp increase in demand for their services, and have had to seek additional sources of funding to meet this demand. Organisations have also demonstrated their ability to respond rapidly to changing needs, most notably through the creation of the Community Response Hub in partnership with the Council and SWL CCG.

- 2.14. Despite a need for some flexibility in how these services have been delivered in the last year, organisations continue to meet the required objectives of the Strategic Partner Programme.

3 INFORMATION AND ADVICE

- 3.1. There was a total allocation of £1,587,300 for 2019-22 from the Information and Advice funding pot. During 2020/21, it was agreed that funding for Year 3 would be allocated at the same level as Year 1 and 2. The detailed funding amounts are set out in Appendix 1.

VOLUNTARY SECTOR INFRASTRUCTURE SUPPORT

- 3.2. There was a total allocation of £555,000 for 2019-22 from the Voluntary Sector Infrastructure Support funding pot. As above, during 2020/21 it was agreed that funding for Year 3 would be allocated at the same level as Year 1 and 2. The detailed funding amounts are set out in Appendix 1.

WELLBEING SERVICES

- 3.3. There was a total allocation of £1,226,202 for 2019-22 from the Wellbeing Services funding pot. The detailed funding amounts are set out in Appendix 1.

CARERS SERVICES

- 3.4. There was a total allocation of £828,657 for 2019-22 from the Carers Services funding pot. The detailed funding amounts are set out in Appendix 1.

HEALTHWATCH MERTON

- 3.5. There was total allocation of £375,000 for 2019-22 for Healthwatch Merton from this funding pot. The detailed funding amounts are set out in Appendix 1.

4 ALTERNATIVE OPTIONS

- 4.1. The decision could be taken to stop providing Strategic Partner funding after the current agreements end in March 2022. However, the current funding climate for local authorities, with reducing budgets and activity also reinforces the continuing need to stimulate and nurture social action: filling gaps and enabling self-help within communities. It is inevitable that if we ceased to fund these services at the current level or withdrew a significant proportion of funding without time for the current providers to seek alternative funding, the current services would cease, potentially with the current providers being financially unviable going forward. This would inevitably have a knock-on effect in terms of increasing demand for Council services. **Not recommended.**
- 4.2. The decision could be taken to go ahead with recommissioning the Strategic Partner Programme this year. However, there is insufficient time to engage with partners effectively to establish the commissioning approach and model going forward, to develop a revised prospectus for

the programme (if this is what is decided), give time for applications to be completed and effectively evaluate and implement new services that meet current or anticipated demand. Due to the extenuating circumstances from the previous year, we need time to understand further how we can work to support families and communities to improve their physical, social and economic resilience and develop a model, which can support this. **Not recommended.**

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. The Council undertook extensive engagement in the development of the Strategic Partner Programme 2019-22, as outlined in the relevant Cabinet and funding decision reports.
- 5.2. Early engagement is underway as part of the Transforming How We Work with Communities project and comprehensive engagement is planned as the project progresses across a range of stakeholders including Children, Schools and Families and Environment and Regeneration departments internally alongside the VCS, Health and service users.
- 5.3. The Your Merton survey is our most significant residents' engagement programme to date. The feedback from the survey will begin to define the council's future priorities for 2022 onwards.
- 5.4. Since the start of the pandemic, a Covid-19 Community Response Steering Group was established which includes a number of voluntary organisations and community groups, including all Strategic Partners. All Strategic partners have been engaged on a regular basis to work in partnership to provide a community response to Covid-19 across Merton. The Transforming How We Work with Communities project will consider whether to use this group as a platform for further engagement to shape the Strategic Partner Programme.
- 5.5. As a result of the Covid-19 pandemic, a number of impact reports have been produced following engagement with local residents. In particular, people with Dementia and their carers, people with a learning disability and their carers and people from Black and Minority Ethnic Communities. The Council has also commissioned Merton Connected to complete a 'State of the Sector' report, which will be published in June 2021. These reports will further inform the direction going forward.
- 5.6. The Big Conversation, an engagement programme with people who have learning disabilities, their families, carers and the professionals who support them was launched in May 2021 which will help define the LD offer going forward, which will include preventative services that promote wellbeing and carers support.

6 TIMETABLE

6.1. The decision timetable is set out below:

Cabinet	12 July 2021
Existing providers notified of funding extension for 2022/23	19 July 2021
Funding continues for existing partners	1 April 2022

6.2. Revised funding agreements for the Strategic Partner Programme will begin on 1 April 2022, for all allocated funding.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

7.1. The cost of the Information and Advice element proposed in this report is £529,100 over one year 2022-23 (excluding notional funding). This can be met within the current core budget.

7.2. The cost of the Voluntary Sector Infrastructure Support element proposed in this report is £185,000 over one year 2022-23 (excluding notional funding). This can be met within the current core budget.

7.3. There is a Strategic Partner Grant saving built into the MTFs of £78k from 2022/23 onwards. This saving could still be delivered if we roll forward for 2022/23 to allow time to implement the new approach, as there is sufficient additional funding in the core budget.

7.4. The cost for Wellbeing Services element in this report is £408,734 over one year and the Carers Services element is £276,219 over one year. The grant funding for these services is from the Adult Social Care core budget and the Better Care Fund budget.

7.5. The grant funding available for Healthwatch Merton is £375k over the three years 2019-22. The additional cost in this report to fund 2022-23 is £125k. This is met predominately from Corporate Services budget (£106,000 per annum) with the remainder met from the Department of Health Local Reform and Community Voices grant.

8 LEGAL AND STATUTORY IMPLICATIONS

8.1. There are a number of duties that the Council must adhere to which will apply to the funding as proposed and legislation that must be taken into account when providing such funding.

8.2. Under the Care Act 2014 (Part 1 Section 4) a local authority must establish and maintain a service for providing people in its area with information and advice relating to care and support for adults and support for carers.

8.3. Under the Homelessness Reduction Act 2017 (Section 2) local housing authorities are required to provide advisory services, free of charge, which

provide information and advice on preventing homelessness and securing accommodation when homeless.

- 8.4. The Care Act 2014 states that local authorities must actively promote wellbeing and should have different types of support, services, facilities and resources that help a person avoid developing needs for health and social care support. This includes supporting carers and provision of information and advice.
- 8.5. Merton Council has a legal duty set out in the Health and Social Care Act 2012 to commission a local Healthwatch organisation that is independent of the Council and the NHS.
- 8.6. When funding allocations to voluntary and community sector organisations who receive grant funding, the Council must be mindful of the Equalities Act 2010 in particular its public sector equality duty under section 149 of that Act.
- 8.7. The Council has the power under the Localism Act 2011 (known as the general power of competence) to do anything an individual may do, unless specifically prohibited. This includes the power to make grants.
- 8.8. In adopting an outcomes-focused commissioned grants approach, care must be taken to ensure that the outcomes identified are not such that a funding agreement is in reality a contract, which would be subject to the Public Contracts Regulations 2015 and/or the Council's Contract Standing Orders.
- 8.9. Care should also be taken that the giving of a grant does not amount to a State Subsidy.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. The process and decision-making for the Strategic Partner Programme was informed by robust equality analysis and this was published alongside the September 2018 Cabinet Report, December 2018 key decision report and February 2019 decision report.
- 9.2. When decisions are made as to which voluntary organisations will continue to be funded and which are not to be funded, regard will need to be had to the public sector equality duties and decision-making will be informed by equality analysis. This is attached at Appendix II.
- 9.3. In summary:
 - The proposals for continued funding will ensure that there is robust support for the voluntary and community sector in the borough to provide broad reaching information and advice, infrastructure support, wellbeing, carers and Healthwatch Merton services to residents.
 - Some organisations that were previously funded via the ACS Ageing Well Programme have received funding since 2019 and agreed up to March 2022. This has been whilst ASC have funded a programme of

support with Merton Connected to explore more sustainable options with the five organisations.

- As it is proposed that the existing programme will be extended with the existing organisations, any potential negative impacts identified for customers who are supported by other organisations who may have wanted to seek funding via the next round of Strategic Partner Programme applications will be mitigated through the actions outlined in the attached Equality Analysis Improvement Action Plan. This includes providing additional funding via Merton Giving to ensure that smaller and medium-sized organisations can bid for funding to provide a community response, and assist with recovery and build resilience.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. None specific to this report. The proposals in this report do not have a direct crime and disorder impact; however, they will contribute to an inclusive and cohesive society and improve the resilience of vulnerable residents. Overall, this should have a positive impact on the factors that contribute to crime and disorder and reduce the likelihood of vulnerable residents becoming victims of criminal behaviour.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. Two of the council's key risks relate to equalities and to partnership working. The proposals set out in this report will mitigate risks in relation to both of these.

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

- Appendix I Proposed Strategic Partner funding 2022/23
- Appendix II – Equality Analysis

13 BACKGROUND PAPERS

1. Key Decision Report - Strategic Partner Programme 2019/22 25/02/2019 <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=714>
2. Key Decision Report - Strategic Partner Programme 2019/22 18/12/2018 <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=687>
3. Cabinet report – Strategic Partner Programme 2019/22 – commissioning requirements 17/09/2018 <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=629>
4. Cabinet report - Future Funding of the Strategic Partner Programme – 03/07/2017 <https://democracy.merton.gov.uk/ieDecisionDetails.aspx?ID=477>

Appendix I

Proposed Strategic Partner funding Year 4 (2022/23)

Information and advice provision

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
Citizens Advice Merton & Lambeth	Continue to provide a range of information, advice, casework and specialist support services to people across the borough relating to social welfare law. Additionally provide a Specialist Support Partnership Service and Merton Advice Forum.	£355,000	£355,000	£355,000	£355,000
Association for Polish Family	Provide support for the Polish and EE communities in Merton mainly through the provision of information and signposting but also piloted skills development workshops.	£27,000	£27,000	£27,000	£27,000
Commonside Trust	Outreach support provided by South West London Law Centres (SWLLC) to Commonside Trust service users. Provision will include qualified legal advice in the areas of debt and housing. Hosting of specialist adviser from SWLLC three times per month.	£8,100	£8,100	£8,100	£8,100
deafPLUS	Provide a new Merton Deaf Advice Service. Delivery of a two or three day per week Social Welfare Advice Service to Deaf and Hard of Hearing	£24,000	£24,000	£24,000	£24,000

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
	residents of Merton.				
South West London Law Centres	Provide legal casework and representation services in social welfare law (debt, employment, immigration, asylum, community care, housing and welfare rights) and pro-bono clinics offering legal advice services	£56,000	£56,000	£56,000	£56,000
Springfield Advice and Law Centre	Provide a legal advice service for mental health services users, offering advice and casework representation in debt and welfare benefit matters, including advice outreach sessions.	£59,000	£59,000	£59,000	£59,000

Voluntary sector infrastructure support

Organisation	Summary of Service	Funding amount 2019-20	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
Merton Connected (Merton Voluntary Service Council)	Continue to provide a one-stop shop infrastructure, strategic representation and volunteering support service for the voluntary, community, faith and social enterprise sector and volunteers and potential volunteers in Merton.	£175,000	£175,000	£175,000	£175,000
BAME Voice	Continue to provide support and voice for BAME organisations and communities in Merton. Introduction of a new peer mentoring and buddying scheme.	£10,000	£10,000	£10,000	£10,000

Wellbeing Services

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
Age UK Merton	Living Well service to continue to provide support to older adults throughout Merton to enable them to continue to live independently, to improve physical and mental wellbeing, and to reduce their need for local health and social care services.	£88,450	£88,450	£88,450	£88,450
Merton Mencap	My Life, My Community Services to continue to improve opportunities for people with Learning Disability and/or Autism to participate socially to prevent, reduce and delay the need for social care and health services. My Life, My Community The service includes 2 Hub sessions a week which will run a series of activities, projects and workshops	£48,569	£48,569	£48,569	£48,569
Imagine Independence	To continue to provide 1-1 support, workshops, community based peer groups and support with inclusion and healthy living for people who have a mental health condition	£120,000	£120,000	£120,000	£120,000
Wimbledon Guild	To continue to provide ongoing emotional and practical support for people 60+ with complex needs and promote healthy minds through emotional support groups on bereavement, continuity of concern and wellbeing.	£97,000	£97,000	£97,000	£97,000
Merton Vision	To continue to support people with	£54,715	£54,715	£54,715	£54,715

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
	sight loss with information, advice, guidance, practical help via volunteers and to build confidence in the community and with communication and daily living skills.				

Carers Services

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
Carers Support Merton	To continue to provide a Carers Hub where Adult Carers (people over 18 caring for another adult) in Merton can access a range of interventions, activities, and support to assist them in their caring role. This includes Assessments and administration of Carer Discretionary Grants	£276,219	£276,219	£276,219	£276,219

Healthwatch Merton

Organisation	Summary of Service	Funding amount 2019-22	Funding amount 2020-21	Funding amount 2021-22	Proposed funding amount 2022/23
Healthwatch Merton	Provides a voice to consumers of health and social care services in accordance with our statutory obligations to commission a local Healthwatch service.	£125,000	£125,000	£125,000	£125,000

Appendix II - Equality Analysis



What are the proposals being assessed?	Proposals submitted to the Chief Executive on 17 June 2021 regarding the continued allocation of the Strategic Partner funding for 1 year: 2022-2023
Which Department/ Division has the responsibility for this?	Lead for delivery: Corporate Services, Customers, Policy and Improvement Division

Stage 1: Overview	
Name and job title of lead officer	John Dimmer, Head of Policy, Strategy and Partnerships
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 purpose of this report is to continue to commission services for Information and Advice, Voluntary Sector Infrastructure Support, Wellbeing, Carers and Healthwatch Merton for a further year.
2. How does this contribute to the council's corporate priorities?	<p>The Council's overarching policy priority is to bridge the gap in terms of outcomes between the east and west of the borough and between different communities. Funded organisations will continue to 'Support the delivery of Merton's Community Plan, actively contributing to 'bridging the gap' between the east and the west of the borough.'</p> <p>The Council has a key corporate priority to develop a new long-term vision for Merton post-pandemic. The Your Merton strand of the Recovery and Modernisation Programme will engage with residents to understand their views, experiences and ambitions to help shape this new vision outlining the key priorities for Merton going forward. Continuation of the current Strategic Partner Programme for a further year would ensure the alignment of the new programme outcomes with this new strategic vision and priorities.</p> <p>The Community and Housing Recovery and Reset Programme will be learning from the engagement work undertaken or currently happening and local data to help shape and inform the strategic direction of the grants programme going forward.</p> <p>The Strategic Partner programme also supports the Council's prevention agenda linked to a priority around prevention in the Health and Wellbeing Strategy.</p>

<p>3. Who will be affected by this proposal? For example who are the external/internal customers, communities, partners, stakeholders, the workforce etc.</p>	<p>Key identified customers: existing and potential voluntary and community sector organisations; existing and potential service users; other internal/external commissioners.</p> <p>A brief summary of each proposal is included in Appendix I. The users of the services covered by the applications for funding include, but are not limited to:</p> <p>Information and Advice:</p> <ul style="list-style-type: none"> • Local residents, including older people, people from BAME communities, disabled people and people with long term health conditions, people with poor mental health, disadvantaged and vulnerable people in need of support with benefits, housing and debt and people in the disadvantaged east of the borough. • Individuals seeking advice and casework support and legal advice and representation across the various areas of social welfare law, including: deaf and disabled people, people from BAME communities including Eastern Europe, mental health service users. • Older adults aged 60 plus living with complex health, care and other needs, older men, carers and families, people from BAME communities, people with mobility or access issues which could prevent them from leaving the home. <p>Infrastructure Support:</p> <ul style="list-style-type: none"> • Small and medium sized voluntary and community sector organisations, including organisations representing BAME, older people, young adult, disabled, mental health and faith groups and organisations serving communities in the disadvantaged east of the borough; • BAME organisations and communities, in particular those in the disadvantaged east of the borough. <p>Wellbeing:</p> <ul style="list-style-type: none"> • Adults over 18 whose mental health is at risk of escalating into a crisis. • Older individuals who are 50+, older residents of Goan, Tamil and South Asian heritage. People who do not engage in physical activities. Individuals with enduring mental ill health. People in abusive relationships. People who are lonely and isolated. • Individuals living with sight loss in the borough. • All adults aged over 50 living in the borough. • Adults with any learning disability/autism living across Merton, particularly those living at home with their families. • People with mental health issues accessing support through primary or secondary care services or known to voluntary and other services. • Individuals with complex mental health issues, older adults, anyone over 18 who has experienced loss and people over 50 who are socially isolated. • Members of the community who are isolated and excluded from traditional activities, with a focus on
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	<p>young, elderly, unemployed, disabled and those on a low income. Users predominantly from BAME communities.</p> <ul style="list-style-type: none"> • Individuals, organisations and groups that provide wellbeing services and projects. • Vulnerable, lonely and isolated people over 50 who live in Merton. • Asian people over the age of 50 <p>Carers: Unpaid carers over the age of 18 living in the borough of Merton.</p> <p>Healthwatch Merton: People living or working in Merton who is legally entitled to access publicly funded health or social care services in Merton or anyone who carers for or represents anyone who has access to these services. This includes children and young people and their parents/carers.</p> <p>General:</p> <ul style="list-style-type: none"> • Indirect services users may include staff who access these services; departments and partners that refer individuals to these services; • Statutory and non-statutory partner organisations. <p>How the proposal will benefit the council: The proposed extended programme will continue to ensure more targeted use of the council's limited resources. In the current financial climate, we will be looking to support services that prevent, reduce or delay the need for more expensive interventions. The council will benefit through the contribution these services make to the council's corporate priorities and the priorities set out in the Community Plan.</p>
<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>Programme Sponsor: Director of Community and Housing and Director of Children, Schools and Families, LB Merton</p> <p>Responsibility for co-ordinating the engagement work, development of the funding prospectus and administration of the front end of the funding process sits within Corporate Services. Divisions within Community and Housing have responsibility for the wellbeing services and carers' service strands of the programme and the direct commissioning of these services.</p>

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?

Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

Evidence gathered:

Extensive engagement was undertaken in the development of the Strategic Partner Programme 2019-22 as outlined in the relevant Cabinet and funding decision reports. Evidence included in the original funding bids indicated that residents from the groups with Protected Characteristics have higher needs and are over-represented in terms of take-up of advice and support from the voluntary sector. These include deaf and disabled people, people from BAME communities including Eastern Europe, mental health service users and people in the disadvantaged east of the borough.

Early engagement is underway to gather evidence as part of the Transforming How We Work with Communities project and comprehensive engagement is planned as the project progresses across a range of stakeholders including Children, Schools and Families and Environment and Regeneration departments internally alongside the VCS, Health and service users.

As a result of the Covid-19 pandemic, a number of impact reports have been produced following engagement with local residents. In particular, people with Dementia and their carers, people with a learning disability and their carers and people from Black and Minority Ethnic Communities. The Council has also commissioned Merton Connected to complete a 'State of the Sector' report. These reports are drafted and awaiting publication and will provide evidence to consider as part of this assessment.

Impact of evidence on proposals:

The proposals for continued funding will ensure that there is robust support for the voluntary and community sector in the borough to provide broad reaching information and advice, infrastructure support, wellbeing, carers and Healthwatch Merton services to residents.

'Bridging the Gap' was included as one of the four key scoring criteria for this Programme. This accounted for 20% of the overall scoring. Panel members were asked to assess how well each bid demonstrated that it meets demonstrable needs, helps deliver LBM equalities duties, reaches priority client group and involves service users in design. Applicant organisations were also required to demonstrate a track record; meet the requirements set out in the key features sections of the prospectus and demonstrate value for money.

The aim of the proposal for Wellbeing Services was to support the voluntary sector to improve the wellbeing of people who use or might be at risk of using adult social care services. Adult social care, by its nature, supports people who might be vulnerable and/or have disability. It is therefore likely that they will have one or more protected characteristics. The proposal was designed to have a positive impact on the wellbeing of those that use preventative services.

The grant programme was an open process based on a prospectus. That prospectus was designed in consultation with the sector through a task

group and workshops. The grants awarded have had and will continue to have a positive impact on those who use those services. Some organisations that were previously funded via the ACS Ageing Well Programme have received funding since 2019 and agreed up to March 2022. This has been whilst ASC have funded a programme of support with Merton Connected to explore more sustainable options with the five organisations.

The extension to the existing programme will have a positive impact as it will allow time for us to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council’s new strategic priorities.

As it is proposed that the existing programme will be extended with the existing organisations, any potential negative impacts identified for customers who are supported by other organisations who may have wanted to seek funding via the next round of Strategic Partner Programme applications will be mitigated through the actions outlined in the following Equality Analysis Improvement Action Plan. This includes providing additional funding via Merton Giving to ensure that smaller and medium organisations can bid for funding to provide a community response, and assist with recovery and build resilience within Merton communities.

Stage 3: Assessing impact and analysis

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

Protected characteristic (equality group)	Tick which applies		Tick which applies		Reason Briefly explain what positive or negative impact has been identified
	Positive impact		Potential negative impact		
	Yes	No	Yes	No	
Age	✓		✓		Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing services funded through this programme. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme including older people. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council’s new strategic priorities. Any potential negative impacts identified for residents will be highlighted

				via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.
Disability	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing services funded through this programme. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme including disabled people. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Gender Reassignment	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme including people undergoing gender reassignment. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner</p>

				Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.
Marriage and Civil Partnership	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Pregnancy and Maternity	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Race	✓		✓	Generally, a positive impact identified. Any investment in Information and

				<p>Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme including people from BAME communities. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Religion/ belief	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme, irrespective of their religion or belief. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Sex (Gender)	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme with key strategic focus on engaging more men within the services and support on offer. The extension to the existing programme will allow time to develop an inclusive new commissioning</p>

				<p>programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Sexual orientation	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. There is a broad reach of support for all residents accessing wellbeing services via the Adult Social Care Wellbeing programme. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.</p>
Socio-economic status	✓		✓	<p>Generally, a positive impact identified. Any investment in Information and Advice services will have a positive impact on the equality groups who are over-represented as service users. Service users for Information and Advice and Wellbeing services and VCS groups are significantly higher for the east of the borough as users with lower economic status have higher needs and therefore are over-represented in terms of service demand. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.</p> <p>Any potential negative impacts identified for residents will be highlighted via engagement platforms. In addition, any organisation who may have</p>

					wanted to seek funding via the next round of Strategic Partner Programme applications can apply for Merton Giving Funding. The Council will contribute additional financial resources to Merton Giving to ensure that smaller and medium organisations can bid for funding to provide necessary support after April 2022.
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7. If you have identified a negative impact, how do you plan to mitigate it?

No specific negative impacts for equality groups identified arising from the evidence considered. However, we have identified a broader potential negative impact for customers supported by other organisations who may have wanted to seek funding via the next round of Strategic Partner Programme applications. To mitigate this, the Council will contribute additional financial resources to Merton Giving to ensure that smaller organisations can bid for funding to provide necessary support after April 2022. We will continue to use our current engagement platforms to ensure we are aware of any potential negative impacts for service users.

Stage 4: Conclusion of the Equality Analysis

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

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

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

Stage 5: Improvement Action Plan

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?
Potentially a negative impact for customers who are supported by organisations who are not currently funded through this programme and who may have wanted to seek funding via the next round	The Council will contribute additional financial resources to Merton Giving to ensure that smaller organisations can bid for funding to provide necessary support after April 2022. We can also review the criteria in negotiation with other funding partners and revise the criteria as the need demands.	A range of organisations supporting equality groups not funded through this programme will have received funding through Merton Giving	March 2023	Existing	John Dimmer Heather Begg	
Potentially a negative impact for customers who are supported by organisations who are not currently funded through this programme and who may have wanted to seek funding via the next round	The Council will continue to engage with our voluntary and community sector partners and ensure there are consistent platforms for engagement.	Voluntary and community sector partners are able to feedback any areas of negative impact for equality groups	March 2023	Existing	John Dimmer Heather Begg	
Potentially a negative impact for customers who are supported by organisations who are not currently funded through this programme and who may have wanted to seek funding via the next round	Public Health and Merton Connected to allocate funding of £165k, subject to final approval, to BAME Voice and its member organisations and the Polish Family Association, to support Phase 2 of the Community Resilience Programme.	BAME voluntary and community sector organisations not able to bid for funding in 2022/23 will be able to access to this new funding opportunity.		Existing	Barry Causer	

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

Key impacts:

Positive: the range of services recommended for continued funding will ensure equal access to all members of the community, and can be targeted at those people and areas with the highest levels of need. The extension to the existing programme will allow time to develop an inclusive new commissioning programme informed by the latest evidence and aligned with the council's new strategic priorities.

Negative: there is potentially a negative impact for customers who are supported by organisations who are not currently funded through this programme and who may have wanted to seek funding via the next round.

To mitigate any potential negative impact, the Council will contribute additional financial resources to Merton Giving to ensure that smaller organisations can bid for funding to provide necessary support after April 2022. We can also review the criteria in negotiation with other funding partners and revise the criteria as the need demands. The Council will continue to engage with our voluntary and community sector partners and ensure there are consistent platforms for engagement.

Stage 7: Sign off by Director/ Head of Service

Assessment completed by	Amanda Roberts, Policy Strategy and Partnerships Officer Heather Begg, Commissioner, Community and Housing	Signature: Amanda Roberts Heather Begg	Date: 07/06/2021
Improvement action plan signed off by Director/ Head of Service	John Dimmer, Interim Head of Corporate Policy and Improvement	Signature: John Dimmer	Date: 10/06/2021

Committee: Cabinet

Date: 12 July 2021

Wards:

Subject: London Borough of Merton Treasury Management Strategy - Annual Review 2020/21

Lead officer: Caroline Holland

Lead member: Cllr. Tobin Byers

Contact officer: Roger Kershaw

Recommendations:

- A. This report provides Members with an update on the Council's Treasury management activity during 2020-21 and details any areas of difference from the Treasury management strategy approved in March 2020.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council undertakes Treasury Management Activities in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, which requires that the Council receives an annual strategy report by 31 March for the year ahead and an annual review report of the previous year by 30 September. This report is the review of Treasury Management activities during 2020/21.

2 DETAILS

- 2.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council March 2020)
 - a mid-year (minimum) treasury update report – to the Director of Corporate Resources in addition to the monthly treasury management updates.
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 2.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2.3 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING

2.3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need: or
- Financed through borrowing if insufficient alternative financing is available.

2.3.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Capital expenditure.	16,930	36,580	19,169
Financed in Year	16,930	26,516	11,426
Unfinanced Capital Expenditure	0	10,064	7,743

2.4 THE COUNCIL'S OVERALL BORROWING NEED

2.4.1 The Council's underlying need to borrow to finance capital expenditure is determined by the Capital Financing Requirement (CFR). Based on the CFR requirements the Council was 20% under borrowed as at 31 March 2021 and it will increase if the council will not make any new borrowing.

2.4.2 **Gross borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20), plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the council is not borrowing to support revenue expenditure.

Capital Financing Requirement(CFR)	2020/21 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Total CFR	167,460	171,044	180,373

2.4.3 **The authorised limit** – this is the “affordable borrowing limit” required by S3 of the Local Government Act 2003. Once this has been set, the council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

2.4.4 **The operational boundary** – is the expected borrowing position of the council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

2.5 THE COUNCIL'S OVERALL TREASURY POSITION AS AT 31 MARCH 2021

2.5.1 At the beginning and the end of 2020/21 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

	Balance as at 31 March 2020	Balance as at 31 March 2021
Capital Financing Requirement	173,583	167,461
External Borrowing plus Leasing	143,085	139,817
Leasing	30,075	28,807
External Borrowing	113,010	111,010
Over/Under Borrowing	(30,498)	(27,644)

	Investment		Debt	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
Average interest Rate (%)	0.82	0.18	5.58	5.56
Average period	349 days	174 days	34 Yrs	33 yrs
Total interest (£000)	1,368	840	6,316	6,307
Balance as at 31 March (£000)	80,000	55,000	113,010	111,010

*Cash held in Money Market funds not included above.

- 2.5.2 In 2020-21 the interest income dropped significantly compared to 2019-20. This is mainly due to the two interest cuts by the bank of England and Merton, as a precaution decided to keep most of its cash as liquid to meet any pandemic demand since March 2021.
- 2.5.3 By carefully picking the counterparties and the investments in 2020-21 the investment income generated from the treasury investments was £840k. this is £132k above the budgeted interest income of £708K.
- 2.5.4 Due to the uncertainty posed by the pandemic the Council decided to hold sufficient amounts of cash as liquid since the beginning of the financial year. To have maximum liquidity and to earn as much as income possible funds were placed in Money Market Funds. The MMF gave an average of 0.02% interest compared to 0.15% in the previous years. This is mainly due the two base rate cuts by the Bank of England.
- 2.5.5 The Council approved the addition of two extra MMFs in November 2020 and this gave us the opportunity to spread our cash balance and still maintain liquidity.
- 2.5.6 The Council can use external borrowing to fund long-term capital expenditure. Please note that the Council has not borrowed since 2007. The current debt portfolio maturity structure is shown overleaf;

Maturity structure of the debt portfolio.	2020/21 Actual £'000	2020/21 Actual %
Under 12 months	2,000	1.80
12 months and within 24 months	310	0.28
24 months and within 5 years	26,200	23.60
5 years and within 10 years	4,500	4.05
10 years and within 15 years	12,500	11.27
15 years and over	65,500	59.00
Total Debt	111,010	100

2.6 BORROWING OUTTURN FOR 2020/21

2.6.1 An analysis of movements at nominal values on loans during the year is shown below:

	Balance at 31/03/20 £000's	Loans raised £000's	Loans repaid £000's	Balance at 31/03/20 £000's
PWLB	52,010	0	0	52,010
Temporary Loans	0	0	0	0
Other loans	61,000	0	2,000	59,000
Total Debt	113,010	0	2,000	111,010

2.6.2 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

2.7 INVESTMENT OUTTURN FOR 2020/21

2.7.1 The Council's investment policy is governed by MHCLG and CIPFA guidance. The annual Treasury Management strategy is created based on these guidance and 2020-21 strategy was approved by the Council in March 2020

This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

2.7.2 The Council manages its investments in-house (with advice from Link Asset Services) with the overall objective to balance risk with return and the overriding consideration being given to the security of the available funds.

2.7.3 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

2.7.4 The table below shows the investment breakdown and the movement in 2020-21

	Investment at 31/03/20 £000's	Amount Invested in year £000's	Investments realised in year £000's	Balance at 31/03/21 £000's
Fixed Rate Investments	70,000	40,000	(65,000)	45,000
Money Market Fund	500			60,000
CCLA Investment	10,000			10,000
Total Investments	80,500	40,000	(65,000)	115,000

2.7.5 All investments within the investment portfolio have a maturity date within 1 year.

2.7.6 The table below gives details of the fixed deposits as at 31st March 2021.

Counter party	Date of investment	Maturity	Value	rate%
GOLDMAN SACHS	26/02/2021	26/08/2021	- 5,000,000.00	0.235
SANTANDER	26/02/2021	24/08/2021	- 10,000,000.00	0.3
LLOYDS BANK PLC	05/11/2020	05/08/2021	- 5,000,000.00	0.15
GOLDMAN SACHS	29/01/2021	29/07/2021	- 5,000,000.00	0.13
CLOSE BROTHERS	26/03/2021	27/09/2021	- 5,000,000.00	0.25
CLOSE BROTHERS	29/03/2021	29/09/2021	- 5,000,000.00	0.25
LLOYDS BANK PLC	20/01/2021	20/01/2022	- 5,000,000.00	0.1
NATWEST	20/01/2021	20/01/2022	- 5,000,000.00	0.08

2.7.7 The council takes regular advice from our treasury consultant LINK and the investments are placed based on the recommendation we receive from LINK. The recommendation includes approved counterparties with limits in investment value and duration. Please find below Merton approved list as at 31 March 2021.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour
			Colour (and long term rating where applicable)	Money Limit	Time Limit			
Banks			yellow	£35m	5yrs			
Banks			purple	£25m	2 yrs			
Banks			orange	£25m	1 yr			
Banks – part nationalised			blue	£25m	1 yr			
Banks			red	£10m	6 mths			
Banks			green	£5m	100 days			
Banks			No colour	Not to be used				

Other institutions limit	-	£5m	1yrs
Government (DMADF)		unlimited	6 months
Local authorities	Yellow	£35m	5yrs
	Fund rating	Money Limit	Time Limit
Money market funds (maximum 5 Funds, £20m per Fund)	AAA	£100m	Instant
Ultra-Short Dated Bond funds with a credit score of 1.25	Dark pink / AAA	£25m	Instant
Ultra-Short Dated Bond funds with a credit score of 1.5	Light pink / AAA	£10m	Instant

2.8. Investment strategy and control of interest rate risk

- 2.8.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending.
- 2.8.2 The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.
- 2.8.3 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 2.8.4 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. The council always follow the recommendation from its Treasury consultant LINK
- 2.8.5 These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 2.8.6 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Link Asset Services Interest Rate View								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

2.9 Borrowing strategy and control of interest rate risk

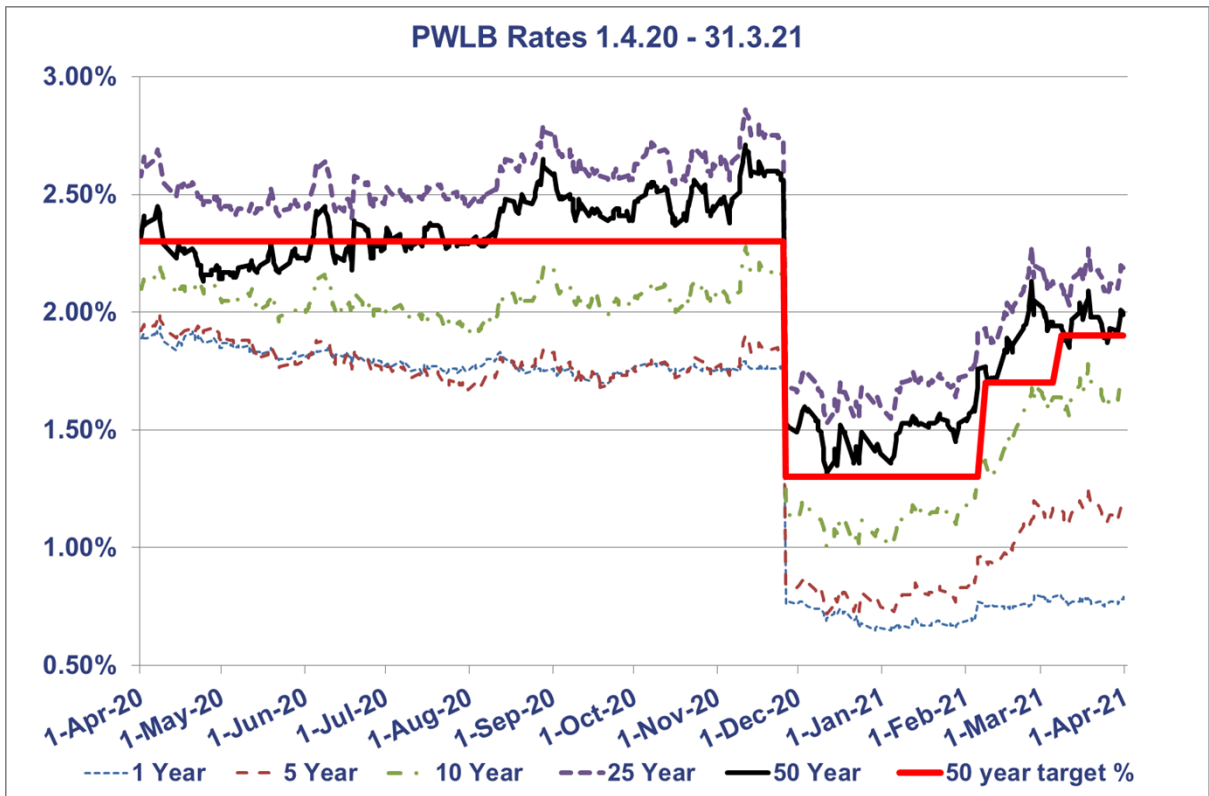
2.9.1 During 2020-21, the Council maintained an under-borrowed position (17%). This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

2.9.2 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

2.9.3 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Corporate Services therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

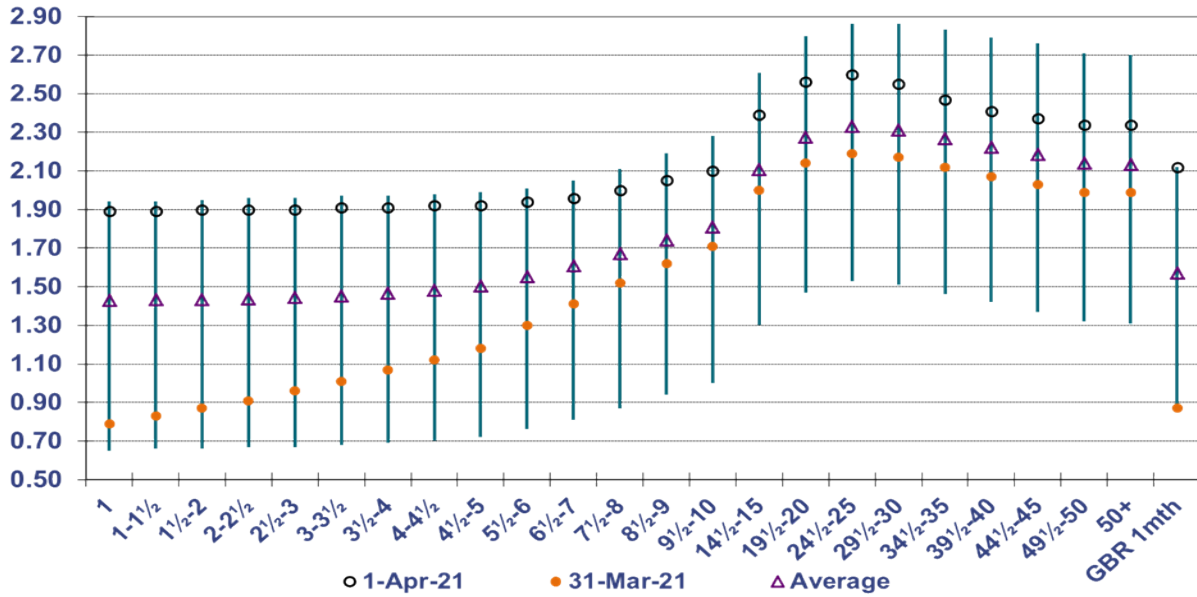
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.28%	1.33%	1.39%

PWLB Certainty Rate Variations 1.4.20 to 31.3.2021

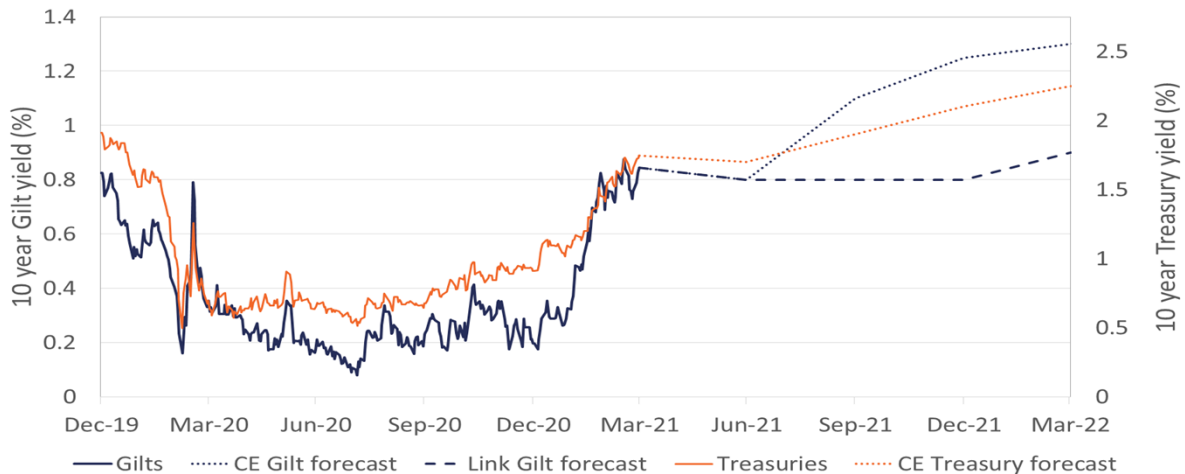


2.9.4 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields.

2.9.5 Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years.

2.9.6 We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

Graph of UK gilt yields v. US treasury yields



- 2.9.7 Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter.
- 2.9.8 Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.
- 2.9.9 At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.
- 2.9.10 HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates**; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 2.9.11 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

3 ALTERNATIVE OPTIONS

3.1. N/A

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Regular advise from the Treasury management consultant

5 TIMETABLE

5.1. N/A

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Financial implication are covered in the main report

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. All relevant implication are included in the report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. N/A

9 CRIME AND DISORDER IMPLICATIONS

9.1. N/A

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. N/A

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

- None

12 BACKGROUND PAPERS

12.1. Regular market updates from various sources

12.2. Treasury Management Strategy 2020-21

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Cabinet

Date: 12 July 2021

Subject: Financial Report 2021/22 – Period 2 May 2021

Lead officer: Roger Kershaw

Lead member: Councillor Tobin Byers

Recommendations:

- A. That Cabinet note the financial reporting data for month 2, May 2021, relating to revenue budgetary control, showing a forecast net adverse variance at yearend on net service expenditure of £3.39m, reducing to £1.1m when corporate and funding items are included.
- B. That Cabinet approve a virement to transfer £46,820 budget from Corporate Services to C&H to reflect a change in structure for one post previously within the Client Financial Affairs team That Cabinet note the contents of Section 5 of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
	£	£		£	
Corporate Services					
Customer Contact	(150,000)	150,000	0	0	Reprofiled in line with projected spend
Payroll System	153,200				Drawdown from a Corporate Reserve
Acquisitions Budget	200,000	0	0	(200,000)	Property Purchase
Community and Housing					
West Barnes Library Re-Fit	(200,000)			200,000	Re-profiled Budget
Children, Schools and Families					
Harris Morden - Morden Multi Sport Community Pitch	135,000				Virement to fund revised scheme
Environment and Regeneration					
Morden Rec Hockey Pitch	(135,000)				Virement to fund revised scheme
Pay and Display Machines- Emissions Based Charging	333,000				Virement to fund Emission Based Charging Scheme
Car Park Upgrades	(333,000)				Virement to fund Emission Based Charging Scheme
Morden Park Cycle Path	227,220				Additional TfL Funding
Accessability Programme	51,520				Additional TfL Funding
Traffic Schemes	3,000				Additional TfL Funding
Cycle Improve Residential Stre	(9,210)				S106 £20,550
Unallocated TFL	(272,530)				Virement from Unallocated TfL Budget
Total	3,200	150,000	0	0	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 2 monitoring report for 2021/22 presented in line with the financial reporting timetable.

This financial monitoring report provides -

- A full year forecast projection as at period 2.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2021/22;
- Progress on the delivery of the 2021/22 revenue savings,

2. THE FINANCIAL REPORTING PROCESS

- 2.1 The budget monitoring process for 2021/22 continues to focus on the ongoing financial impact of Covid-19. The Council's services remain under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue for some time. The detrimental impact of Covid-19 is being monitored closely as the situation evolves with lifting of restrictions.
- 2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £38.432m by the end of this financial year.
- 2.3 Chief Officers, together with budget managers and Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances.

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

Executive summary – At period 2 to 31st May 2021, the yearend forecast is a net adverse variance of £0.657m when all incremental Covid costs are included, after applying known government grant funding.

	Current Budget 2021/22 £000s	Forecast Variance at year end (May) £000s	Covid-19 Forecast £000s	Outturn variance 2020/21 £000s
Department				
Corporate Services	11,865	1,378	1,147	3,746
Children, Schools and Families	63,126	(1,393)	714	(2,971)
Community and Housing	69,403	(844)	517	(2,264)
Public Health	(0)	0	0	(18)
Environment & Regeneration	14,356	4,245	4,768	10,689
Overheads	0	0	0	0
NET SERVICE EXPENDITURE	158,749	3,386	7,146	9,182
Corporate Items				
Impact of Capital on revenue budget	11,157	0	0	(27)
Other Central budgets	(6,503)	(43)	0	10,791
Levies	959	0	0	0
TOTAL CORPORATE PROVISIONS	5,614	(43)	0	10,764
Covid-19	0	760	760	176
TOTAL GENERAL FUND	164,362	4,103	7,906	19,946
FUNDING				
Revenue Support Grant	(5,187)	0	0	0
Business Rates*	(34,339)	1,596	1,596	0

Other Grants*	(16,949)	0	0	(382)
Council Tax and Collection Fund	(98,434)	458	458	4
COVID-19 emergency funding	(6,811)	(5,056)	(5,056)	0
Income compensation for SFC	(2,643)	0	0	
FUNDING	(164,363)	(3,002)	(3,002)	(378)
NET	(0)	1,101	4,904	19,568

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

Covid-19 Financial Impact

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This involves a 5% deductible rate, whereby the Council absorbs up to 5% and the government compensation covers 75p in every pound of relevant loss thereafter. The scheme has been extended for the first quarter of 2021/22 but it's not yet confirmed if any further extension will be made. Amounts expected from the income compensation scheme will be included in the forecast tables as and when they are confirmed, subject to clarification as to whether any excess may need to be repaid upon completion of the scheme. At the time of writing, the estimated claim for April to June 2021 under the scheme is £2.2m.

The ongoing situation with high levels of uncertainty and change around the timing for restrictions being lifted continues to make forecasting difficult for the year ahead.

Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs not covered by specific covid grants, such as additional cleaning costs and the community hub.

Income shortfall

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

Savings unachieved

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

COVID-19 COST SUMMARY	May 2021/22 £000s
<u>Department</u>	-
Corporate Services	1147
Children, Schools and Families	714
Community and Housing	517
Environment & Regeneration	4,768
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	7,146
<u>Corporate Items - Covid costs</u>	-
Corporate Services	145
Children, Schools and Families	150
Community and Housing	169
Environment & Regeneration	296

ADDITIONAL COVID EXPENDITURE	760
FUNDING	-
Business Rates	1,596
Council Tax	458
TOTAL FUNDING LOSS	2,054
GROSS COST OF COVID-19	9,960
Covid general funding	(5,056)
Income compensation for sales, fees & charges	TBC
NET COST OF COVID-19	4,904

Covid-19 impact on the Collection Fund

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

Due to Covid-19 the level of collection is less than expected and will result in deficits in both Council Tax and Business Rates for the financial year 2021/22.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow but the position is starting to settle down in 2021-22. Through prudent treasury cash flow procedures, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

In light of Government relief announcements made last year, the Council continues to see a reduction in income. Therefore, in order to meet its commitments going forward the decision was made to keep the bulk of the Council's available funds in cash/MMFs to maintain liquidity. This approach helped the council meet its cash flow needs and avoided any short term unplanned borrowing. The Council has now increased its MMFs investment limits and the number of MMFs to maintain a healthy liquid position. However, as we can now see the signs of the UK economy returning to some sense of normality and the confidence provided by the vaccine we expect the Council's cash flow to stabilise going forward. This will help us to place any excess cash in suitable short term fixed term deposits and earn improved returns.

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

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	Current Budget £000	Full year Forecast (May) £000	Full Year Forecast Variance (May) £000	Covid-19 Forecast Impact (May) £000	Outturn Variance £000
Customers, Policy & Improvement	5,497	5,357	(140)	45	915
Infrastructure & Technology	12,523	12,786	264	161	(51)
Corporate Governance	2,009	2,102	93	0	(88)
Resources	5,695	6,312	617	821	1,811
Human Resources	1,903	2,109	206	120	102
Corporate Other	710	1,048	338	0	1,057
Total (Controllable)	28,337	29,715	1,378	1,147	3,746

Overview

At the end of period 2 (May) the Corporate Services (CS) department is forecasting an adverse variance of £1.378m at year end, of which £1,147m is due to the external impact of covid-19.

Customers, Policy and Improvement - £140k favourable variance

The favourable variance in the division is mainly due to various vacancies expected to be held for part of the year, such as in the AD and Programme Office budgets. Additional favourable variances include £44k due to an over-achievement of income forecast against the cash collection saving, £36k within Merton Link on various staffing and running costs and £45k against the Voluntary Sector Coordination budget. The Registrars services is also forecasting a favourable variance of £35k due to the strong recovery of income levels following the easing of covid restrictions earlier this year. The forecast income in this service is cautious at this stage but will be kept under review as uncertainty remains around how long the surge in demand might last and the timing of restrictions being fully lifted.

Partly offsetting the above is the Press and PR budget which is forecasting a £94k adverse variance owing to the use of agency staff to cover the Head of Communications post pending the completion of a restructure. There is also a £45k adverse variance in the Translations services due to under-achievement against the income budget as external demand remains low.

Infrastructure & Technology - £264k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £214k on the Corporate Print Strategy and £126k on the PDC (Chaucer Centre). These will be reviewed throughout the year and may improve depending on the level of staff returning to the office. Where these are internal recharges they have not been included in calculating the impact of

covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £65k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£33k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted and £75k in Safety Services due to recruitment lag being forecast as well as contingency not expected to be required in year. Business Systems are also forecasting a £36k favourable variance due to vacancies.

Corporate Governance – £93k adverse variance

The variance within Corporate Governance is mainly as a result of prior year unachieved savings totalling £115k within the Legal service. This will continue to be reviewed and reported as part of the progress on savings for Corporate Services, provided within the appendices of this report.

There are various smaller favourable variances within the division for various running costs reducing the overall adverse variance. At the end of May the South London Legal Partnership (SLLp) is currently forecasting a £15k surplus, with £3k to be retained by LBM.

Resources - £617k adverse variance

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive's budget has a £118k adverse variance mainly due to the use of an interim Head of Recovery as a result of the pandemic. Also due to covid is an adverse variance in the Bailiffs service forecast of £531k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic improve and the service is able to operate more fully. Covid's impact on income also extends to the Local Taxation Service which has a £45k adverse forecast largely due to under achievement against court costs, though this is in part offset by additional funding from the GLA and new burdens income from DWP.

The Corporate Accountancy service is forecasting a £109k adverse variance which includes an increase in fee proposed by the Council's external auditors, EY, though confirmation of the fee increase is still outstanding. A further adverse variance of £68k is forecast on insurance premiums though an updates projection is expected for period 3's monitoring as the impact of six schools leaving the insurance SLA arrangement is worked through.

Favourable variances within Resources include £16k and £17k on Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not required in year. The Capital and Strategy team and the Support team within Revenues and Benefits have a £30k and £25k favourable variance respectively, mainly against staffing costs. Within the Benefits Administration service a £156k favourable variance is largely due to receipts from DWP

Human Resources – £206k adverse variance

The adverse variance in HR is made up from the AD budget (£57k variance) and Learning and Development budget (£50k variance) as a result of the use of agency staff. Additionally, there is an adverse variance of £127k relating to the HR Transactions budget for the shared payroll system and

iTrent client team charges from Kingston. This is reflective of a saving not expected to be achieved in year as new contract negotiations were delayed as a result of covid during 2020/21.

The Payroll services is anticipating a £23k favourable variance across various staffing and running costs as well as overachievement of income.

Corporate Items - £338k adverse variance

The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £585k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2021/22 and is inclusive of £100k allowance for topping up the bad debt provision at year end in line with the level of top-up required in 2019/20 and 2020/21.

The latest update received from Westminster Council also suggests an adverse variance on the Coroners Court Service of £19k.

Partly offsetting the above are favourable variances on the corporately funded items budget of £184k due to budget not expected to be required in year, £49k on the added years pension budget and £45k net income forecast for the recovery of old Housing Benefits debts previously written off.

Environment & Regeneration

Environment & Regeneration	2021/22 Current Budget	Full year Forecast (May)	Forecast Variance at year end (May)	2021/22 Covid-19 Forecast Impact (May)	2020/21 Outturn Variance
	£000	£000	£000	£000	£000
Public Protection	(16,773)	(13,451)	3,322	3,326	8,973
Public Space	16,256	17,049	793	866	2,003
Senior Management	1,043	853	(190)	0	(134)
Sustainable Communities	8,048	8,368	320	576	(153)
Total (Controllable)	8,574	12,819	4,245	4,768	10,689

Description	2021/22 Current Budget	Forecast Variance at year end (May)	2020/21 Variance at year end
	£000	£000	£000
Regulatory Services	625	289	194
Parking Services	(18,414)	3,038	8,804
Safer Merton & CCTV	1,016	(5)	(25)
Total for Public Protection	(16,773)	3,322	8,973
Waste Services	14,602	498	875
Leisure & Culture	549	366	764
Greenspaces	1,834	0	525
Transport Services	(729)	(71)	(161)
Total for Public Space	16,256	793	2,003
Senior Management & Support	1,043	(190)	(134)
Total for Senior Management	1,043	(190)	(134)
Property Management	(2,634)	(112)	(381)
Building & Development Control	(15)	75	281
Future Merton	10,697	357	(53)
Total for Sustainable Communities	8,048	320	(152)
Total Excluding Overheads	8,574	4,245	10,689

Overview

The department is currently forecasting an adverse variance of £4,245k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, and Future Merton.

Public Protection

Regulatory Services adverse variance of £289k

The section has implemented agreed income savings of £210k over recent years relating to potential commercial opportunities. However, the focus for the financial year 2020/21 needed to refocus from income generation to service improvement including a major IT project. The IT transition Project is scheduled for completion by the end of the calendar year however the section will look to focus efforts on generating additional income, for example, through the provision of business advice and identification of unlicensed businesses prior to the completion of this project.

Covid-19 continues to impact licensing income due to continually changing business restrictions resulting in a reduction of temporary event notices (TENS) and income from hair & beauty premises which remained closed during the early part of the financial year. As step 3 of the government roadmap continues some hospitality premises have reopened with limited capacities which has marginally improved income. The shift to Step 4 from the 19th July may improve income further through an increase in TENS income, but this will not resolve the loss of income for the first four months of the financial year. Current forecasts estimate an adverse variance against budget of £76k.

Parking Services adverse variance of £3,038k

Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Analysis to better understand the short and longer term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £458k, £1,320k, and £1,253k respectively.

Contributing to the PCN adverse variance is a 2020/21 and 2021/22 saving (ENV1920-01) of £680k relating to an application to change Merton's PCN charge band from band B to band A, which is now not expected to be implemented until October 2021. This results in an estimated shortfall against saving of £340k at this stage.

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. It is too early to tell exactly how behaviour has been affected, which is being compounded by the impact of Covid-19, but work continues to try and better understand this.

The adverse variance is being partially offset by an employee related favourable variance of £136k.

Public Space

Waste Services adverse variance of £498k

The section is forecasting an adverse variance on disposal costs of £191k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services. In order to mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

Covid-19 also continues to impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering, resulting in a net adverse variance against budget of £151k. The service is confident that once restrictions are fully lifted and the town centres re-open, the level of direct engagement and issuing of FPNS will return to pre Covid-19 levels.

An adverse variance of £164k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The section is currently working with both the SLWP and our service provider to mitigate these increased costs. There are currently no planned service changes and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

A favourable variance on employee related spend of £78k is partially mitigating these adverse variances.

Leisure & Culture adverse variance of £366k

Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL, and forego the guaranteed income due. Recovery forecasts estimate income returning in October 2021, which equates to an income shortfall of about £396k.

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

A favourable variance on employee related spend of £104k is partially mitigating these adverse variances.

Sustainable Communities

Property Management favourable variance of £112k

The principal reasons for the favourable variance relates to exceeding the commercial rental income expectations by £234k, and employee related spend of £77k.

This is being partially offset by an overspend of £131k on premises related expenditure, for example, costs incurred on the repairs & maintenance of the property portfolio.

Future Merton adverse variance of £357k

The section continues to incur staff and legal costs in relation to Bishopsford Bridge, for which there is no budget, leading to a forecast adverse variance of £148k.

The section is also forecasting a net adverse variance of £141k in relation to the footways & highways reactive maintenance costs. Merton has a statutory duty to maintain its highway network in accordance with Section 41 of the Highways Act 1980. The safety inspections that are undertaken are designed to identify defects that meets the Council strict intervention criteria. Defects that require intervention legally need to be addressed.

Merton's policy (with regards to safety inspections) was updated in May 2019, to comply with the changes to the Well Managed Highway Infrastructure Code of Practice – Risk Based Approach, and Merton's intervention levels to repair are predominately the same throughout all London authorities. Unfortunately it is very difficult to forecast reactive spend on the highway network and this is due to nature of the street, the streets inspection regime, type of defect, and repair required.

A contributing factor for this adverse variance is the removal of investment/funding Merton has received via TfL on our Principal Road Network since 2018/19 where we would have received c£424k per annum, meaning we have had to use our own capital funding for resurfacing to repair 'A' roads (Principal Roads). The net impact is that Merton funding for non-principal road and unclassified roads have been stretched further (and as agreed, capital investment was reduced by £300k for 2020/21 onwards) and, together, this has resulted in an increase in reactive repairs since 2019/20. In short, TfL's withdrawal of funding for their network, coupled with a planned reduction in capital (planned maintenance) is leading to a faster deterioration of the network, requiring more (revenue) reactive repairs.

Covid-19 has also significantly affected the section's ability to generate income. Firstly, an adverse variance of £215k is being forecast in relation to the income received from the contract for the provision of bus shelters and free standing units advertising within Merton, due to delays in the installation of digital advertising panels following covid related delays in gaining planning consent, and the rejection of approximately one-third of proposed locations.

Secondly, due to covid-19 related restrictions an adverse variance of £120k is being forecast in

relation to room lettings and hall hiring's at Vestry Hall, and a total variance against budget of £91k.

The section also implemented a £100k saving during 2019/20 in relation to providing services to Merantun Development Limited (MDL). However, this saving can no longer be achieved due to MDL's closure, so an alternative saving will need to be presented to Cabinet in due course.

These adverse variances are being partially mitigated by favourable variances on street work & permits activity (£118k), costs associated with CPZ consultation and implementation (£64k), s106 monitoring fee and allowable CIL income to cover the administration and overhead costs associated with managing the levy (£69k), and temporary traffic orders income (£50k).

Children Schools and Families

Children, Schools and Families (£000's)	2021/22 Current Budget	Full Year Forecast	Forecast Variance May	2021/22 Covid Forecast Impact	2020-21 Year Variance
Education					
Education Budgets	17,035	16,347	(688)	274	(1,719)
Depreciation	9,801	9,801	0	0	0
Other Education Budgets	127	127	0	0	(84)
Education Services Grant	(1,062)	(1,062)	0	0	0
Education Sub-total	25,901	25,213	(688)	274	(1,803)
Other CSF					
Child Social Care & Youth Inclusion	21,012	20,259	(753)	440	(908)
Cross Department	908	956	48	0	48
PFI Unitary Costs	8,471	8,471	0	0	280
Pension and Redundancy Costs	1,592	1,592	0	0	(589)
Other CSF Sub-total	31,983	31,278	(705)	440	(1,169)
Grand Total	57,884	56,491	(1,393)	714	(2,972)

Overview

At the end of May 2021, the Children Schools and Families directorate is forecasting a favourable £1.393m variance on local authority funded services.

£714k Covid-19 cost pressure has been identified relating to savings shortfalls from the last financial year. These have been included in the forecast position. There remains considerable uncertainty about the likely level of increased costs due to Covid-19. The impact of the lockdown on children and families is emerging in increased safeguarding referrals and hold ups in the family courts mean that some children's plans cannot be progressed. This has significantly increased the number of children with child protection plans open to the service, which is putting pressure on social worker's caseloads. Additional agency social workers are now being sought to assist with this pressure which are incremental covid19 related costs and will be reflected within the corporate covid19 cost centre. An additional £100k covid19 related loss of income have also been forecast for this year although

significant uncertainty currently surrounds this estimate.

It remains difficult to forecast the overall likely increase in families who will need the support of our family wellbeing service, children in need, children on a child protection plan or children who become looked after as a result. We continue to monitor the situation closely but it is likely that the current forecast underspend will decrease as the situation becomes clearer and caution is advised at this stage with the forward projection.

Local Authority Funded Services

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

Children, Schools and Families (£000's)	2021/22 Current Budget	Forecast Variance May	2020-21 Outturn Variance
<u>Child Social Care & Youth Inclusion</u>			
Adolescent & Family Services	2,113	28	28
Asylum Seeker Costs (14+)	137	19	19
Asylum Seeker Costs (ART)	306	(738)	(738)
Children Cntrl Social Wrk Serv	4,285	(171)	(296)
Head of ChildSoclCare & YthIncl	213	14	(16)
Mash & Child Protection Serv	2,643	144	144
Safeguarding, Standards & Train	1,322	(56)	(56)
Senior Management	274	(58)	(58)
Children in Care and Resources	9,719	65	65
CSC & Youth Incl Total	21,012	(753)	(908)
<u>Education</u>			
Contracts, Proc & School Org	872	(146)	(159)
Early Years & Children Centres	4,232	(223)	(207)
Education - School Improvement	3	25	(36)
Education Inclusion	1,684	(276)	(279)
Schools Delegated Budget	0	0	0
SEN & Disability Integrat Serv	8,647	(336)	(1,306)
Senior Management	864	209	209
Policy, Planning & Performance	523	113	113
Departmental Business Support	211	(54)	(54)
Education Total	17,036	(688)	(1,719)
Grand Total	38,048	(1,441)	(2,627)

Children's Social Care and Youth Inclusion Division

The forecast for CSC is based on the Outturn of 2020/21 with the exception of a £30k pressure in CSC relating to known agency pressures for the Interim Assistant Director and £125k for an additional short term managed team to add capacity in the First Response service.

Education Division

The Education forecast is primarily based on the 2020/21 outturn with a small number of known variances including:

- School Improvement – pressure of £61k relating to an increase in agency costs relating to home school inspectors following an increase during the pandemic;
- SENDIS - £850k increase against outturn on SEN taxi costs arising from an expected increase during the year as restrictions release.
- Additional procurement and commissioning capacity of £120k for 6 months to assist with our DSG Recovery plan

Schools PFI

The Schools PFI forecast has been set to budget at present whilst further modelling is undertaken. This will be reviewed later in the financial year.

Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget	May Variance	April Variance	2020/21 Outturn Variance
<u>Education</u>				
Contracts, Proc & School Org	£ 286	-£ (33)		-£ (33)
Early Years & Children Centres	£ 16,335	-£ (8)		-£ (1,286)
Education - School Improvement	£ 1,107	-£ (49)		-£ (49)
Education Inclusion	£ 1,468	-£ (31)		£ 153
SEN & Disability Integrat Serv	£ 17,468	£ 13,318		£ 12,592
Sub-total	£ 36,664	£ 13,197	£ -	£ 11,377
<u>CSC & Youth Inclusion</u>				
Adolescent & Family Services	£ 43	-£ (3)		-£ (4)
Sub-total	£ 43	-£ (3)	£ -	-£ (4)
<u>Schools Delegated Budget</u>				
DSG Reserve	£ -	£ -		-£ (12,233)
Retained Schools Budgets	£ 2,841	-£ (2,764)		-£ (699)
Schools Delegated Budget	-£ (39,784)	£ 3,022		£ 1,559
Sub-total	-£ (36,943)	£ 258	£ -	-£ (11,373)
DSG Total	-£ (236)	£ 13,452	£ -	£ -

The forecast for DSG is based upon the 2020/21 outturn position with an added pressure of £0.5m to reflect the expected continued pressure on EHCPs, totally £13.452m. This is in addition to the cumulative deficit of c.£24m.

The Authority had an initial meeting with the ESFA to discuss the data that is required for a revised deficit recovery plan which will need to be submitted in draft format by mid-July. Work is currently underway to populate the required return and will be subject to consultation with the Schools Forum.

The main reason for the overall adverse variance relates to c£10m adverse variance on Independent

Day School provision. The reason for this significant overspend is due to the legal duty to find suitable education provision and the shortage of maintained specialist provision.

As we outlined in our previous recovery plan we are progressing the increase in the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs. However it will take time to bring these additional places on stream and at present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough.

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. Latest guidance from the DfE on the Central Services School Block (CSSB) is a 20% reduction each year.

The Early Years block of the DSG is normally adjusted in the July following the end of the financial year as it is based on January census information. For 2019/20 this additional grant was £260k. It is anticipated for 2020/21 circa £200k-£400k, however, due to Covid-19, this is currently being reviewed by the DfE and we wait for the published outcome.

Merton has been working in conjunction with Association of Directors for Children's Services (ADCS), Society for London Treasurers (SLT), London Councils and the Children's Commissioner to lobby Central Government for additional funding. All commissioned analysis shows that the funding shortfall is a national issue that requires additional grant funding.

Community and Housing

Overview

Community and Housing is currently forecasting a favourable variance of £844k as at May 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.1m, and unfavourable variances in Housing of £184k, and Libraries of £107k. Public Health and Merton Adult Learning are forecasting a breakeven position.

The forecast reflects the uncertainty surrounding the impact of the pandemic on the departments' budgets and is best on the best information available.

Community and Housing Summary Position

Community and Housing	2021/22 Current Budget	2021/22 Full Year Forecast May'21	2021/22 Full Year Forecast Variance May'21	2021/22 Covid-19 Forecast May'21	2020/21 Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Adult Social Care	58,515	57,380	(1,135)	500	(2,947)
Libraries and Heritage	2,475	2,582	107	15	195
Merton Adult Learning	0	0	0	0	0
Housing General Fund	3,575	3,759	184	2	489
Public Health	(163)	(163)	0	0	0
Total Favourable/Unfavourable	64,402	63,558	(844)	517	(2,263)

Adult Social Care

The current placement forecast is based on April's data for expenditure and income.

The variance from year end reflected the fact that the 2020/21 position included one-off impacts. The current year includes a net increase in care packages of 26 to date. This includes 14 customers who were in NHS funded care due to COVID but are now the responsibility of the Council post discharge.

The service expects to continue receive referrals of customers discharged from hospital and NHS funded discharge care during 2021/22 however the total cost of this potential pressure is uncertain at this stage. The forecast reflects the best understanding of the risk. It is expected that some

customers are expected to qualify for Continuing Health Care (CHC) or will be self-funders. The service will continue to monitor the data of likely discharges into social care.

The current favourable variance also includes vacant posts that are in the process of being recruited to so that we have the capacity for winter demands.

The service expects an influx of additional customers during 2021/22 with a variety of covid-19 related conditions which will place pressure on its budgets.

Adult Social Care Internal Provision – Unfavourable Variance - £112k

The situation has arisen for a number of reasons, the main one being a loss of income across the services. Mascot has lost individual customers and several housing associations have given notice on their contracts as they move to their own systems.

At present the service cannot take out of borough customers into day services so are predicting loss of income. The service is also losing income from leasing the buildings.

Salaries are over at Meadowsweet, due to staff absences.

Library & Heritage Service- Unfavourable Variance - £107k

This service as at the end of May is showing an unfavourable variance of £107k. The unfavourable position is due to loss of income from libraries £78k, and security costs of £28k due to the increase in the contract value due to the Living Wage and inflationary increase.

Adult Learning- Breakeven position

Adult Learning continues to forecasting a breakeven position.

Housing General Fund- Unfavourable variance - £184k

This service is currently forecasting an unfavourable variance of £184k. However the service expects that with the removal of the moratorium on evictions there is likely to see a surge of evictions from the private sector tenancies which will result in the increase in demand upon the temporary accommodation budget. At this time the service is unable to quantify this potential pressure.

The service continues with its statutory duties to prevent homelessness wherever possible but where this is not achievable and if the household is considered to have a priority need for temporary accommodation then it must be provided until a suitable and sustainable housing solution can be achieved.

Analysis of Housing and Temporary Accommodation Expenditure to May 2021

Housing	Budget 2021-22	Forecast (May'21)	Forecast Variances (May'21)	Outturn Variances (March'21)
	£000	£'000	£'000	£000
Temporary Accommodation-Expenditure	2,439	3,704	1,264	1,286
Temporary Accommodation-Client Contribution	(140)	(400)	(260)	(253)
Temporary Accommodation-Housing Benefit Income	(2,087)	(3,094)	(1,007)	(931)
Temporary Accommodation-Subsidy Shortfall	322	1,383	1,061	1,029
Temporary Accommodation- Grant	0	(985)	(985)	(851)
Subtotal Temporary Accommodation	534	607	73	280
Housing Other Budgets	3,041	3,152	111	209
Total Controllable (Favourable)/Adverse Variance	3,575	3,759	184	489

Table below shows number of households in Temporary Accommodation to May 2021.

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month	Previous Year
Mar'17	-	-	186	Position as at March for previous financial year ←
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
Mar'21	11	7	197	
			2021/22	2020/21
Apr'21	12	10	199	196
May'21	16	17	198	204

Temporary accommodation numbers show a net increase on 1 household between March and May 2021.

Public Health –Favourable Variable

The service is currently forecasting a breakeven position as at May 2021.

Potential Cost pressures: -

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

The team, together with public protection, is leading on outbreak management and Covid-19 resilience, implementing the refreshed Local Outbreak Management Plan (LOMP) which includes provision of local contact tracing, support for community testing with Lateral Flow Tests (LFTS) and surge testing in cases of outbreaks and variants of concern to this effect they have completed testing relating to the Delta Mitcham and New Malden. Grant funding of £3.6m was carried forward from 2020/21 to cover this cost.

4 Corporate Items

The details comparing actual expenditure up to 31 May 2021 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2021/22 £000s	Full Year Forecast May) £000s	Forecast Variance at year end (May) £000s	Forecast Variance at year end (Apr) £000s	Outturn Variance 2020/21 £000s
Impact of Capital on revenue budget	11,157	11,157	0	0	(27)
Investment Income	(387)	(430)	(43)	0	(141)
Pension Fund	86	86	0	0	2,646
Pay and Price Inflation	3,338	3,338	0	0	(250)
Contingencies and provisions	25,955	25,955	0	0	331
Income Items	(2,223)	(2,223)	0	0	7,413
Appropriations/Transfers	(7,678)	(7,678)	0	0	792
Central Items	19,091	19,048	(43)	0	10,791
Levies	959	959	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
TOTAL CORPORATE PROVISIONS	5,614	5,571	(43)	0	10,764
COVID-19 Emergency expenditure	0	760	760	0	0
TOTAL CORPORATE EXPENDITURE inc. COVID-19	5,614	6,331	717	0	10,764

Based on expenditure to 31 May 2021, a favourable variance of £43,000 is forecast for corporate items. This is due to a small favourable variance in forecast investment income due to an increase in the balance under investment and marginally improved investment rates than assumed in the original estimate.

5 Capital Programme 2021-25

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

Depts	Current Budget 21/22	Variance	Revised Budget 21/22	Current Budget 22/23	Variance	Revised Budget 22/23	Original Budget 2023-24	Variance	Revised Budget 23/24	Original Budget 2024-25	Variance	Revised Budget 24/25
Corporate Services	10,452	203	10,655	6,818	150	6,968	5,245		5,245	13,734	(200)	13,534
Community & Housing	1,268	(200)	1,068	2,450		2,450	752		752	280	200	480
Children Schools & Families	8,114	135	8,249	4,240		4,240	1,900		1,900	1,900		1,900
Environment and Regeneration	20,101	(114)	19,987	8,819		8,819	7,364		7,364	7,324		7,324
Total	39,934	24	39,958	22,327	150	22,477	15,261	0	15,261	23,238	0	23,238

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

Capital Budget Monitoring - May 2021

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	(4,139)	165,750	(169,889)	10,655,040	10,455,040	(200,000)
Community and Housing	82,353	0	82,353	1,067,820	1,067,820	(0)
Children Schools & Families	404,016	54,000	350,016	8,248,690	8,248,691	1
Environment and Regeneration	815,312	1,393,000	(577,688)	19,986,540	19,760,540	(226,000)
Total	1,297,542	1,612,750	(315,208)	39,958,090	39,532,091	(425,999)

a) Corporate Services – After the adjustments in the table detailed below budget managers are currently forecasting one underspend on Customer Contact £200k.

	Budget 2021-22	Budget 2022-23	Narrative	
	£	£		
<u>Corporate Services</u>				
Customer Contact	(1)	(150,000)	150,000	Reprofiled in line with projected spend
Payroll System	(1)	153,200		Drawdown from a Corporate Reserve
Acquisitions Budget	(1)	200,000	0	Property Purchase
Total		203,200	150,000	

(1) Requires Cabinet approval

b) Community and Housing – After the re-profiling of £200k for the West Barnes Library Re-Fit to 2024/25, Budget Managers are projecting full spend against budgets.

c) Children, Schools and Families – After the adjustments to the programme detailed in the Table below budget managers are projecting full spend against budgets

	Budget 2021-22	Narrative
	£	
Liberty - Capital Maintenance	(33,640)	Virements - projected spend capital maintenance
Hatfield - Capital Maintenance	20,000	Virements - projected spend capital maintenance
William Morris - Capital Maintenance	(20,000)	Virements - projected spend capital maintenance
Unallocated Capital Maintenance	(530)	Virements - projected spend capital maintenance
Harris Academy Merton - Capital Maintenance	34,170	Virements - projected spend capital maintenance
Harris Morden - Morden Multi Sport Community Pitch	(1)	Virement to fund revised scheme
Total	135,000	

(1) Requires Cabinet approval

d) Environment and Regeneration – After the adjustments to the programme detailed in the Table below Officers are projecting full spend on their budgets apart from showing and underspend on one of the Paddling Pool options, as both options are currently contained in the programme – the current forecast assumes the SCIL funded scheme is unspent as this has the least impact on funding. The outcome of any consultation in relation to paddling pools is not yet known:

	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
	£	£		£	
Environment and Regeneration					
Morden Leisure Centre	10,770				To fund final payment on Morden Leisure Centre
Leisure Centre Plant & Machine	(10,770)				To fund final payment on Morden Leisure Centre
Morden Rec Hockey Pitch	(1)	(135,000)			Virement to fund revised scheme
Pay and Display Machines- Emissions Based Charging	(1)	333,000			Virement to fund Emission Based Charging Scheme
Car Park Upgrades	(1)	(333,000)			Virement to fund Emission Based Charging Scheme
Morden Park Cycle Path	(1)	227,220			Additional TfL Funding
Accessibility Programme	(1)	51,520			Additional TfL Funding
Traffic Schemes	(1)	3,000			Add TfL £3,000 & S106 £20,550
Surface Water Drainage		20,550			S106m£20,550
Cycle Improve Residential Stre	(1)	(9,210)			Adjustment to TfL Funding
Unallocated TFL	(1)	(272,530)			Virement from Unallocated TFL Budget
Total		(129,450)	150,000	0	0

(1) Requires Cabinet approval

TfL have asked authorities to bid for LIP monies this financial year in two tranches, bids for both tranches are required by 25/6/21. Officers are currently confirming whether deadlines relate to delivery or delivery and spend, tranche 1 deadline is 31/12/21 and tranche 2 deadline is 31/3/22.

5.3 The table below summarises the movement in the Capital Programme for 2020/21 since its approval in March 2020 (£000s):

Depts.	Original Budget 21/22	Net Slippage 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 21/22
Corporate Services	11,205	1,123			153	(1,826)	10,655
Community & Housing	1,132	135				(200)	1,068
Children Schools & Families	9,050	432	135	972		(2,340)	8,249
Environment and Regeneration	19,408	3,141	(343)		21	(2,240)	19,987
Total	40,795	4,831	(208)	972	174	(6,606)	39,958

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

Depts.	Spend To May 2018	Spend To May 2019	Spend to May 2020	Spend to May 2021	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	169	95	10	(4)	(173)	(99)	(14)
C&H	105	65	36	82	(23)	17	47
CSF	264	693	(80)	404	140	(289)	484
E&R	807	110	238	815	8	705	578
Total Capital	1,345	963	204	1,298	(48)	335	1,094

Outturn £000s	31,424	26,960	15,123	
Budget £000s				39,958
Projected Spend May 2021 £000s				39,532
Percentage Spend to Budget				3.25%

% Spend to Outturn/Projection	4.28%	3.57%	1.35%	3.28%
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Monthly Spend to Achieve Projected Outturn £000s				3,623
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5.5 May is two months into the financial year and departments have spent just under 3.3% of the budget. Spend to date is higher than two of the last three previous financial years

Department	Spend To April 2021 £000s	Spend To May 2021 £000s	Increase £000s
CS	(88)	(4)	84
C&H	24	82	58
CSF	(111)	404	515
E&R	(248)	815	1,063
Total Capital	(423)	1,298	1,720

5.6 During May 2021 officers spent just over a £1.7 million, to achieve year end spend officer would need to spend approximately £3.6 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

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

5. DELIVERY OF SAVINGS FOR 2021/22

APPENDIX 6

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 2 Forecast Shortfall	Period Forecast Shortfall (P2)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	95
Children Schools and Families	1,460	1,060	400	27.4%	400
Community and Housing	2,541	1,557	984	38.7%	860
Environment and Regeneration	1,580	1,018	562	35.6%	0
Total	6,903	4,725	2,178	31.6%	1,355

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

Progress on savings 2020/21

APPENDIX 7

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (May)	Projected Shortfall 2022/23 (May)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	658
Children Schools and Families	2,969	614	400	300
Community and Housing	2,460	28	128	128
Environment and Regeneration	3,927	3,373	2,067	0
Total	12,074	4,898	2,808	1,086

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

6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1-	Detailed Corporate Items table
Appendix 2 –	Pay and Price Inflation
Appendix 3 –	Treasury Management: Outlook
Appendix 5A –	Current Capital Programme
Appendix 5B -	Detail of Virements
Appendix 5C -	Summary of Capital Programme Funding
Appendix 6 –	Progress on savings 2021/22
Appendix 7 –	Progress on savings 2020/21

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E. Corporate Items	Council 2021/22 £000s	Current Budget 2021/22 £000s	Year to Date Budget May) £000s	Year to Date Actual (May) £000s	Full Year Forecast (May) £000s	Forecast Variance at year end (May) £000s	Forecast Variance at year end (Apr) £000s	Outturn Variance 2020/21 £000s
Cost of Borrowing	11,157	11,157	11,157	(302)	11,157	0	0	(27)
Impact of Capital on revenue budget	11,157	11,157	11,157	(302)	11,157	0	0	(27)
Investment Income	(387)	(387)	(387)	13	(430)	(43)	0	(141)
Pension Fund	86	86	86	0	86	0	0	2,646
Pay and Price Inflation	3,338	3,338	3,338	0	3,338	0	0	(250)
Contingency	1,500	1,500	1,500	0	1,500	0	0	(365)
Single Status/Equal Pay	0	0	0	0	0	0	0	(100)
Bad Debt Provision	1,500	1,500	1,500	0	1,500	0	0	388
Loss of income arising from P3/P4	400	400	400	0	400	0	0	0
Loss of HB Admin grant	23	23	23	0	23	0	0	(23)
Apprenticeship Levy	450	450	450	(35)	450	0	0	(80)
Revenuisation and miscellaneous	8,005	8,005	1,334	0	8,005	0	0	511
Growth - Provision against DSG	14,078	14,078	14,078	0	14,078	0	0	0
Contingencies and provisions	25,955	25,955	19,285	(35)	25,955	0	0	331
Other income	0	0	0	(7)	0	0	0	7,413
CHAS IP/Dividend	(2,223)	(2,223)	(2,223)	0	(2,223)	0	0	0
Income items	(2,223)	(2,223)	(2,223)	(7)	(2,223)	0	0	7,413
Appropriations: CS Reserves	(1,656)	(1,656)	(1,656)	0	(1,656)	0	0	0
Appropriations: E&R Reserves	(50)	(50)	(50)	0	(50)	0	0	0
Appropriations: CSF Reserves	(303)	(303)	(303)	0	(303)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(104)	0	(104)	0	0	0
Appropriations: Public Health Reserves	(93)	(93)	(93)	0	(93)	0	0	0
Appropriations: Corporate Reserves	(5,472)	(5,472)	(5,472)	0	(5,472)	0	0	792
Appropriations/Transfers	(7,678)	(7,678)	(7,678)	0	(7,678)	0	0	792
Depreciation and Impairment	(25,593)	(25,593)	(25,593)	0	(25,593)	0	0	0
Central Items	4,654	4,654	(2,016)	(331)	4,611	(43)	0	10,764
Levies	959	959	959	959	959	0	0	0
TOTAL CORPORATE PROVISIONS	5,614	5,614	(1,057)	628	5,571	(43)	0	10,764
COVID-19 Emergency expenditure								
Sub-total: COVID-19 Expenditure	0	0	0	502	760	760	0	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	5,614	5,614	(1,057)	1,130	6,331	717	0	16,120

Pay and Price Inflation as at May 2021

In 2021/22, the budget includes 1.5% for increases in pay and 1.5% for increases in general prices, with an additional amount which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 2.1% and RPI at 3.3% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

When the Government published Spending Review 2020 on 25 November 2020, the Chancellor of the Exchequer announced that, as part of the response to the economic impacts of the COVID-19 pandemic, public sector pay will be "paused" for 2021/22. There will be an exemption for NHS staff. In addition, workers earning below £24,000 will receive a pay rise of at least £250 (although for some this could still represent a pay cut in real terms). This policy is only directly binding on the Civil Service and parts of the public sector that are covered by the Pay Review Bodies. Public sector pay policy is reflected in the remits that are issued to the Pay Review Bodies and Government departments. Pay awards for local government workers are agreed in negotiations between employers and trade unions through the National Joint Council for Local Government Services. The Local Government Association, which represents the employer side in the National Joint Council, has said that it is not bound by this pay policy but that pay awards will depend on the funding that local government receives through the financial settlement.

With 1.5% provided for a pay award in 2021/22, any increase of 1% on this would add c.£0.9m to costs.

In February 2021, unions submitted a pay claim of 10% plus other requirements but on 14 May 2021 the National Employers made a pay offer of 1.5% to the NJC unions. (A summary of the unions claim and the employer's offer is provided at annex 1).

Prices:

The latest statistics have been affected by COVID-19. As a result of the easing of coronavirus (COVID-19) restrictions, the number of CPIH items identified as unavailable in May 2021 fell to 27, accounting for 3.1% of the basket by weight; the ONS collected a weighted total of 77.7% of the comparable coverage collected before the first lockdown (excluding unavailable items).

The Consumer Prices Index (CPI) rose by 2.1% in the 12 months to May 2021, up from 1.5% to April; on a monthly basis, CPI rose by 0.6% in May 2021, compared with little change in May 2020.

Rising prices for clothing, motor fuel, recreational goods (particularly games and recording media), and meals and drinks consumed out resulted in the largest upward contributions to the change in the CPIH 12-month inflation rate between April and May 2021. These were partially offset by a large downward contribution from food and non-alcoholic beverages, where prices fell this year but rose a year ago, particularly for bread and cereals.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 2.1% in the 12 months to May 2021, up from 1.6% to April.

The RPI rate for May 2021 was 3.3%, which is up from 2.9% in April 2021.

Outlook for inflation:

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

At its meeting ending on 5 May 2021, the Committee judged that the existing stance of monetary policy remained appropriate. The MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted by a majority of 8-1 for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion. The next MPC decision on the Bank Base Rate will be published on 24 June 2021.

In addition to the minutes the MPC also published the May Monetary Policy Report which sets out updated projections for the UK's economic activity and inflation

As would be expected the pandemic continues to weigh heavily. The MPC state that "Covid-19 (Covid) and the actions taken to contain it have continued to have a dramatic and rapidly changing impact on the United Kingdom and countries around the world.

The outlook for the economy, and particularly the relative movement in demand and supply, remains uncertain. It continues to depend on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments.

In the central projections of the MPC's May Report, the economy experiences a temporary period of strong GDP growth and a temporary period of modestly above-target CPI inflation, after which growth and inflation fall back, with inflation around the target two and three years ahead. In judging the appropriate stance of monetary policy, the Committee will, consistent with its policy guidance and as always, focus on the medium-term prospects for inflation, including the balance between demand and supply, rather than factors that are likely to be transient."

In terms of the outlook for inflation the MPC believe that "the weakness of recent CPI outturns has largely reflected the direct and indirect effects of Covid on the economy. As has been the case in recent MPC forecasts, inflation is projected to rise to close to the target in the near term as some of those effects fade. In the central projection, CPI inflation rises temporarily above the 2% target towards the end of 2021, owing mainly to developments in energy prices. These transitory developments should have few direct implications for inflation over the medium term, however. In the central projection, conditioned on the market path for interest rates, inflation returns to around 2% in the medium term. The outlook for the economy, and particularly the relative movement in demand and supply, remains uncertain. It continues to depend on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments."

Clearly, the inflation rate has exceeded the government's 2% target in June which is ahead of the MPC's expectations. Many experts including the MPC expect this trend to be temporary and for it to fall back to 2% over the medium term. If this turns out to be wrong the MPC will review the approach.

In this regard the MPC notes that “the outlook for the economy remains unusually uncertain. It depends on the evolution of the pandemic, measures taken to protect public health, and how households, businesses and financial markets respond to these developments.

The MPC will continue to monitor the situation closely. If the outlook for inflation weakens, the Committee stands ready to take whatever additional action is necessary to achieve its remit. The Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.”

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

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (May 2021)			
	Lowest %	Highest %	Average %
2021 (Quarter 4)			
CPI	1.5	3.7	2.2
RPI	2.0	4.2	3.2
LFS Unemployment Rate	5.2	6.5	5.9
2022 (Quarter 4)			
CPI	1.1	5.2	2.2
RPI	2.0	5.3	2.9
LFS Unemployment Rate	4.3	7.0	5.2

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from COVID-19 and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

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

Source: HM Treasury - Forecasts for the UK Economy (May 2021)					
	2021	2022	2023	2024	2025
	%	%	%	%	%
CPI	1.6	2.3	2.1	2.1	2.0
RPI	2.5	3.1	3.0	3.0	2.9
LFS Unemployment Rate	5.4	5.4	4.7	4.4	4.3

**To: Chief Executives in England, Wales and N Ireland
(additional copies for HR Director and Finance Director)
Members of the National Employers' Side
Regional Directors¹⁴**

14 May 2021

Dear Chief Executive,

I am writing to update you on the work we have been doing on your behalf on the local government national pay negotiations for 2021.

You will recall that in February the unions lodged their pay claim for:

- A substantial increase with a minimum of 10% on all spinal column points
- Introduction of a homeworking allowance for all staff who are working from home
- A national minimum agreement on homeworking policies for all councils
- A reduction of the working week to 35 hours with no loss of pay, and a reduction to 34 hours a week in London. Part-time staff to be given a choice of a pro rata reduction, or retaining the same hours and being paid a higher percentage of FTE
- A minimum of 25 days annual leave, plus public holidays and statutory days, for all starting employees, plus an extra day holiday on all other holiday rates that depend on service
- An agreement on a best practice national programme of mental health support for all local authorities and school staff
- A joint review of job descriptions, routes for career developments and pay banding for school support staff, and completion of the outstanding work of the joint term-time only review group
- A joint review of the provisions in the Green Book for maternity / paternity / shared parental / adoption leave.

During March, councils in each of the nine English regions, plus Wales and Northern Ireland, were consulted at virtual regional pay briefings. Feedback from those events was relayed to the National Employers, who met on 31 March and have spent the intervening weeks having the necessary discussions with their colleagues, and elsewhere, before meeting again today.

The National Employers have today made the following one-year offer to the unions representing the main local government NJC workforce:

- With effect from 1 April 2021, an increase of 1.50 per cent on all NJC pay points 1 and above
- Completion of the outstanding work of the joint Term-Time Only review group

The employers have also proposed that the NJC begins immediate exploratory discussions on three other elements of the claim, as follows:

- A national minimum agreement on homeworking policies for all councils
- An agreement on a best practice national programme of mental health support for all local authorities and school staff
- A joint review of the provisions in the Green Book for maternity / paternity / shared parental / adoption leave

However, there was no support from councils for the offer to include three other elements of the unions' claim, therefore the employers have rejected the following:

- Introduction of a homeworking allowance for all staff who are working from home
- A reduction of the working week to 35 hours with no loss of pay, and a reduction to 34 hours a week in London. Part-time staff to be given a choice of a pro rata reduction, or retaining the same hours and being paid a higher percentage of FTE
- A minimum of 25 days annual leave, plus public holidays and statutory days, for all starting employees, plus an extra day holiday on all other holiday rates that depend on service

The employers also rejected the element of the claim that seeks, "*...a joint review of job descriptions, routes for career developments and pay banding for school support staff*" as these are matters entirely for local determination rather than by the NJC.

A copy of the letter sent to the NJC trade unions, along with a copy of the employers' media statement, are set out below. I shall continue to keep you informed of developments.

Yours sincerely,

Naomi Cooke
Employers' Secretary

Treasury Management: Outlook

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

The MPC currently uses two main monetary policy tools.

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

At its meeting ending on 5 May 2021, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted by a majority of 8–1 for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion.

In the Monetary Policy Committee's (MPC's) central forecasts they note that "global GDP recovers in the near term as vaccination programmes lead to the easing of Covid-related restrictions on activity, although the outlook varies across regions. UK GDP recovers strongly over 2021 to pre-Covid levels as restrictions are loosened. Demand growth is boosted by a decline in health risks and a fall in uncertainty, as well as announced fiscal and monetary stimulus. Further out, the pace of GDP growth slows as the boost from these factors wanes. The fall in activity over the past year has reflected a decline in both demand and supply. Spare capacity in the economy at present is eliminated as activity picks up during 2021, and there is a temporary period of excess demand, before demand and supply return broadly to balance. The MPC in terms of the May 2021 interest rate decision noted that "CPI inflation is currently below the MPC's 2% target, largely reflecting the direct and indirect effects of the pandemic, but is projected to rise in the near term as some of those effects fade. CPI inflation rises temporarily above the target towards the end of 2021, owing mainly to developments in energy prices. Conditioned on the market path for interest rates, inflation is projected to return to around 2% in the medium term."

The speed at which inflation has exceeded the 2% target has clearly been quicker than the MPC expected. In the May 2021 Monetary Policy report the MPC state that "the MPC's projections are conditioned on the market path for interest rates. This is close to zero over the first half of the forecast period, and then increases to around 0.6% by the end. The market path is around $\frac{1}{4}$ percentage points higher than in February on average, and around $\frac{1}{2}$ percentage points higher at the end of the forecast period. The higher path for interest rates, combined with the $2\frac{3}{4}\%$ appreciation of sterling since the time of the last Report, means that monetary conditions provide somewhat less support to GDP relative to the February projection."

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

	Projections (May 2021)			
	2021 Q.2	2022 Q.2	2023 Q.2	2024 Q.2
GDP	21.5	7.1	1.4	1.1
CPI Inflation	1.7	2.3	2.0	1.9
LFS Unemployment Rate	5.2	4.7	4.3	4.3
Excess Supply/Excess Demand	-1.25	0.5	0	0
Bank Rate	0.1	-0.1	-0.3	0.6

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

Key judgement 1: activity recovers to pre-Covid levels in late 2021 as the vaccination programme results in the easing of restrictions and fading uncertainty.

Key judgement 2: in the medium term, the pace of the expansion in UK GDP slows, as supply growth returns to subdued longer-term trends and the effects of some factors boosting demand growth wane.

Key judgement 3: inflation rises in the near term and temporarily rises above 2% in late 2021 reflecting the impact of energy prices; in the medium term, supply and demand are broadly in balance and inflation is around the target.

Capital Budget Monitoring- May 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Capital	1,297,542	1,612,750	(315,208)	39,958,090	39,532,091	(425,999)
Corporate Services	(4,139)	165,750	(169,889)	10,655,040	10,455,040	(200,000)
Customer, Policy and Improvmen	0	0	0	350,000	150,000	(200,000)
Customer Contact Programme	0	0	0	350,000	150,000	(200,000)
Facilities Management Total	(36,975)	165,750	(202,725)	2,272,500	2,272,500	0
Works to other buildings	(43,079)	0	(43,079)	1,118,680	1,118,380	(300)
Civic Centre	0	0	0	60,000	60,300	300
Invest to Save schemes	6,104	165,750	(159,646)	1,093,820	1,093,820	0
Infrastructure & Transactions	32,836	0	32,836	2,571,350	2,571,350	0
Business Systems	39,497	0	39,497	1,268,020	1,268,020	0
Social Care IT System	0	0	0	157,180	157,180	0
Planned Replacement Programme	(6,661)	0	(6,661)	1,146,150	1,146,150	0
Corporate Items	0	0	0	5,461,190	5,461,190	0
Acquisitions Budget	0	0	0	200,000	200,000	0
Westminster Ccl Coroners Court	0	0	0	460,000	460,000	0
Compulsory Purchase Orders	0	0	0	4,801,190	4,801,190	0
Community and Housing	82,353	0	82,353	1,067,820	1,067,820	(0)
Adult Social Care	0	0	0	30,400	30,400	(0)
Telehealth	0	0	0	30,400	30,400	(0)
Housing	72,139	0	72,139	837,590	837,590	0
Disabled Facilities Grant	72,139	0	72,139	737,590	737,590	0
Major Projects - Social Care H	0	0	0	100,000	100,000	0
Libraries	10,215	0	10,215	199,830	199,830	0
Major Library Projects	10,215	0	10,215	175,830	175,830	0
Libraries IT	0	0	0	24,000	24,000	0

Capital Budget Monitoring- May 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	404,016	54,000	350,016	8,113,690	8,113,691	1
Primary Schools	57,905	54,000	3,905	3,394,300	3,394,300	0
Hollymount	0	0	0	60,000	60,000	0
West Wimbledon	0	0	0	300,000	300,000	0
Hatfeild	(2,389)	0	(2,389)	75,000	75,000	0
Hillcross	(2,257)	0	(2,257)	98,000	98,000	0
Joseph Hood	0	0	0	73,000	73,000	0
Dundonald	5,288	0	5,288	181,000	181,000	0
Merton Abbey	(530)	0	(530)	60,000	60,000	0
Pelham	0	0	0	50,000	50,000	0
Wimbledon Chase	0	0	0	176,000	176,000	0
Wimbledon Park	0	0	0	450,000	450,000	0
Abbotsbury	17,629	0	17,629	28,000	28,000	0
Malmesbury	0	0	0	90,000	90,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	0	0	0	33,000	33,000	0
Cranmer	20,986	24,000	(3,014)	59,000	59,000	0
Haslemere	0	0	0	150,000	150,000	0
Liberty	(487)	0	(487)	0	0	0
Links	0	0	0	180,000	180,000	0
St Marks	0	0	0	115,900	115,900	0
Lonesome	(1,875)	0	(1,875)	0	0	0
Sherwood	19,189	30,000	(10,811)	166,000	166,000	0
William Morris	4,570	0	4,570	240,000	240,000	0
Unlocated Primary School Proj	0	0	0	809,400	809,400	0

Capital Budget Monitoring- May 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Secondary School	(46,764)	0	(46,764)	438,650	438,650	0
Harris Academy Merton	0	0	0	34,170	34,170	0
Raynes Park	0	0	0	5,610	5,610	0
Ricards Lodge	0	0	0	5,610	5,610	0
Rutlish	0	0	0	71,000	71,000	0
Harris Academy Wimbledon	(46,764)	0	(46,764)	187,260	187,260	0
SEN	333,461	0	333,461	3,824,290	3,824,291	1
Perseid	(10,437)	0	(10,437)	409,130	409,130	0
Cricket Green	6,866	0	6,866	195,480	195,481	1
Melrose	338,889	0	338,889	2,337,980	2,337,980	0
Secondary School Autism Unit	0	0	0	50,000	50,000	0
Unlocated SEN	0	0	0	824,200	824,200	0
Melbury College - Smart Centre	(1,857)	0	(1,857)	7,500	7,500	0
CSF Schemes	59,414	0	59,414	591,450	591,450	0
Devolved Formula Capital	59,414	0	59,414	356,450	356,450	0
Children's Centres	0	0	0	55,000	55,000	0
Youth Provision	0	0	0	180,000	180,000	0

Capital Budget Monitoring- May 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	815,312	1,393,000	(577,688)	19,986,540	19,760,540	(226,000)
Public Protection and Developm	78,712	0	78,712	2,331,740	2,331,740	0
On Street Parking - P&D	0	0	0	833,000	833,000	0
Off Street Parking - P&D	34,061	0	34,061	645,530	645,530	0
CCTV Investment	44,651	0	44,651	818,210	818,210	0
Public Protection and Developm	0	0	0	35,000	35,000	0
Street Scene & Waste	(119,173)	0	(119,173)	1,076,430	1,076,430	0
Fleet Vehicles	0	0	0	924,000	924,000	0
Alley Gating Scheme	0	0	0	24,000	24,000	0
Waste SLWP	(119,173)	0	(119,173)	128,430	128,430	0
Sustainable Communities	855,774	1,393,000	(537,226)	16,557,820	16,331,820	(226,000)
Street Trees	2,794	0	2,794	134,590	134,590	0
Raynes Park Area Roads	0	0	0	2,970	2,970	0
Highways & Footways	531,674	973,000	(441,326)	8,694,120	8,694,120	0
Cycle Route Improvements	(71,270)	0	(71,270)	534,870	534,870	0
Unallocated TfL	0	0	0	483,290	483,290	0
Mitcham Area Regeneration	223,205	300,000	(76,795)	1,315,230	1,315,230	0
Wimbledon Area Regeneration	20,000	20,000	0	1,234,320	1,234,320	0
Morden Area Regeneration	0	0	0	450,000	450,000	0
Borough Regeneration	(885)	0	(885)	746,020	746,020	0
Morden Leisure Centre	0	0	0	15,840	15,840	0
Wimbledon Park Lake and Waters	37,038	0	37,038	1,177,960	1,177,960	0
Sports Facilities	(1,935)	0	(1,935)	410,480	410,480	0
Parks	115,153	100,000	15,153	1,389,670	1,163,670	(226,000)

Virement, Re-profiling and New Funding - May 2021

Appendix 5B

		2021/22 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2021/22 Budget	2022/23 Budget	Movement	Revised 2022/23 Budget	Narrative
		£	£		£	£	£		£	
Corporate Services										
Customer Contact	(1)	350,000			(150,000)	200,000	1,876,000	150,000	2,026,000	Reprofiled in line with projected spend
Payroll System	(1)	0		153,200		153,200				Drawdown from a Corporate Reserve
Acquisitions Budget	(1)	0			200,000	200,000			0	Property Purchase
Community and Housing										
West Barnes Library Re-Fit	(1)	200,000			(200,000)	0			0	Re-profiled to 2024-25
Children, Schools and Families										
Liberty - Capital Maintenance		33,640	(33,640)			0			0	Virements - projected spend capital maintenance
Hatfield - Capital Maintenance		55,000	20,000			75,000			0	Virements - projected spend capital maintenance
William Morris - Capital Maintenance		260,000	(20,000)			240,000			0	Virements - projected spend capital maintenance
Unallocated Capital Maintenance		809,930	(530)			809,400	1,900,000		1,900,000	Virements - projected spend capital maintenance
Harris Academy Merton - Capital Maintenance		0	34,170			34,170			0	Virements - projected spend capital maintenance
Harris Morden - Morden Multi Sport Community Pitch	(1)		135,000			135,000			0	Virement to fund revised scheme
Environment and Regeneration										
Morden Leisure Centre		5,070	10,770			15,840	0		0	To fund final payment on Morden Leisure Ctre
Leisure Centre Plant & Machine		421,250	(10,770)			410,480	250,000		250,000	To fund final payment on Morden Leisure Ctre
Morden Rec Hockey Pitch	(1)	135,000	(135,000)			0	0		0	Virement to fund revised scheme
Pay and Display Machines- Emissions Based Charging	(1)	500,000	333,000			833,000	0		0	Virement to Fund Emissions Based Charging
Car Park Upgrades	(1)	978,530	(333,000)			645,530	0		0	Virement to Fund Emissions Based Charging
Morden Park Cycle Path	(1)	0	227,220			227,220	0		0	Additional TfL Funding
Accessability Programme	(1)	50,240	51,520			101,760	0		0	Additional TfL Funding
Traffic Schemes	(1)	217,050	3,000			220,050	0		0	Additional TfL Funding
Surface Water Drainage		82,080		20,550		102,630	60,000		60,000	S106 £20,550
Cycle Improve Residential Stre	(1)	77,220	(9,210)			68,010	0		0	Adjustment to TfL Funding
Unallocated TFL	(1)	744,830	(272,530)			472,300	1,300,000		1,300,000	Virement from Unallocated TFL Budget
Total		4,919,840	0	173,750	(150,000)	4,943,590	5,386,000	150,000	5,536,000	

(1) Requires Cabinet approval

(2) Requires Council Approval

Virement, Re-profiling and New Funding - December 2020

Appendix 5B

	2023/24 Budget	Movement	Revised 2023/24 Budget	2024/25 Budget	Movement	Revised 2024/25 Budget	Narrative
	£	£	£	£		£	
Corporate Services							
Acquisitions Budget	0		0	6,985,180	(200,000)	6,785,180	Property Purchase
Community and Housing							
West Barnes Library Re-Fit	(1)		0	0	200,000	200,000	Re-profiled from 2021-22
Total	0	0	0	6,985,180	0	6,985,180	

(1) Requires Cabinet approval

(2) Requires Council Approval

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme 4-3-20	30,772	10,024	40,795
Outturn Adjustments	(6,264)	5,403	(861)
Current Approved Programme	24,508	15,426	39,934
<u>Corporate Services</u>			
Customer Contact	(150)	0	(150)
Payroll System	153	0	153
Acquisitions Budget	200	0	200
<u>Community and Housing</u>			
West Barnes Library Re-Fit	(200)	0	(200)
<u>Environment and Regeneration</u>			
Surface Water Drainage	21	0	21
Approved May Monitoring	24,532	15,426	39,958

Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme 3-3-21	11,270	6,449	17,719
Outturn Adjustments	4,608	0	4,608
Approved Outturn	15,878	6,449	22,327
<u>Corporate Services</u>			
Customer Contact	150	0	150
May 21 Monitoring	16,028	6,449	22,477

Capital Programme Funding Summary 2024/25

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme 4-3-20	19,534	3,200	22,734
Outturn Adjustments	2,000	0	2,000
Current Approved Budget	21,534	3,200	24,734
Corporate Services			
Acquisitions Budget	(200)	0	(200)
Community and Housing			
West Barnes Library Re-Fit	200	0	200
Proposed May 21 Monitoring	21,534	3,200	24,734

APPENDIX 6

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 2 Forecast Shortfall	Period Forecast Shortfall (P2)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	95
Children Schools and Families	1,460	1,060	400	27.4%	400
Community and Housing	2,541	1,557	984	38.7%	860
Environment and Regeneration	1,580	1,018	562	35.6%	0
Total	6,903	4,725	2,178	31.6%	1,355

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
SUSTAINABLE COMMUNITIES											
ENV2021-01	Future Merton: Street works team income (increase in income)	100	100	0	G	100	0	G	James McGinlay		
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R	70	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV2021-10	D&BC: Savings as a result of the 'Assure' M3 upgrade. Reduce BC/DC admin by 1 FTE	15	15	0	A	15	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	80	0	A	80	0	G	James McGinlay		Y
ENV2021-05	D&BC: Reduction in various minor budget spends	12	12	0	G	12	0	G	James McGinlay		
PUBLIC PROTECTION											
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	26	26	0	G	26	0	G	Cathryn James		
ENV1920-01	<p>Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect. The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.</p> <p>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.</p>	340	0	340	R	340	0	G	Cathryn James	<p>Following the consultation process and approval by Merton, the proposal was put before London Council and, the process is now for GLA, Mayor for London and Secretary of State to approve.</p> <p>Process was delayed due to London Mayoral Election, officers working with GLA to progress the application. Earliest implementation will be in October 2021 pending approval in early quarter 2. The full saving will not be achieved in 2021/22</p>	Y
ENV2021-04	Parking: EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	750	750	0	A	750	0	A	Cathryn James	Project delivery planned for Q 2 & 3 2021/22 including introduction of new Permit Changes and upgrade to Parking infrastructure (Payment Terminal).	N
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	0	100	R	100	0	G	Cathryn James	Due to Covid and current on street activity this saving has not been met in Q1 2021.	Y
ENV2021-06	Service restructure across Safer Merton and CCTV	35	35	0	A	35	0	G	Cathryn James		Y
PUBLIC SPACE											
ENV2021-09	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	52	0	52	R	52	0	G	John Bosley	Continues to be impacted by lockdown restrictions. With the reopen of our high street and the easing of lock down in July the service is confident that the level of FPNs issued will again be at pre COVID levels and supported by a sustainable payment rate of 70%.	Y
Total Environment and Regeneration Savings 2018/19		1,580	1,018	562		1,580	0				

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
Customers, Policy & Improvement											
2019-20 CS28	cash collection reduction	19	19	0	G	19	0	G	Sean Cunniffe		
2021-22 CS01	Cash collection contract	23	23	0	G	23	0	G	Sean Cunniffe		
2021-22 CS05	Contract savings and IT procurement	200	200	0	G	200	0	G	CPI AD		
2021-22 CS15	Delete a post from Customer Contact	32	32	0	G	32	0	G	Sean Cunniffe		
Resources											
2018-19 CS07	Retender of insurance contract	25	0	25	R	0	25	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	15	0	15	R	15	0	A	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	40	0	A	David Keppler	Not achievable in year due to covid	Y
2021-22 CS12	Miscellaneous savings within Resources (eg. Consultancy)	69	69	0	G	35	0	G	Resources Senior Management	Includes a one off saving of £34k, saving target reduces to £35k from 2022/23 onwards	
Corporate Governance											
2021-22 CS04	Establish income grant budget for transparency agenda	13	13	0	A	13	0	A	Karin Lane	Grant income expected but not yet confirmed by central govt.	N
2021-22 CS07	Remove previous inflation built in to reduce Overall Members' Allowances Budget	11	9	2	A	11	0	G	Andrew Robertson		Y
2021-22 CS08	reduced running costs due to canvass reform	10	10	0	G	10	0	G	Andrew Robertson		
2021-22 CS09	legal services - reduce affiliation, counsel and land registry fees	40	40	0	G	40	0	G	Paul Phelan		
2021-22 CS10	reduce AD budget running costs	6	6	0	G	6	0	G	Louise Round		

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
2021-22 CS14	Local Land Charges - amend income budget for service to reflect net cost recovery	90	90	0	G	90	0	G	Karin Lane		
	Human Resources										
2019-20 CS26	Review of contract arrangements	120	0	120	R	50	70	A	Liz Hammond	Delayed start of new contract arrangements due to covid. New contract arrangements to be agreed during this year in order for it to come into effect for 2022/23	Y
	Infrastructure & Technology										
2019-20 CS21	Implement phase 2 of the Flexible Working Programme to generate additional vacant floor space and generate income from commercial lease arrangements.	90	90	0	G	90	0	G	Edwin O'Donnell		
2019-20 CS23	Implement a means assessed charging scheme for appointeeships undertaken by the CFA team.	30	0	30	R	30	0	A	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
2021-22 CS06	Facilities Management - Reduction in various running costs.	75	75	0	G	75	0	G	Various I&T managers		
	Corporate										
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	16	16	0	G	16	0	G	David Keppler		
2021-22 CS02	Corporately funded items (eg. Supplies and services)	75	75	0	G	75	0	G	Senior Management		
2021-22 CS03	Realignment of Pension Added years budget	63	63	0	G	63	0	G	Senior Management		
2021-22 CS13	CHAS Dividend	260	260	0	G	260	0	G	Senior Management		
	Total CS Savings for 2020/21	1322	1090	232		1193	95	0			

Updated: May'21					Updated 21/06/21					APPENDIX 6	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2021/22											
Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
Adult Social Care											
CH93	LD Offer- Proposal to review the LD offer to adults with learning disabilities	500	500	0	G	0	0	G	Gill Moore	The programme is underway	
CH94	Integration- Merton Health & Care Together Partnership Programme	500	40	460	R	0	460	G	Hannah Doody	Changes in the health landscape make savings through integrated working more difficult to deliver at this time	
CH95	Public Health	500	100	400	R	0	400	G	Dagmar Zeuner	Issues in negotiations with the main provider has created significant barriers to delivery this year	
CH96	Home care monitoring	110	110	0	G	0	0	G	Keith Burns		
CH98	Transport	200	200	0	A	0	0	G	John Morgan	The transport review has been delayed by COVID but this is offset in year by reduced concessionary	
CH99	Promoting Independence	500	500	0	G	0	0	G	John Morgan		
CH102	Dementia Hub Recommissioning	55	55	0	G	0	0	G	Richard Ellis	The savings has been delivered for 2021/22 by achievement of additional contribution from health	
CH103	HRS Decommissioning Floating Support	176	52	124	A	124	0	G	Steve Langley	The work is in progress but has been delayed by COVID work	
Subtotal Adult Social Care		2,541	1,557	984		0	124	860			
Total C & H Savings for 2021/22		2,541	1,557	984			124	860			

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

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-12	Review of public health commissioned services	400	0	400		400	400		El Mayhew	Full review to be undertaken for Period 3	
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	20	20	0		20	0		El Mayhew	Full review to be undertaken for Period 3	
CSF2019-17	Increased use of in-house foster care	40	40	0		40	0		El Mayhew	Full review to be undertaken for Period 3	
CSF2019-18	Review and reshape shortbreaks provision	200	200	0		200	0		Jane McSherry	Full review to be undertaken for Period 3	
CSF2019-19	SEND travel assistance	150	150	0		150	0		Jane McSherry	Full review to be undertaken for Period 3	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	450	450	0		450	0		Jane McSherry	Full review to be undertaken for Period 3	
2021-22 CSF02	Education & Early Help - Rationalisation of Children's Centres	0	0	0		200	0		Jane McSherry	Full review to be undertaken for Period 3	
2021-22 CSF03	CSF - Ongoing underspend	200	200	0		200	0		Jane McSherry / El Mayhew	Full review to be undertaken for Period 3	
Total Children, Schools and Families Department Savings for 2021/22		1,460	1,060	400	0	0	1,660	400	0		

APPENDIX 7

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (May)	Projected Shortfall 2022/23 (May)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	658
Children Schools and Families	2,969	614	400	300
Community and Housing	2,460	28	128	128
Environment and Regeneration	3,927	3,373	2,067	0
Total	12,074	4,898	2,808	1,086

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	0	1,900	R	0	1900	R	1900	0	A	Cathryn James	PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now on par with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity. 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving was not fully met in 2020/21. Lockdown continues in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed. ON STREET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible. For the period June through to October data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity on this will be closely monitored as Covid tiers are implemented and changed in future months. December and Christmas parking data shows less activity than in previous year and now Lockdown 3 (Jan) will continue to have a further significant detrimental effect in 'on and off street parking' activity. Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to effect.	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect. The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R	340	0	A	340	0	G	Cathryn James	This saving will not be achieved in 2020/21. The consultation process had been extended to 28th June 2020 to allow further time for responses to be received due to the Covid 19 emergency. Following the consultation process and approval by Merton, the proposal was put before London Council in October 2020 and, the process is now for GLA, Mayor for London and Secretary of State to approve. It is estimated that if approval is granted the proposal could be implemented by April 2021	Y
ENV1920-02	Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	300	0	300	R	300	0	A	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year.	Y
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R	319	18	R	337	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends.	Y

ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arising and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.	250	0	250	R	250	0	G	250	0	G	John Bosley	The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. The financial impact on this budget has been revised. This is being monitored closely and financial forecast will be amended accordingly if the current trend changes.	
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	Y
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	51	99	R	150	0	G	John Bosley	The commissioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 20/21 and we hope to implement this in the new year subject to any continuity plans which may take precedent over these two work streams.	N
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	64	0	G	John Bosley	Many events due for 2020/21 have been cancelled due to Covid-19.	
Total Environment and Regeneration Savings 2018/19		3,404	31	3,373		1,337	2,067		3,404	0				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21													APPENDIX 7	
Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	Adult Social Care													
CH76	OPMH Staffing	100	0	100	R	0	100	R	0	100		John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	72	28	R	72	28	R	0	28		Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
	Subtotal Adult Social Care	200	72	128		0	128		0	128				
	Total C & H Savings for 2020/21	200	72	128		72	128		0	128				

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
Customers, Policy & Improvement														
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	15	0	A	Sean Cunniffe	Charges not yet in place - to be reviewed.	Y
2018-19 CS07	Retender of insurance contract	50	0	50	R	7	43	A	7	43	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	20	0	G	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
Corporate Governance														
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	0	50	A	0	50	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	0	20	A	0	20	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	0	45	A	0	45	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
Infrastructure & Technology														
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	25	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	30	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
Corporate														
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	0	500	R	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
Total CS Savings for 2020/21		755	0	755		22	213	0	97	658				

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-10	Reduced contribution towards the MSCB	44	10	34		44	0					Jane McSherry	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter.	
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140		200	0					Jane McSherry	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity against the Covid Budget).	
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30		45	30					EI Mayhew	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £15k if consultation can take place in 3rd quarter of financial year. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	200		400	200					EI Mayhew	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. The transformation resource leaves CSC & YI in September 2020. Unlikely to achieve savings in 2020/21. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40		60	0					EI Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21 will deliver no more than £20k, if consultation can take place in 3rd quarter of financial year.	
CSF2019-13	Review of current Adolescent and Family service	100	30	70		100	70					EI Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £30k, if consultation can take place in 3rd quarter of financial year. Some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	30		45	0					EI Mayhew	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Unlikely to achieve savings in 2020/21	
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	50	0	50		50	0					EI Mayhew	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this will be set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office asylum decisions.	
CSF2019-18	Implementation of the DfE National Minimum rate	20	0	20		20	0					EI Mayhew	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Total Children, Schools and Families Department Savings for 2020/21	964	350	614		964	300		0	0				

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Cabinet

Date: 12 July 2021

Subject: Financial Report 2020/21

Lead officer: Roger Kershaw

Lead member: Tobin Byers

Recommendations:

- A. That Cabinet note the revenue outturn for 2020/21
- B. That Cabinet note additional training for budget managers will be carried out, targeting areas with substantial differences between forecast variances at period 10 and final outturn.
- C. That Cabinet consider the outturn position on Capital and approve the Slippage into 2021/22 and other adjustments detailed in Appendix 2C, 2C1 and Section 7 of the report

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report outlines the outturn position for the last financial year (2020/21) and the issues that arise from it.

Section 2 – Summarises the outturn position of the Authority.

Section 3 – Reviews the detailed outturn position for service departments

Section 4 – Reviews the outturn position for corporate items

Section 5 – Provides other information

Section 6 – Provides information on Reserves

Section 7 - Provides information on the capital outturn

Section 2 – REVENUE OUTTURN 2020/21

	2020/21 Current Budget exc. Overheads £000	2020/21 Outturn (exc Overheads) £000	2020/21 Variance £000	2020/21 COVID £000	2020/21 Outturn net of COVID £000	2020/21 Variance exc. COVID £000
Department						
Corporate Services	25,500	29,246	3,746	3,026	26,220	720
Children, Schools & Families	57,052	54,081	(2,971)	906	53,175	(3,877)
Community & Housing	58,020	55,739	(2,281)	457	55,282	(2,738)
Environment & Regeneration	9,995	20,684	10,689	12,167	8,517	(1,478)
Net Service Expenditure	150,566	159,749	9,183	16,556	143,193	(7,373)
Corporate Provisions	18,566	26,044	7,478	6,882	19,162	595
Total General Fund	169,133	185,794	16,661	23,438	162,356	(6,778)

Grants (exc. S.31 and COVID-19)	(20,314)	(20,314)	0	0	(20,314)	0
Business Rates(inc.S.31)	(55,896)	(57,761)	(1,866)	0	(57,761)	(1,866)
Council Tax and Collection Fund	(97,713)	(97,709)	4	0	(97,709)	4
COVID-19 Grant Funding	4,789	(18,649)	(23,438)	(23,438)	4,789	0
Funding	(169,133)	(194,433)	(25,300)	(23,438)	(170,995)	(1,862)

Net balance transferred to Earmarked Reserves	(8,640)
<u>Reserves:</u>	
GF balance to £14m	222
Local Welfare Support Reserve	500
Voluntary Sector Support/Merton Giving	500
Revenue Reserve for Capital/Revenuisation	1,000
Apprenticeship Reserve	1,000
Your Merton Fund	1,000
Climate Change Reserve	2,000
Outstanding Council Programme Board	1,209
Balancing the Budget reserve	1,209
Net balance transferred to Earmarked Reserves	8,640

The above table shows the outturn for the financial year 2020/21, with the impact of covid separately identified. At the end of the financial year 2020/21 the overall favourable outturn was £8,640k, £1.57% of the gross budget (£1,716k favourable outturn, 0.25% of the gross budget in 2019/20)

The below table shows the outturn and variance for net service expenditure compared to the period 10 forecast and 2019/20.

OUTTURN	2020/21 Current Budget (Net) £000s	2020/21 Current Budget (excl. overheads) £000s	2020/21 Outturn (excl. overheads) £000s	2020/21 Variance excl. overheads £000s	Jan 2021 (P10) Forecast Variance £000s	2019/20 variance excl. overheads £000s	Outturn to P10 forecast variance £000s
Department							
Corporate Services	9,938	25,500	29,246	3,746	4,206	(490)	(460)
Children, Schools and Families	62,355	57,052	54,081	(2,971)	(2,166)	(241)	(805)
ASC	62,485	59,056	56,109	(2,947)	(1,142)	(717)	(1,805)
Housing	2,489	2,147	2,635	489	480	328	9
Libraries & Merton Adult Learning	3,163	2,447	2,642	195	233	70	(38)
Public Health	(5,473)	(5,630)	(5,648)	(18)	0	0	(18)
Environment & Regeneration	15,238	9,995	20,684	10,689	10,939	783	(250)
Net recharges	0	0	0	0	0	120	0
NET SERVICE EXPENDITURE	150,193	150,566	159,749	9,183	12,551	(147)	(3,368)

Net service expenditure was a £9.183m adverse variance.

Although there was an overall adverse variance, Children, Schools and Families and Adult Social Care both ended the year favourable variances against budget which is explained in further detail in the department summaries below.

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

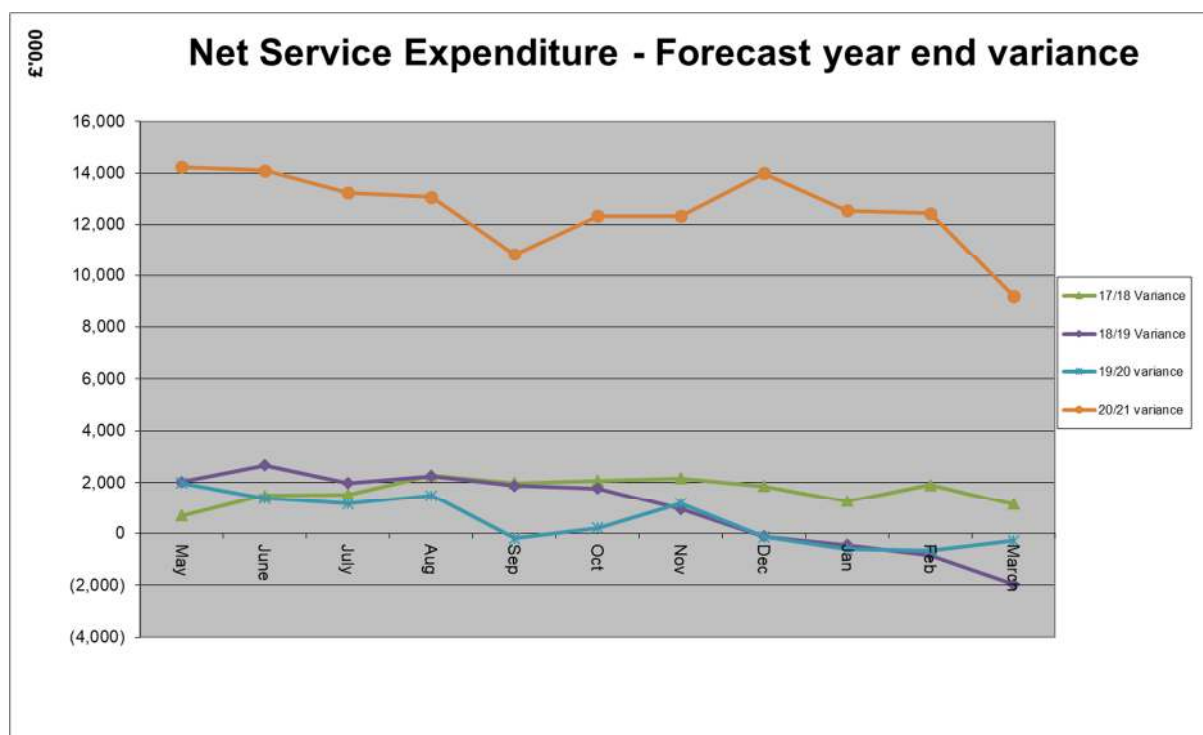
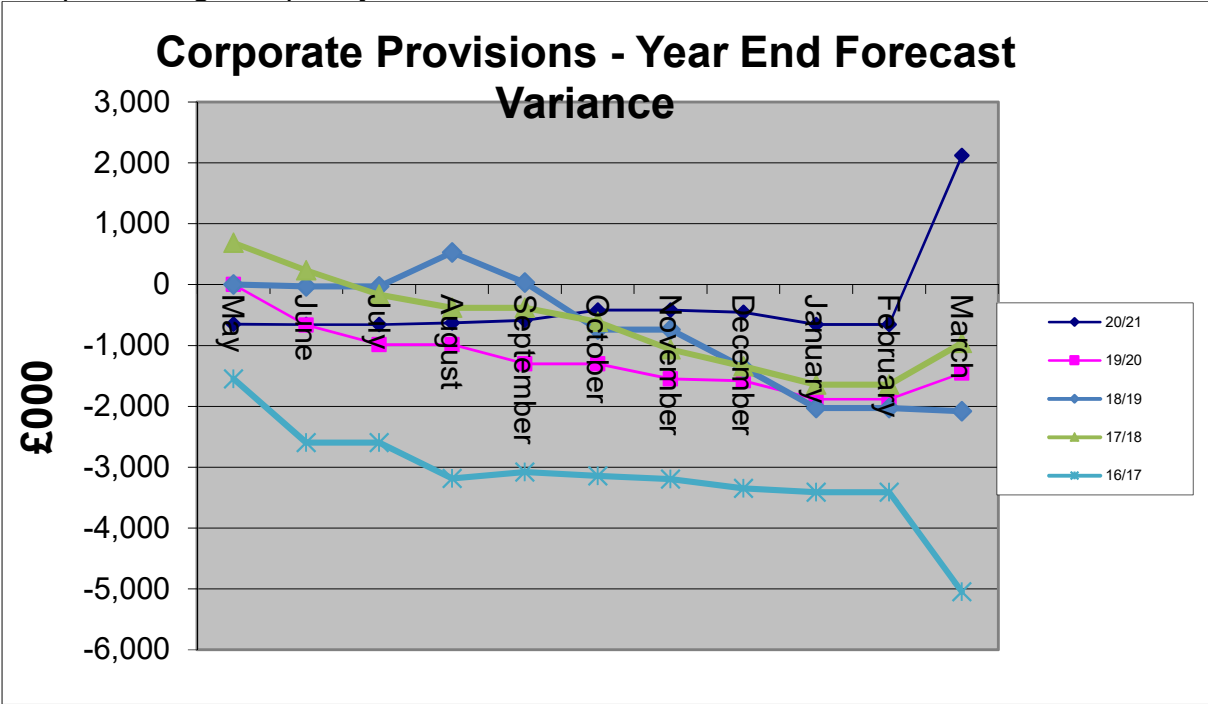


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against prior years.



Covid-19 Financial Impact

The Government announced emergency grant funding of £4.7 billion nationally to fund costs associated with the response to the COVID-19 pandemic. The Council’s allocation is £14.6m in four tranches.

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This involves a 5% deductible rate, whereby the Council will absorb up to 5% and the government compensation will cover 75p in every pound of relevant loss thereafter. The first two rounds claim covering the income loss of £6.957m was included in the period 10 forecast table. A further claim amount of £2.014m has been submitted to cover the period up to the end of March 2021 and is included in the outturn table of this report.

The ongoing fast moving situation with high levels of uncertainty and change in restrictions from the tier system to the recent third lockdown made forecasting throughout the year very difficult.

Merton has received funding from the Contain Outbreak Management Fund (COMF) based on the population.

Some of the government grant funding received in the current year will cover more than one year. This results in a temporary increase in the level of reserves and balances held at the financial year end pending application of the grants in 2021/22 to fund the expenditure for which they are intended, as outlined in the Budget Report to Council. A breakdown is provided with section 5 of this report.

At this time, the full financial impact of COVID-19 into future years continues to be uncertain, as does the extent to which the Government will mitigate the cost

pressures on local government in this and many other areas. The effects will continue to be closely monitored and reported.

Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs such as PPE, food banks and the community hub.

Income shortfall

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

Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2020/21 as part of the budget setting process. The savings which were unachieved due to Covid-19 are included in the forecast of the department.

COVID-19 COST SUMMARY	2020/21 Covid-19 Outturn Impact £000	2020/21 Covid-19 Forecast Impact (January) £000
<u>Department</u>		
Corporate Services	3,026	3,281
Children, Schools and Families	906	923
Community and Housing	457	2,901
Environment & Regeneration	12,167	11,547
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	16,556	18,652
<u>Corporate Items - Covid costs</u>		
Corporate Services	730	717
Children, Schools and Families	73	400
Community and Housing	3,119	5,404
Environment & Regeneration	1,434	1,752
ADDITIONAL COVID EXPENDITURE	5,356	8,273
<u>FUNDING</u>		
Business Rates *	1,144	1,552
Council Tax *	946	2,260
TOTAL FUNDING LOSS	2,090	3,812
GROSS COST OF COVID-19	24,002	30,737
Covid-19 Emergency funding received	-10,383	-10,383
Covid-19 Emergency funding - July 2020	-1,590	-1,590
Covid-19 Emergency funding - October 2020	-2,494	-2,494
Income compensation for sales, fees & charges	-8,971	-6,957
NET COST OF COVID-19	564	9,313

*Business rates and Council tax losses shown in this table demonstrate the shortfall in collection when compared to the collection rate achieved in 2019/20. This illustrates the full cost of covid to the Council. This differs from the accounting treatment shown in the

outturn summary table at the beginning of section 2 of this report, in line with legislation allowing for the deficit to be phased over three years.

Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Council Tax and Business Rates collected is less than budgeted for 2020/21 when the budget was approved by Council in March 2020. There is usually a small surplus or deficit which arises because the amount collected during the year will vary for different reasons such as new properties coming on stream during the year, or people and businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and has resulted in deficits in both Council Tax and Business Rates for the financial year 2020/21. However, as required by legislation any surplus/deficit on the Collection Fund would normally be funded in the following year of account so the expected deficit for 2020/21 would form part of the budget for 2021/22.

The Secretary of State for Local Government has introduced legislation which allows for the phasing of the 2020/21 deficit over three years.

As at 31st March 2021, Merton's share of Council Tax and Business Rates deficits 2020/21 are:-

Council Tax	£946k
Business Rates	£1,144k

Section 3 Detailed Service Spending

Corporate Services

Division	2020/21 Current Budget £000	2020/21 Full year Outturn £000	2020/21 Full Year Outturn Variance £000	2020/21 Full Year Forecast Variance (Jan) £000	2020/21 Covid-19 Outturn Impact £000	2019/20 Outturn Variance £000
Customers, Policy & Improvement	3,909	4,824	915	975	336	(169)
Infrastructure & Technology	12,400	12,349	(51)	151	324	(678)
Corporate Governance	2,012	1,924	(88)	(77)	77	(180)
Resources	5,472	7,283	1,811	2,118	1,706	95
Human Resources	2,047	2,149	102	154	0	187
Corporate Other	(340)	717	1,057	885	583	255
Total (Controllable)	25,500	29,246	3,746	4,206	3,026	(490)

Overview

At the end of 2020/21 the Corporate Services (CS) department has an adverse variance of £3.746m at year end, of which £3.026m is due to the external impact of covid-19.

Customers, Policy and Improvement - £915k adverse variance

The variance in the division is mainly due to spend on the Customer Contact budget which has a £941k adverse variance. This is made up of £172k for the cost of delays in light of the covid-19 pandemic and the remainder from the cost of contracts novated from the previous supplier which fell into the first months of 2020/21 and the annual costs of the new systems.

The Registrars service has a £70k adverse variance with a 29% reduction in income compared to 2019/20. This reflects the significant impact on income from the various covid restrictions during the financial year, though demand recovered well when restrictions were lifted. Another adverse variance within the division due to covid-19 is in the Translations service (£60k) due to a reduced number of interpretations being fulfilled following a fall in demand. The Press and PR budget also has an adverse variance (£179k) mainly due to the use of agency staff covering the Head of Communications post pending the completion of a restructure within the division. Cover for sick leave has contributed to an adverse £40k variance in the Policy and Strategy team.

Partly offsetting the above are various favourable variances including £125k in the AD budget and £58k in Continuous Improvement due to vacancies, £11k on Voluntary Sector Co-ordination and £37k in Community Engagement due to uncovered maternity leave and the residents survey costs not being incurred until the new financial year. Other variances from less than budgeted running costs are in Merton Link (£26k favourable), Cash Collections (£97k favourable) and Marketing and Communications (£10k favourable).

Infrastructure & Technology - £51k favourable variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £183k on the Corporate Print Strategy, £58k on the Print and Post room and £143k on the PDC (Chaucer Centre). Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they positively impact other departments and are therefore not a net cost to LBM.

The FM External account has a £184k adverse variance due to the lack of commissions and difficulty in completing works since the pandemic began. There is a variance on Corporate Contracts (£30k adverse) due to savings for reducing cleaning in corporate buildings being unachievable within the current circumstances. Adverse variances in the division which haven't been caused by covid-19 include £56k on Telecoms, partly due to requiring new handsets to replace the old contract, and £22k

in Security Services as a result of the increase in London Living Wage, though this is offset with a budget held corporately for excess inflation.

A £158k favourable variance in the Business Systems Team mainly due to vacancies held in the team and the capitalisation of staffing costs related to work on capital projects which more than offset the budget pressure on IT licenses support and maintenance and underachievement of income. There are also favourable variances across building maintenance budgets within Facilities as many planned works were not able to be carried out by contractors before the end of the year due to covid. Other favourable variances within the division includes £33k in Client Financial Affairs from less than budgeted staffing costs and £122k in Safety Services on staffing and running costs, partly due to a vacancy held in the team. Over-achievement of rental income has resulted in favourable variances of £14k on the Civic Centre and £78k on Garth Road. IT Service delivery also has a favourable variance of £44k mainly from IT licences, whilst the Transactional Services team have a £64k favourable variance from vacancies for part of the year as well as the recovery of overpayments to suppliers in prior years. There is a further £45k favourable variance on the Microsoft EA licences following a review by the supplier.

Corporate Governance – £88k favourable variance

There is a £32k shortfall on the saving to merge Democracy and Electoral Services due to the restructuring coming in to effect mid-year following the retirement of the Head of Democracy Services. This is, however, offset by various vacant hours and running cost budgets within both teams and the receipt of IER grant, resulting in a total £60k favourable variance across both services.

The Corporate Governance AD budget has a £11k favourable variance due to various running costs whilst the Information Governance team also have a favourable £24k variance due to various vacant hours held during the year and the receipt of a grant which was not budgeted. The internal audit and investigations budget has a favourable variance of £9k resulting from lower than anticipated charged from Richmond for the shared service.

The South London Legal Partnership (SLLp) achieved a £588k surplus, with £122k retained by LBM. The surplus relates mainly to additional chargeable hours being fulfilled. The overall LBM position is a £5k favourable variance for the shared legal service after factoring in the additional recharges to departments.

Outside of SLLp, there is £115k of legal savings not achieved in year.

Resources - £1,811k adverse variance

Within Resources there are multiple budgets with adverse variances due to covid-19. The Chief Executive's budget has a £143k adverse variance mainly due to an interim Head of Recovery being appointed as a result of the pandemic, as well as non-covid related recruitment costs for the process of recruiting a new Chief Executive. The Bailiff Service ceased operations for the first 6 months of the year and has an adverse variance of £887k (including the shared service element). The Local Taxation Service is also showing an adverse variance of £413k mainly as a result of covid-19's impact

on court cost income, with the first hearing date of the financial year having taken place in December 2020.

Other adverse variances within the division that are not covid-19 related include £34k in the Financial Information Systems (FIS) team due to salary budget pressure. A £184k adverse variance in Insurance is due to property valuation fees and procurement costs incurred in preparation for the re-tendering of insurance contracts and the new contracts not commencing until mid-2020/21 resulting in a saving being unachieved in year. The Budget Management team also have an adverse variance (£78k) as a result of the use of agency staff covering vacancies in the team due to difficulties in recruiting. Corporate Accountancy are have a £294k adverse variance due to proposed increases in audit fees and the use of agency staff, this is offset with a reduced spend on banking charges during the year. The proposed increase on external audit fees for 2019/20 and 2020/21 is awaiting a decision from the PSAA (Public Sector Audit Appointments) but have been provided for with a transfer to Corporate Services reserves.

Favourable variances in the department include £44k and £34k on the Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not required in year. Within Revenues and Benefits the Benefits Administration and Support Teams have favourable variances of £201k and £25k respectively due to various running costs, vacancies and DWP receipts for additional works.

Human Resources – £102k adverse variance

The adverse variance in HR is mainly from the AD budget (£107k variance) as a result of the use of agency staff. Additionally, there is an adverse variance of £13k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. HR Business Partnerships have an adverse variance (£9k) mainly as a result of staff cover required in the team. Learning and Development have a £26k adverse variance due to the use of agency staff, this is partly offset with lower than budgeted training costs.

There are favourable variances within HR from Occupational Health (£13k) due to reduced referrals and from the Payroll team (£43k) as a result of an over-achievement of income and various small reductions in running costs.

Corporate Items - £1,057k adverse variance

The Housing Benefit Rent Allowances budget has a net adverse variance of £862k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2020/21 and is inclusive of the £500k saving built in to the budget this year for improvement of overpayment recovery and therefore reducing the bad debt provision budget which has not been achievable in light of covid-19. This saving has been removed from 2021/22 budgets and deferred to 2022/23 per the December 2020 Cabinet report.

There is also a one-off saving in 2020/21 for the recovery of old housing benefit debts which had previously been written off, due to new access to information from HMRC.

There is a £83k adverse variance and shortfall on the saving as recovery has been significantly impacted by covid-19. On the Coroner's Court budget there is an adverse variance of £35k, of which £25k relates to an adjustment for 2019/20 quarter 4 costs.

A further adverse variance of £156k comes from the corporately funded items budget from additional recharges from SLLp and legal fees.

Partly offsetting the above is a favourable variances on the added years pension budget of £80k.

Environment & Regeneration

Environment & Regeneration	2020/21 Current Budget	Full year Outturn (Mar)	Outturn Variance (Mar)	Forecast Variance at year end (Jan)	2020/21 Covid-19 Impact (Mar)	2019/20 Outturn Variance
	£000	£000	£000	£000	£000	£000
Public Protection	(15,392)	(6,419)	8,973	9,254	9,086	1,286
Public Space	16,016	18,019	2,003	1,794	2,328	(364)
Senior Management	1,036	902	(134)	(130)	0	81
Sustainable Communities	8,334	8,181	(153)	21	753	(220)
Total (Controllable)	9,994	20,683	10,689	10,939	12,167	783

Description	2020/21 Current Budget	Outturn Variance (Mar)	Forecast Variance at year end (Jan)	2019/20 Variance at year end
	£000	£000	£000	£000
Regulatory Services	648	194	280	87
Parking Services	(17,141)	8,804	8,984	1,171
Safer Merton & CCTV	1,101	(25)	(10)	28
Total for Public Protection	(15,392)	8,973	9,254	1,286
Waste Services	14,391	875	547	72
Leisure & Culture	530	764	774	(334)
Greenspaces	1,798	525	577	(111)
Transport Services	(703)	(161)	(104)	9
Total for Public Space	16,016	2,003	1,794	(364)
Senior Management & Support	1,036	(134)	(130)	81
Total for Senior Management & Support	1,036	(134)	(130)	81
Property Management	(2,653)	(381)	(325)	(251)
Building & Development Control	87	281	173	34
Future Merton	10,900	(53)	173	(3)
Total for Sustainable Communities	8,334	(153)	21	(220)
Total Excluding Overheads	9,994	10,689	10,939	783

Overview

The department has a year-end direct adverse variance of £10.69m at year end. The main areas of variance are Parking Services, Waste Services, Leisure & Culture, Greenspaces, Property Management, and Building & Development Control.

Public Protection

Parking Services adverse variance of £8,804k

Covid-19 has affected parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Work continues to fully understand the longer term impact of this but the year-end adverse variance on PCN, P&D, and permit income was £4,245k, £2,847k, and £1,645k respectively. These figures have been adversely affected by the lockdowns introduced during November 2020 and January 2021, and have been included within the third Income Compensation Claim form submission to Central Government.

Contributing to the PCN adverse variance is a 2020/21 saving (ENV1920-01) of £340k relating to an application to change Merton's PCN charge band from band B to band A, which is now not expected to be implemented until around October 2021, and is subject to final sign off from the Secretary of State prior to implementation.

Covid-19 has also impacted upon other areas of income, namely skip licences, resulting in a year-end adverse variance of £188k.

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. It is too early to tell exactly how behaviour has been affected, which is being compounded by the impact of Covid-19, but work continues to try and better understand this.

The outturn also includes an adverse variance on Supplies & Services (£156k), mainly as a result of the placement of statutory notices around the borough on emissions based charging, and repairs and maintenance costs associated with P&D machines and ANPR cameras.

The adverse variance was partially offset by favourable variances on employees (£242k) and RingGo convenience fees (£99k).

Public Space

Waste Services adverse variance of £875k

The section ended the year with an adverse variance of £322k in relation to its waste collection and street cleansing contract, mainly as a result of a £270k provision created in the accounts. The amount reflects the contractor's claim for a reduction in guaranteed income due to the Authority from the impact of covid-19. As yet no agreement has been reached with regards to this but the potential loss of income falls within the scope of the Income Compensation Claim form submission to Central Government and, therefore, has been included.

The outturn also included an adverse variance on disposal costs of £296k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services. In addition, as part of the Deed of Variation agreement it was also confirmed that the disposal cost for the schedule 2 properties were to be met by the service, resulting in a disposal cost increase of c£115k.

An adverse variance of £136k was also realised in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The section continues to work with both the SLWP and our service provider to mitigate these increased costs. There are currently no planned service changes and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

Covid-19 has had a significant impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering which was temporarily suspended and the resource redeployed to support engagement and education in our parks and green spaces advising residents and visitors on Government guidelines on social distancing, resulting in a net adverse variance against budget of £119k.

Leisure & Culture adverse variance of £764k

The year-end adverse variance relates mainly to the Authority's leisure centres contract. Due to the Covid-19 pandemic, the Authority's Leisure Centres were closed for the majority of the year following central Government instruction. As a result of this, and as part of the continuous dialogue between the two parties, it was evident that GLL needed financial support from the Council if they were going to survive, and repayable grants of £575k were agreed and provided for centrally. This is consistent with the picture across London. The contract also requires that we forego the income under a 'Relief Event' clause, which equated to about £830k for the current financial year.

The impact of these lockdowns may have a further impact on their need for increased financial support and relief from paying the income due to the Authority for a longer period. Discussions are ongoing and any financial requests for further relief and financial support and the impacts will be brought forward should the need arise. The section, acting as agent on behalf of the contractor, has just received notice that it was successful in its bid to Sport England as part of the National Leisure Recovery Fund (NLRFF) initiative, and have been awarded £405k.

During closure of the leisure centres, the Authority incurred lower utility costs at these premises, leading to a favourable variance of £235k.

Covid-19 also led to the temporary closure of the Wimbledon Sailing base from 20th March 2020. The site re-opened on the 15th June with much smaller programmes available, but due to the closure and social distancing measures there was an adverse variance of £203k at year-end, mainly as a result of reduced income.

Greenspaces adverse variance of £525k

The outturn includes a net adverse variance on events in our parks and openspaces of £342k due to the impact of Covid-19.

In addition, there was an adverse variance of £95k at year-end in relation to the maintenance of the Authority's trees located on highways and in parks. This is due to the high number of trees requiring pollarding and maintenance and compliance with our management of public liability risk.

The section also ended the year with an adverse variance of £75k in relation to the grounds maintenance contract, which also assumes an expected contractual cemetery revenue share for 2018/19 and 2019/20 of £157k will be received. However, in tandem with the Phase C Waste Services (lot1) Annual Review process, a similar process remains ongoing regarding the grounds maintenance contract (lot 2), which requires further discussion as the proposed solution was predicated on assumptions with the revenue income, barring Merton & Sutton Joint Cemetery activity. In addition to the original issues and the position now so radically changed due to Covid-19, further discussions with our service provider will need to commence again to determine the final outcome. To note, there has been no requirement or indication by the service provider for any relief event under the PPN provision.

Sustainable Communities

Property Management favourable variance of £381k

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £390k, which included £153k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements.

Building & Development Control adverse variance of £281k

Covid-19 has also had a significant impact reducing various types of building and development control applications being submitted, contributing to an associated income shortfall at outturn of £287k.

Children Schools and Families

Children, Schools and Families (£000's)	2020/21 Current Budget	Full Year Outturn	Outturn Variance	Forecast Variance P10	2020/21 Covid Forecast Impact	2019-20 Year Variance
Education						
Education Budgets	£ 16,647	£ 14,928	-£ (1,719)	-£ (988)	£ 396	£ 63
Depreciation	£ 9,801	£ 9,801	£ -	£ -	£ -	£ -
Other Education Budgets	£ 84	£ -	-£ (84)	£ -	£ -	£ -
Education Services Grant	-£ (1,062)	-£ (1,062)	£ -	£ -	£ -	£ -
Education Sub-total	£ 25,470	£ 23,667	-£ (1,803)	-£ (988)	£ 396	£ 63
Other CSF						
Child Social Care & Youth Inclusion	£ 21,658	£ 20,750	-£ (908)	-£ (397)	£ 510	£ 416
Cross Department	£ 716	£ 765	£ 48	-£ (225)	£ -	-£ (47)
PFI Unitary Costs	£ 7,869	£ 8,150	£ 280	-£ (556)	£ -	-£ (251)
Pension and Redundancy Costs	£ 1,572	£ 983	-£ (589)	£ -	£ -	-£ (422)
Other CSF Sub-total	£ 31,815	£ 30,648	-£ (1,169)	-£ (1,178)	£ 510	-£ (304)
Grand Total	£ 57,285	£ 54,315	-£ (2,972)	-£ (2,166)	£ 906	-£ (241)

Overview

At the end of 2021, the Children Schools and Families directorate has a favourable £2.972m variance on local authority funded services, a favourable movement of £806k compared to Period 10.

£734k Covid-19 cost pressure has been identified relating to savings shortfalls. These have been included in the outturn position. There remains considerable uncertainty about the likely level of increased costs due to Covid-19. The impact of the lockdown on children and families is emerging in increased safeguarding referrals and hold ups in the family courts meaning that some children's plans cannot be progressed. This has significantly increased the number of children with child protection plans open to the service, which is putting pressure on social worker's caseloads. Additional agency social workers have been brought in to assist with this pressure which are incremental covid19 related costs and will be reflected within the corporate covid19 cost centre. An additional £172k covid19 related loss of income has also been identified.

Despite an increasing population and the pressures that covid19 has presented to many parts of the Children's Social Care system, Merton has managed to hold steady our number of children in care.

Covid19 has resulted in a number of activities not occurring this financial year or at a significantly lower level including:

- Youth service provision
- Children Centre activities

It is to be determined how much of the outturn underspend will continue into the following year.

The CSF department received £3.847m growth for 2020/21. £1.756m has been allocated across Children's Social Care and £2.091m across Education.

Local Authority Funded Services

Local Authority Funded Services (£000's)	Budget	Outturn	Outturn Variance	P10 Forecast	P10 Forecast Variance	2019/20 Outturn Variance
Child Social Care and Youth Inclusion						
Adolescent & Family Services	£ 1,702	£ 1,730	£ 28	£1,555	-£ (147)	£ 235
Asylum Seeker Costs (14+)	£ 275	£ 293	£ 19	£258	-£ (17)	-£ (3)
Asylum Seeker Costs (ART)	£ 981	£ 243	-£ (738)	£344	-£ (637)	-£ (80)
Children Cntrl Social Wrk Serv	£ 4,510	£ 4,214	-£ (296)	£3,971	-£ (539)	£ 538
Head of ChildSociCare& YthIncl	£ 171	£ 156	-£ (16)	£126	-£ (45)	£ 202
Mash & Child Protection Serv	£ 2,355	£ 2,499	£ 144	£2,901	£ 546	-£ (241)
Safeguarding, Strndrs & Train	£ 1,268	£ 1,211	-£ (56)	£1,210	-£ (58)	-£ (98)
Senior Management	£ 288	£ 229	-£ (58)	£185	-£ (103)	-£ (24)
Children In Care and Resources	£ 10,108	£ 10,173	£ 65	£10,689	£ 603	£ 34
CSC & Youth Incl Total	£ 21,658	£ 20,750	-£ 908	£ 21,239	-£ 397	£ 563
Education						
Contracts, Proc & School Org	£ 916	£ 757	-£ (159)	£801	-£ (116)	-£ (376)
Early Years & Children Centres	£ 4,240	£ 4,033	-£ (207)	£4,134	-£ (106)	-£ (35)
Education - School Improvement	£ 52	£ 16	-£ (36)	£50	-£ (1)	-£ (314)
Education Inclusion	£ 1,644	£ 1,365	-£ (279)	£1,482	-£ (258)	-£ (84)
Schools Delegated Budget	£ -	£ -	£ -	£ -	£ -	-£ (350)
SEN & Disability Integrat Serv	£ 8,163	£ 6,857	-£ (1,306)	£7,682	-£ (558)	-£ (113)
Senior Management	£ 856	£ 1,065	£ 209	£900	£ 44	£ -
Policy, Planning & Performance	£ 568	£ 682	£ 113	£585	£ 63	£ 1,441
Departmental Business Support	£ 209	£ 154	-£ (54)	£152	-£ (56)	-£ (105)
Education Total	£ 16,647	£ 14,928	-£ (1,719)	£ 15,786	-£ (988)	£ 64

Children's Social Care and Youth Inclusion Division

Adolescent and Family Services adverse variance of £28k

The principle reason for this adverse variance was the need to make provision for an interim Specialist Youth Offending Manager following the loss of the established Head of Service. This interim Manager supported the team with planning for the expected inspection by HMIP.

Asylum Seekers 14+ adverse variance of £19k

The principle reason for the adverse variance is related to social care payments for unaccompanied asylum seeking children.

Asylum Seekers ART favourable variance of £738k

The budget underspend in this area relates mainly to the fact that £710k of the growth allocated to Children's Social Care was temporarily allocated to this area whilst work was being completed to distribute this across the other relevant budget codes. The planned distribution of this growth was due to be allocated to the correct budget lines alongside the budget realignment which will be required once the CSC&YI reorganisation is concluded. This will now happen in the next financial year.

Central Social Work Teams favourable variance of £269k

There were a number of unknowns during 2020/21 especially in relation to court work where it was unclear when services would resume. There were in particular underspends in budget lines related to court fees, counsel and social work experts related to the delay in court work.

Head of CSC & YI favourable variance of £16k

Mash and Child Protection Service adverse variance of £144k

The principle reason for the adverse variance in this budget is the additional social work staff who were temporarily relocated into the team to deal with pressures at the social care front door during the year and the challenge in recruiting permanent staff (which is consistent with other London boroughs) necessitating the use of more expensive agency social work staff.

Safeguarding, Standards and Training favourable variance of £56k

The principle reason for this variance was underspend on salaries in relation to vacant posts.

Senior Management favourable variance of £58k

The principle reasons for this variance are reduced office and expenses costs during the pandemic.

Children in Care and Resources adverse variance of £65k

The adverse variance is made up of a range of factors relating costs in the adoption and special guardianship elements of the budget.

Education Division

Contracts, Procurement and School Organisation favourable variance of £159k

The principle reason for the favourable variance is related to vacant posts within the service.

Early Years and Children's Centres favourable variance of £207k

The principle reason for the underspend is related to Covid where the general level of activity in Children's Centres was lower than usual.

School Improvement favourable variance of £36k

The principle reason for the variance relates to reduced costs in delivering training and reduced salary outgoings related to vacant posts.

Education Inclusion favourable variance of £279k

The principle reason for the favourable variance in this area has been the significant reduction of youth service activity related to Covid during this year.

SEN & Disability Integrated Service favourable variance of £1.306m

The principle reason for the favourable variance in this area relates to SEN transport and is a direct consequence of schools and colleges being closed or partially closed due to Covid during the year meaning that children and young people did not need to be transported during these periods.

Policy Planning and Performance adverse variance of £113k

The principle reason for the adverse variance is the use of agency staff for key roles whilst permanent recruitment was undertaken.

Senior Management adverse variance of £209k

The adverse variance is related to an increase in a range of fees throughout the year.

Departmental Business Support favourable variance of £54k

The favourable variance is primarily related to decreased office costs during the year.

Schools PFI adverse variance of 280k

This variance primarily relates to payments to schools.

Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget	Outturn	Outturn Variance	P10 Forecast	P10 Forecast Variance	2019/20 Outturn Variance
<i>Education</i>						
Contracts, Proc & School Org	£ 283	£ 249	-£ (33)	£ 310	£ 27	-£ (38)
Early Years & Children Centres	£ 16,274	£ 14,988	-£ (1,286)	£ 16,338	£ 64	-£ (602)
Education - School Improvement	£ 1,051	£ 1,002	-£ (49)	£ 1,068	£ 17	-£ (164)
Education Inclusion	£ 1,421	£ 1,575	£ 153	£ 1,474	£ 52	£ 206
SEN & Disability Integrat Serv	£ 16,370	£ 28,963	£ 12,593	£ 29,402	£ 13,032	£ 10,373
Sub-total	£ 35,400	£ 46,778	£ 11,378	£ 48,592	£ 13,192	£ 9,775
<i>CSC & Youth Inclusion</i>						
Adolescent & Family Services	£ 44	£ 40	-£ (4)	£41	-£ (3)	-£ (33)
Sub-total	£ 44	£ 40	-£ (4)	£ 41	-£ (3)	-£ (33)
<i>Schools Delegated Budget</i>						
DSG Reserve	£ -	-£ (12,233)	-£ (12,233)	£-	£ -	-£ (9,822)
Retained Schools Budgets	£ 2,985	£ 2,286	-£ (699)	£ 2,881	-£ (104)	-£ (470)
Schools Delegated Budget	-£ (38,429)	-£ (36,870)	£ 1,559	-£ (36,505)	£ 2,158	£ 550
Sub-total	-£ (35,444)	-£ (46,818)	-£ (11,374)	-£ (33,624)	£ 2,054	-£ (9,742)
DSG Total	£ -	£ -	£ -	£ 15,009	£ 15,243	£ -

Detailed analysis of Dedicated Schools Grant (DSG) budgets as at the end of March 2021 reports over and underspends within the four blocks of DSG that combine to an overall adverse variance of £12.231m resulting in a cumulative DSG deficit of £24.981m. The third sub-total within the above table is not directly comparable (outturn to period 10) as the outturn figure is after the DSG deficit has been posted to reserves.

Specific details are as follows:

- Merton's Schools, Central Schools Services, and Early Years blocks underspent during 2020/21 while the High Needs Block (HNB) overspent. Some of these underspends were as a result of management action to reduce the overall overspend expected in the DSG as a whole.
- The main reason for the overspend in the HNB is increased numbers of Education Health and Care Plans (EHCPs) over the past years which have not been met with corresponding increases in grant funding. This has resulted in the HNB overspend becoming progressively larger each year and growth in demand for specialist SEN placements.
- In the past, Merton was able to put plans in place to fund smaller levels of increases. The sheer volume of increase in recent years has just been too large for the borough to cover due to the limited availability of local maintained provision. Over the last few years local maintained provision has expanded considerably and there are plans to further develop local provision and this is included in our Deficit Recovery Plan. However it takes time to increase provision through expansion and new build and the full cost avoidance will take years to fully achieve.
- In the three years from January 2013 to January 2016, the total number of statements and EHCPs increased from 888 to 1,075 (increase of 187 cases, 21%). In the six years from January 2016 to January 2021, the total number of

statements and EHCPs increased from 1,075 to 2,252 (increase of 1,177 cases, 109%).

The table below reports the four DSG blocks and split of retained budgets and delegated budgets and impact of the increase on the various types of provision over the past year of DSG over and (under) spends identified to the end of March 2021:

TABLE 2- DSG (underspends) and overspends 2020/21 split of retained and delegated budgets	Schools Block	Central Block	High Needs Block	Early Years Block	Total all Blocks
	£'000	£'000	£'000	£'000	£'000
Delegated expenditure	(671)	-	2,740	(1,392)	677
Retained Items	(93)	(199)	11,752	94	11,554
Total	(764)	(199)	14,492	(1,298)	12,231

Details on the impact of the increase on the various types of provision over the past year of DSG over and (under) spends identified to the end of March 2021:

TABLE 3- Dedicated Schools Grant, (underspends) and overspends 2020/21	Schools Block	Central Block	High Needs Block	Early Years Block	Total all Blocks
	£'000	£'000	£'000	£'000	£'000
Rate adjustments	(6)				(6)
Bulge class funding	(89)				(89)
SEN statement payments to Merton maintained schools			2,496		2,496
SMART Centre			29		29
Special schools			303		303
ARP			(88)		(88)
Early Years 2/3/4 YO Offer				(1,392)	(1,392)
Schools Formula	(576)				(576)
Delegated expenditure	(671)	-	2,740	(1,392)	677
Independent placements			9,611		9,611
Out of Borough provision			2,260		2,260
FE and post 16 ISP			577		577
Sensory Team			(25)		(25)
Early years support				94	94
Parenting cover	(9)				(9)
Schools causing concern	(20)				(20)
Prudential Borrowing		(177)			(177)
School Admissions		(22)			(22)
School Meals (equipment)	(3)				(3)
Behaviour support	(17)				(17)
Attain	(39)				(39)
Tree work	(11)				(11)
School Improvement	6				6
Education Welfare			(26)		(26)
Independent Hospital provision			14		14
EHCP's Independent Residential placements			(521)		(521)
Early SEN help 0-5 years			(138)		(138)
Retained Items	(93)	(199)	11,752	94	11,554
Total	(764)	(199)	14,492	(1,298)	12,231

Specific issues to note from the above table are as follows:

- SEN EHCP payments to Merton maintained schools showed an adverse variance of £2.496m. At the end of January 21 the number of approved EHCPs was at 2252. This is the latest available census data for 2020/21 and is expected to increase further in 2021/22.
- Special school allocations showed an adverse variance of £303k due to increased numbers and top up payments in support of children's placements.
- Early Years formula is showing a favourable variance of £1.392m primarily due to COVID-19 and census changes in data collections by the DfE. We are waiting for a possible clawback of funding with regards to expenditure not exceeding 85% of funding on the 2 year old grant.
- Within the school block budget setting an allocation of £576k was earmarked for any formula changes made by the Education Skills and Funding Agency (ESFA) with the formula validation checks that are undertaken January before schools receive their individual budget allocation notifications. This was not required to support any formula changes.
- The independent day school provision has an adverse variance of £9.611m. The number of students placed in this type of provision has steadily increased over the past few years due to demand for specialist SEN provision.
- Out of borough maintained school and academy placements has an adverse variance of £2.260m. The number of places funded out of borough has increased due to the increased number of EHCPs.
- Further Education and post 16 Independent Specialist Provision has an adverse variance of £577k. This is linked to the legislation changes requiring local authorities to fund the education of SEND pupils up to the age of 25.
- Independent Residential EHCP budget showed a favourable variance of £521k.
- The combined four blocks of under and over spends for 2020/21 reports an outturn of £12.231m and cumulative DSG deficit of £24.981m.

Community & Housing

Community and Housing (C&H) outturn position for the financial year 2020/21 is a favourable variance of £2.3m. Financial year 2020/21 was a very unusual year with the department at the forefront of the borough's response to the covid-19 pandemic. It was particularly difficult at times to forecast the expected expenditure for adult social care due to the frequent changes in the national guidance, suspension of customer charges, changes in discharges responsibilities regarding health and social care and the rates of infection.

Community & Housing Summary Outturn Position

Community and Housing	2020/21 Current Budget £'000	2020/21 Outturn Mar'21 £'000	2020/21 Outturn Variance Mar'21 £'000	2020/21 Forecast Variance Jan'21 £'000	2020/21 Covid-19 outturn Mar'21 £'000	2019/20 Outturn Variance £'000
Adult Social Care	59,056	56,109	(2,947)	(1,142)	207	(717)
Libraries and Heritage	2,448	2,643	195	233	250	70
Merton Adult Learning	(1)	(1)	0	0	0	0
Housing General Fund	2,147	2,636	489	480	0	328
Public Health	0	0	0	0	0	0
Total (Favourable)/ Unfavourable	63,650	61,387	(2,263)	(429)	457	319

Adult Social Care £2.9m Favourable Variance

There were a number of unknowns during 2020/21 regarding costs surrounding placements related expenditure.

There were an above average number of deaths of social care users in March and April 2020, although the mortality rates were lower than average for the rest of the year. However, in terms of costs avoided, the service saw a greater reduction in expenditure than a usual year when deaths are more evenly distributed.

From May 2020, the NHS stepped in to pay for hospital discharges into nursing homes in order to avoid delays. This was the case until July 2020, The NHS was committed to meet the costs each person until they were discharged. However, from July 2020 their commitment was reduced to six weeks. The scheme was limited to a further three months but was extended again. At each stage the borough was told to expect to pick up the costs of these placements the moment the scheme ended. The forecast was reviewed each month in the light of the new information, but it was only late in the year that we learned that the scheme would be extended into the new financial year and the expected costs would not be met by Adult Social Care in 2020/21.

During the year a number of service users and their families suspended care packages, particularly home care, deciding instead to undertake the care themselves. We were notified of this, we adjusted the forecast accordingly. However, we did not know how long each suspension would last and had to make a prudent assumption for three months. As it turned out, many were suspended for longer.

Adult Social Care- Internal Provision- £241k Favourable Variance

This service favourable outturn variance was £241k which is due to closure of some day centres for most of the financial year, less than expected spend on additional bank staff as the Day Service staff were used to support other services in Adult Social Care.

Several activities which should have taken place across Supported Living leading up to and over Christmas were cancelled due to lockdown so extra staff hours which would have been needed were not used.

The service was assisted by approximately £40k from the Infection Control Grant across Residential and Supported Living.

However, the service suffered a loss of income from out of borough customers not attending day centres as well as from being unable to lease rooms out at the centres. Mascot also suffered income losses from individual customers; some families moved in or were more available to provide support and cancelled the service, and Housing Associations have sought to find savings by reducing their contracts.

C&H-Other Services

Libraries-£195k Adverse Variance

This service forecasted an unfavourable variance of £233k as at January but due to mitigating measures this was reduced to £195k. A major issue during 2020/21 was a loss of income due to the pandemic which resulted in the closure of libraries. There were also additional pressure on this budget due to one-off business rates of £66k and pressure from increased security cost of contract due to the Living Wage and

inflationary increase.

During 2020/21 this service began an innovative loaning scheme of lending equipment including laptops to residents and library staff supported many community initiatives including the setting up of the Community Response Hub and the Shielding Service

Merton Adult Learning – Breakeven

Merton Adult Learning forecasted a breakeven position throughout the financial year and achieved a breakeven position. This service is grant funded by the Greater London Authority (GLA) and to a smaller extent by the Education and Skills Funding Agency (ESFA). The grant covers all contracts commissioned and the management cost for the service.

During 2020/21 Adult Learning successfully bid for £540k of additional funding over two years from the GLA to expand the skills offer and to respond to changes in the job market to assist with reskilling residents. Part of the funding is aimed at improving access to IT for those without it so that they can both benefit from online learning and improve their IT skills.

Housing - £489k – Adverse Variance

The Housing service outturn is as expected. Forecasting in this area was accurate.

During 2020/21 there was an increase in temporary accommodation (TA) during the autumn months but numbers reduced from December due to the availability of move on accommodation in Housing Association and private sector vacancies.

The numbers of households living in temporary accommodation in Merton remains the lowest in London. As at the end of March there were 197 households accommodated under the homeless legislation. There are however 9700 families in Merton waiting to be permanently rehoused.

The service continues to work towards eliminating the worst form of homelessness i.e. rough sleeping in partnership with the GLA and other statutory bodies including Adult Social Care and works closely with Faith Groups, and the private rented sector to find solutions.

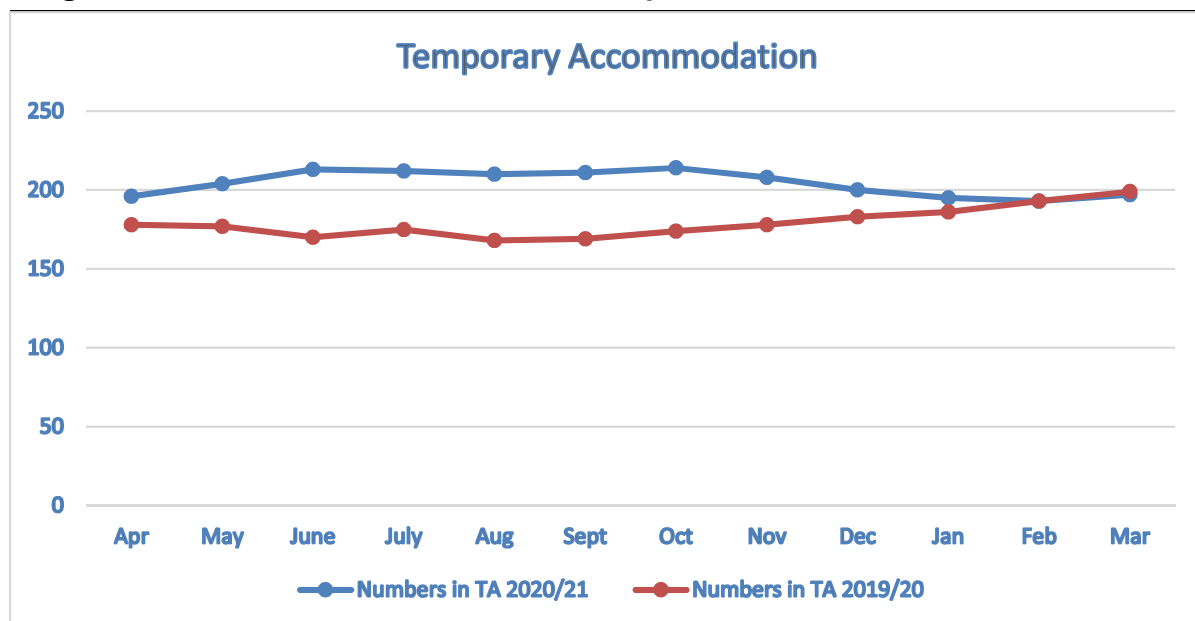
A main concern to the department is financial impact of the anticipated surge in temporary accommodation clients once the moratorium on evictions is lifted.

The table below shows the number of homelessness prevented for the financial year 2020/21

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month	Previous Year
Mar'17	-	-	186	Position as at March for previous financial year ←
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
Mar'21	11	7	197	
			2020/21	2019/20
Apr'20	5	8	196	178
May'20	18	10	204	177
June'20	21	12	213	170
July'20	13	14	212	175
Aug'20	13	15	210	168
Sept'20	15	14	211	169
Oct'20	18	15	214	174
Nov'20	10	16	208	178
Dec'20	11	19	200	183
Jan'21	4	9	195	186
Feb'21	11	13	193	193
Mar'21	11	7	197	199

The above table shows the highest number of households in temporary accommodation occurred in June 2020 (213) then reduced during the summer then increased again in October which was lockdown 2. However numbers began reducing from November 2020 and ended at (197) in March 2021. It is therefore apparent that numbers increased during the pandemic and gradually reduced once alternative accommodation became available.

Diagram below shows Number in TA Compared to 2019/20



Analysis of Housing and Temporary Accommodation Expenditure to March 2021.

Housing Services	Budget 2020-21	Outturn (Mar'21)	Outturn Variances (Mar'21)	Forecasted Variances (Jan'21)	Outturn Variances (March'20)
	£000	£'000	£'000	£000	£000
Temporary Accommodation-Expenditure	2,403	3,689	1,286	1,427	1,002
Temporary Accommodation-Client Contribution	(140)	(393)	(253)	(247)	(321)
Temporary Accommodation-Housing Benefit Income	(2,005)	(2,936)	(931)	(1,012)	(535)
Temporary Accommodation-Subsidy Shortfall	322	1,351	1,029	1,078	793
Temporary Accommodation-Grant	0	(851)	(851)	(831)	(766)
Subtotal Temporary Accommodation	580	860	280	415	173
Housing Other Budgets	1,567	1,776	209	65	155
Total Controllable (Favourable)/Adverse Variance	2,147	2,636	489	480	328

Public Health –Favourable Position

Public Health achieved a favourable position which was transferred to reserves. The pandemic resulted in the postponement of a number of projects which resulted in a favourable outcome.

During the financial year the service also secured LGA funding for a Behavioural Insights project to design, implement and evaluate behavioural insights to tackle idling to protect environment and health.

Potential Cost pressures:-

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

The division is and was involved in a number of COVID – 19 government initiatives to contain the pandemic.

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

Section 4 Corporate Items

These budgets cover a wide range of significant areas including treasury management, contingency, contributions to past service deficiency on the pensions fund and contributions from government grants and use of reserves. The details comparing actual expenditure with budget are contained in Appendices 1. The summary position of corporate expenditure items is as follows:-

Corporate Items	Current Budget 2020/21 £000s	Full Year Forecast (Mar.) £000s	Forecast Variance at year end (Mar.) £000s	Forecast Variance at year end (Jan.) £000s	Outturn Variance 2019/20 £000s
Impact of Capital on revenue budget	11,190	11,163	(27)	(19)	(161)
Investment Income	(707)	(848)	(141)	(83)	(704)
Pension Fund	254	2,900	2,646	(254)	(104)
Pay and Price Inflation	250	0	(250)	(100)	(100)
Contingencies and provisions	2,588	2,919	331	(250)	(154)
Income Items	(8,185)	(773)	7,413	0	(343)
Appropriations/Transfers	38,180	30,332	(7,848)	0	0
Central Items	32,381	34,530	2,149	(687)	(1,405)
Levies	962	962	0	0	(1)
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
Overheads	(373)	(373)	0	0	0
TOTAL CORPORATE PROVISIONS	18,566	20,688	2,122	(706)	(1,567)
COVID-19 Emergency expenditure	0	5,356	5,356	8,273	176
TOTAL CORPORATE EXPENDITURE inc. COVID-19	18,566	26,044	7,478	7,567	(1,391)

From an early stage in the financial year, it became clear that there would be severe pressures on service department budgets, particularly in demand led services such as Adult Social Care and Children's Social Care but also on income budgets such as parking due to COVID-19. In addition, concern continued regarding the level of DSG deficit which resulted in a negative reserve brought forward from 2019/20 and an increasing deficit for future years. It was therefore necessary to monitor corporate provisions carefully throughout 2020/21 in order to offset the forecast overspends due to COVID-19 and DSG as far as possible by underspends in corporate budgets, mainly in contingencies held to provide flexibility in the event of such pressures. Cabinet agreed appropriations to reserves during 2020/21. There was significant grant funding received from the government during 2020/21 for COVID-19 which brought its own challenges as sometimes the communication channels were not as efficient as they could have been and administration and accounting for grants required careful monitoring.

The main variances in corporate items are:

Capital Financing Costs (Favourable variance £0.027m)

There was an underspend mainly due to slippage in the capital programme.

Investment income (Favourable variance £0.141m)

The increase in income is due to improved interest rates and amounts invested than assumed in the budget.

Pension Fund (Unfavourable variance £2.646m)

This was mainly due to a £2.9m adjustment arising from the bulk transfer of staff from the London Borough of Merton Pension Fund to the London Borough of Croydon Pension Fund relating to the South London Waste Partnership.

Provision for Pay and Price Inflation (Favourable variance £0.250m)

This provision was closely protected during the year as provision for the DSG deficit and COVID-19.

Contingencies and Provisions (Unfavourable variance £0.331m)

Favourable variances in corporate contingencies held as provision for the DSG deficit were mainly offset by an unfavourable variance of £0.888m in the Bad Debt provision which was increased significantly in light of the coronavirus pandemic and the inevitable impact it will have in future years.

Transfer to Reserves of Service Department Underspends (£8.640m)

The transfers to reserves of service department underspends has been managed via corporate provisions

Section 31 Grant

The original estimate for Section 31 grant funding for Business Rates reliefs was based on a January 2020 projection but this was exceeded by £0.382m.

Coronavirus Pandemic: COVID-19 Unfavourable variance (£5.356m)

The Coronavirus Pandemic hit the UK after the budget was set and there was therefore no budget for the implications of this. Details of Covid-19 expenditure and grant funding are summarised elsewhere in the report.

Section 5 - Other Information

Progress on Savings 2020/21

Department	Target Savings 2020/21	Achieved Savings 2020/21	Period 12 Shortfall	Shortfall (P12)	Period 10 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,835	883	32.5%	987	180
Children Schools and Families	2,969	2,305	664	22.4%	734	300
Community and Housing	2,460	2,432	28	1.1%	892	128
Environment and Regeneration	3,927	554	3,373	85.9%	3,040	2,067
Total	12,074	7,126	4,948	41.0%	5,653	2,675

Details are provided in Appendix 3

Progress on Savings 2019/20

Department	Savings Target 2019/20	Shortfall 2019/20	Shortfall 2020/21	Projected Shortfall 2021/22
	£000	£000	£000	£000
Corporate Services	1,484	100	70	50
Children Schools and Families	572	0	0	0
Community and Housing	1,534	118	0	0
Environment and Regeneration	2,449	1,612	2,079	0
Total	6,039	1,830	2,149	50

Details are provided in Appendix 3A

Schedule of covid related grants received and year end balances

COVID-19 Grants Summary	Grant received 2020/21 £000	Spend 2020/21 £000	Balance £000	COMMENT; e.g. re future action
Emergency Active Travel Fund	10	10	0	
Covid Winter Grant	476	476	0	
Businesses Discretionary Grant Fund Allocation	1,324	1,324	0	
Small businesses and Retail Hospitality & Leisure grant scheme- Admin grant	130	130	0	
Local Restriction Support Grants new burdens admin grant	59	59	0	
Defra - Covid19 Emergency Food & Support	176	176	0	
Net Step Accommodation	174	174	0	
Covid-19 Rough Sleepers	11	11	0	
Fully Applied in-year	2,359	2,359	0	
Reopening High Streets Safely Fund	0	33	(33)	Claimed in arrears, so debtor raised at year-end.

VOC SW19 Surge	0	58	(58)	Claimed in arrears, so debtor raised at year-end. Received in May 2021 £57.6k
Operation Eagles Surge	0	138	(138)	Claimed in arrears, so debtor raised at year-end. Received in April 2021 £173.7k
LFT Testing	0	599	(599)	Claimed in arrears, so debtor raised at year-end. Received in June 2021 £567.4k
Cold Weather Rough Sleepers	0	10	(10)	Claimed in arrears, so debtor raised at year-end. Received in May 2021 £10k
Project Plus Fund	0	20	(20)	Claimed in arrears, so debtor raised at year-end. Received in May 2021 £20k
Debtors	0	857	(857)	
Self-isolation payments funding (test and trace support payments)	498	253	246	
Self-isolation payments funding (test and trace support payments) - Admin Grant	70	65	5	
Local Restriction Support Grants	30,550	11,456	19,094	Grants received to be paid out to businesses during 2021/22
Community Testing	84	80	4	
CEV Support (Covid Support)	238	50	187	
Receipts in Advance	31,440	11,904	19,536	
Local Authority Compliance and Enforcement Grant	93	79	14	Awaiting confirmation as to whether this can be carried forward to 2021/22, or returned.
National Leisure Recovery fund	381	2	379	LBM acting as agent, so £379k to be given to GLL.
Business Support Grant - Small Businesses & Retail, hospitality and Leisure businesses	28,270	28,160	110	Balance is grants returned, to be repaid to govt.
Workforce Capacity Social Care	374	270	104	Repayable
ASC - Rapid Testing Fund	331	284	47	Repayable
Infection Control Fund	2,835	2,781	53	Repayable
Creditors - amount to be returned	32,284	31,576	708	
Outbreak Control (Test & Trace)	1,585	244	1,341	LOMP funding
Outbreak Contains Management (COMF)	4,367	728	3,639	LOMP funding
Reserves = Balance on COVID - 19: Year End balances	5,952	972	4,979	
Non ring-fenced grants held corporately:				
Sales, Fees and Charges compensation	8,971	8,971	0	Income losses in services
Local Authority Support Grant - Tranches 1-4	14,467	14,467	0	Expenditure and savings unachieved due to COVID
Council Tax Hardship Fund	1,484	1,484	0	Cipfa bulletin 09 (para.16-20)

Non ring-fenced grants held corporately	15,951	15,951	0
*Total COVID-19 Government Grant	87,987	63,620	24,367

* Excludes expanded retail discounts on business rates payable to the Council as section 31 grant in lieu of lost business rates income.

Debt Report

The report on debt at year end is provided in Appendix 4

Quality of forecasting

The forecasting by department and reasons for variances is attached as Appendix 5.

Section 6 Reserves Position

Usable Reserves	Balance at 31st Mar 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31st Mar 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31st Mar 2021 £000
General Fund:							
Balances held by schools	(5,187)	2	9,480	4,295	29,406	(45,430)	(11,729)
General Fund Balances	(12,778)	0	(1,000)	(13,778)	0	(222)	(14,000)
Earmarked reserves	(48,107)	17,240	(28,740)	(59,607)	33,123	(57,455)	(83,939)
Business Rates & TIG	0	0	0	0	0	(14,418)	(14,418)
Total General Fund	(66,072)	17,242	(20,260)	(69,090)	62,529	(117,525)	(124,086)
Capital:							
Capital Receipts Reserves (CRR)	(9,228)	9,597	(2,428)	(2,059)	4,028	(2,420)	(451)
Capital Grants Unapplied (CGU)	(17,006)	9,632	(14,526)	(21,900)	3,878	(5,852)	(23,875)
Total Capital	(30,237)	19,229	(16,954)	(23,959)	7,906	(8,272)	(24,325)
Total Usable Reserves	(92,366)	36,471	(37,214)	(93,049)	70,436	(125,797)	(148,411)

Usable Reserves	Balance at 31st Mar 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31st Mar 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31st Mar 2021 £000
Earmarked Schools balances	(7,994)	0	(361)	(8,355)	0	(3,223)	(11,578)
Schools Fund	(102)	2	0	(100)	0	(50)	(150)
DSG reserve	2,909	0	9,841	12,750	29,406	(42,157)	(0)
Total balances held by Schools	(5,187)	2	9,480	4,295	29,406	(45,430)	(11,729)

Reserve	Balance at 31st Mar 2019 £000	Net Transfer (to)/from Reserve £000	Balance at 31st Mar 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31st Mar 2021 £000
Outstanding Council Programme Board	(4,432)	(739)	(5,171)	2,769	(3,102)	(5,504)
For use in future years' budgets	(10,551)	(651)	(11,202)	10,197	(6,919)	(7,924)
Revenue Reserve for Capital/Revenuisation	(4,610)	197	(4,413)	1,586	(1,040)	(3,867)
Renewable energy reserve	(1,523)	(298)	(1,821)	29	0	(1,792)
Repairs and renewals fund	(2,090)	0	(2,090)	0	0	(2,090)
Pension fund additional contribution	(453)	0	(453)	0	0	(453)
Local land charges	(2,258)	(127)	(2,385)	0	(194)	(2,579)
Apprenticeships	(1,093)	118	(975)	(948)	0	(1,923)
Community care reserve	(1,386)	490	(896)	0	0	(896)
Local welfare support reserve	(377)	62	(315)	51	(500)	(764)
Corporate services reserves	(2,249)	247	(2,002)	13	(1,218)	(3,207)
Spending Review Reserve	(3,100)	(4,635)	(7,735)	0	(16,009)	(23,744)
COVID-19 Emergency Funding: Merton Council funding	0	(6,173)	(6,173)	4,789	(4,586)	(5,970)
Wimbledon tennis courts renewal	(150)	0	(150)	0	0	(150)
Governor support reserve	(28)	0	(28)	0	0	(28)
New homes bonus scheme	(122)	0	(122)	0	0	(122)
Adult social care grants	(4,194)	132	(4,062)	974	(737)	(3,825)
Culture & environment contributions	(402)	202	(200)	22	(16)	(193)
Culture & environment grants	(266)	(328)	(594)	169	(3)	(428)
Children & education grants	(475)	291	(184)	1,225	(1,384)	(343)
Housing GF grants	(704)	(161)	(865)	0	0	(865)
Public health grant reserve	0	0	0	5,563	(6,057)	(494)
Insurance reserves	(1,955)	0	(1,955)	0	0	(1,955)
Schools PFI fund	(5,629)	(162)	(5,791)	6,292	(6,793)	(6,292)
CSF Reserves	(60)	35	(25)	390	(416)	(52)
Business Rates & TIG- Covid-19 Adjustments Reserve	0	0	0	0	(14,418)	(14,418)
COVID-19: Year end balances See schedule	0	0	0	0	(4,979)	(4,979)
Your Merton Fund	0	0	0	0	(1,000)	(1,000)
Voluntary Sector Support/Merton Giving	0	0	0	0	(500)	(500)
Climate Change Reserve	0	0	0	0	(2,000)	(2,000)
Grand Total	(48,107)	(11,500)	(59,607)	33,123	(71,873)	(98,357)

Section 7 CAPITAL

Outturn and Budget Management

The table (a) below shows that Total Capital Expenditure for 2020/21 is £16.9 million compared to the total projected by budget managers in November 2020 of £23.1 million (this equates to a negative variance of 26.9%). November is used for capital variances due to the funding decisions taken at this time for balancing the revenue budget. It is envisaged that this forecast would have been much closer if the expenditure had not continued to be reduced by the restrictions caused by Covid 19.

Department	November Budget Monitoring 2020-21	December 2020 & January 2021 Monitoring	Final Budget 2020-21	Final Outturn 2020-21	Outturn Variance to Final 2020-21 Budget	November Forecast For Year	% Variance to November Forecast
Column	(1)	(2)	(3)	(4)	(5)	(6)	(8)
			(1)+(2)		(4)-(3)		(7)/(6)
Corporate Services	10,487,400	0	4,207,890	3,080,648	(1,127,242)	3,994,941	(22.89)
Community and Housing	1,049,000	0	899,000	763,581	(135,419)	1,049,000	(27.21)
Children, Schools & Families	2,765,230	0	2,750,230	2,312,293	(437,937)	2,665,418	(13.25)
Environment & Regeneration	15,455,600	85,120	14,040,770	10,773,777	(3,266,993)	15,439,786	(30.22)
Total	29,757,230	85,120	21,897,890	16,930,299	(4,967,591)	23,149,145	(26.86)

Appendix 2a provides additional information on the individual variances on schemes.

Movement in the Funding of the 2020/21 Capital Programme

In funding the Capital Programme for budget setting finance officers reduce budget manager estimates to overcome their optimism bias. As part of the Business Planning Process for 2021-25 officers reduced the estimated outturn for 2020-21 from £21.9 million to £17.1 million. The table below summarises the impact this reduction had on the funding of the programme.

Capital Expenditure	2020/21 Estimate £000 (1)	Actual 2020/21 (2)	Variance	Narrative
Capital Expenditure Budget/ Managers Forecasts P8	29,757,230	23,149,145		(1) Budget at November 2020 P8 (2) Budget Managers Forecast for November 2020 (P8)
Projected and Actual Difference to Outturn	(12,639,937)	(6,218,846)		
Total Projected and Actual Capital Expenditure	17,117,293	16,930,299	(186,994)	(1) Forecast Outturn MTFS (2) Outturn 2020-21
Financed by:				
Capital Receipts	3,623,235	4,028,331	405,096	Q4 RTB of £559k, VAT Shelter Q3&4 £248k and £26k Salix loans as repayments have finished
Capital Grants & Contributions	12,600,116	11,362,771	(1,237,345)	£1.7m of School Condition Grant not applied generally to the programme - offset by greater use of Cap Rec & Rev Reserve
Revenue Provisions	893,942	1,539,198	645,256	Comprises the Revenue Reserve for Capital and the OCPB Reserve
Net financing need for the year	0	0		

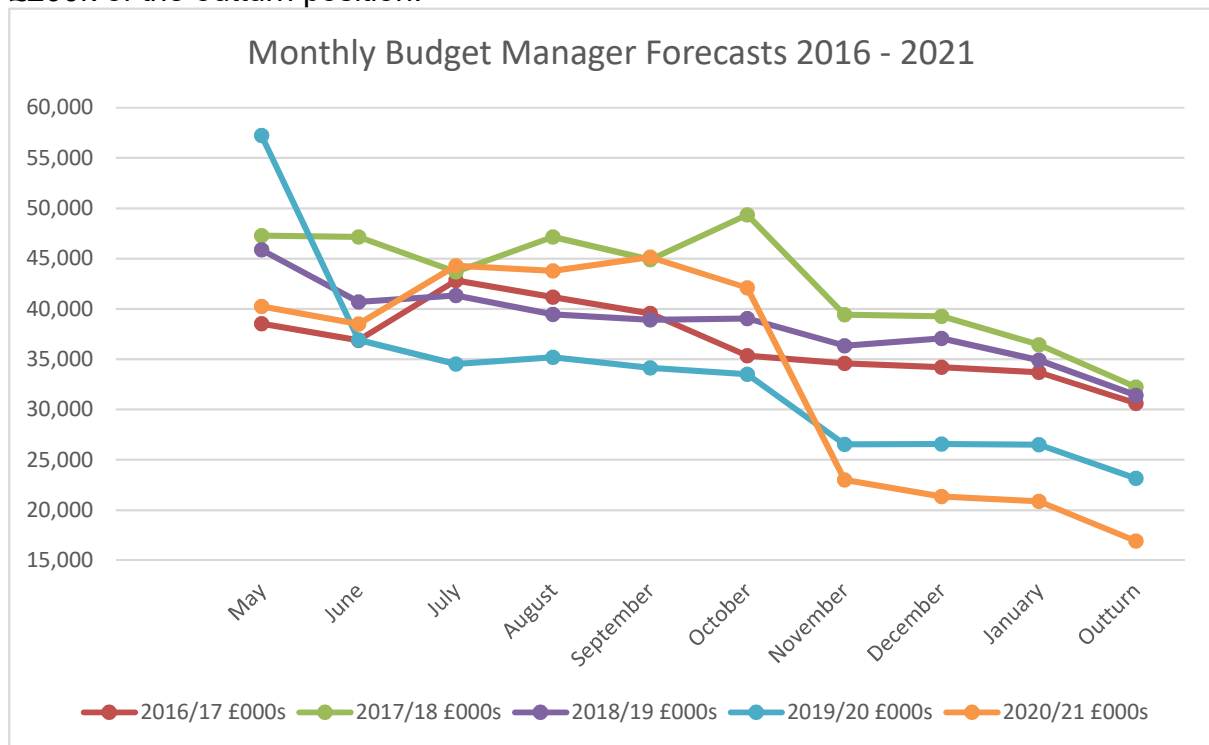
Movement in the 2019/20 Original Approved Programme

The Capital Programme for 2020/21 as approved in March 2020 was £47.2 million. Subsequently, slippage from 2019/20 of £3.7 million was added, and new funding of £10.5 million giving an effective opening programme of £61.4 million. However, during the financial year there was a net reduction in the overall programme mainly from budget being re-profiled into subsequent financial years. These movements are shown in Table (b) below. When final capital outturn is compared to the original capital programme the total slippage is 72%.

Depts.	Original Budget 20/21	Net Slippage 2020/21	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 20/21
Corporate Services	22,100	2,000	(7,661)	4,577	130	(16,937)	4,208
Community & Housing	2,004	189				(1,294)	899
Children Schools & Families	4,566	480		1,034		(3,330)	2,750
Environment and Regeneration	18,530	1,061	(2,076)	4,680	47	(8,201)	14,041
Total	47,199	3,730	(9,737)	10,291	177	(29,762)	21,898

Capital - Monthly Managers Forecast Spend to Outturn

The graph below shows the monthly forecasting by managers of the outturn spend on capital over the last 5 years. The forecasting trend during 2020/21 followed the pattern of previous years and there was a continuing problem with the quality of forecasting around November when the Medium Term Financial Strategy is being prepared. The overestimate in spending feeds through into an overestimate of the budget for capital charges in the following year. It should be noted that centrally finance officers adjust the total projected capital spend from departments downwards for optimism bias when funding the programme. This year the outturn estimate for funding purposes was reduced to £17.1 million, this estimate was within £200k of the outturn position.



Considerable time was spent with budget managers profiling their budgets in 2020-21 this work will continue in 2021-22

The Level of Re-Profiling / Slippage from 2020/21

The table below summaries management proposals for treatment of slippage and overspends from the 2020/21 programme this is detailed in Appendix 2B.

Department	Total Year End Variance 2020/21	Recommend Accept Slippage incl. Slippage	Surrender/ Lease/Loan	Funded from Reserves etc	Bring Forward from 2021/22
	£000's	£000's	£000's	£000's	£000's
Corporate Services	(1,127)	1,123	(19)	24	0
Community and Housing	(135)	225	0	0	(89)
Children, Schools & Families	(438)	465	20	(14)	(33)
Environment & Regeneration	(3,267)	3,317	174	(48)	(176)
Total	(4,968)	5,130	174	(38)	(298)

After offsetting minor under and overspends within the programme eight schemes require clawback of budget from 2021-22, this clawback totals £298k. The eight schemes are Disabled Facilities Grants £89k, Hillcross, Dundonald, Gorrington Park, St Marks and Perseid Capital Maintenance £13k, New ASD Provision £20k and Canons Parks for the People – Parks £176k. This timing difference in spending and budget provision has been offset by drawing back the budget from 2021/22.

The Table below summarises the proposed slippage and clawback between 2020-21 and 2021-22 and how these adjustments are funded.

Summary of Slippage and Clawback between 2020-21 and 2021-22 and Funding

Summary	Slipped £	Clawback £	Total £	SCIL	NCIL	S106	HLF Grant	Other Grant	TfL	OCPB	Other
Corporate Services	1,123,120	0	1,123,120	0	0	0	0	497,240	0	147,860	478,020
Community and Housing	224,830	(89,410)	135,420	0	0	25,000	0	(89,410)	0	0	199,830
Children Schools & Families	465,030	(33,150)	431,880	0	0	0	0	431,880	0	0	0
Environment and Regeneration	3,316,820	(175,830)	3,140,990	1,651,216	226,870	96,230	207,800	157,000	294,940	0	506,934
Total	5,129,800	(298,390)	4,831,410	1,651,216	226,870	121,230	207,800	996,710	294,940	147,860	1,184,784

Revised Capital Programme 2021-25: Appendices 2C and 2C1 provide details of the proposed movements in the approved Capital Programme 2021-25 for approval, this position is summarised in the two tables below:

Proposed Revisions to Capital Programme 2021-22

Summary	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TTL 2021-22	Clawback	Revised Budget 2021-22
Corporate Services	11,204,720	1,123,120	(1,876,000)	0	0	0	0	10,451,840
Community and Housing	1,132,400	224,830	0	0	0	0	(89,410)	1,267,820
Children Schools & Families	9,050,190	465,030	(2,340,000)	971,620	0	0	(33,150)	8,113,690
Environment and Regeneration	19,408,050	3,316,820	(2,240,000)	(208,050)	0	0	(175,830)	20,100,990
Total	40,795,360	5,129,800	(6,456,000)	763,570	0	0	(298,390)	39,934,340

Capital Programme 2022-25

Summary	Budget 2022-23	Reprofiled from 2021-22	Revised Budget 2022-23	Budget 2023-24	Reprofiled to 2024-25	Revised Budget 2023-24	Budget 2024-25	Reprofiled from 2023-24	Revised Budget 2024-25
Corporate Services	4,941,840	1,876,000	6,817,840	5,245,000	0	5,245,000	13,734,080	0	13,734,080
Community and Housing	2,450,000	0	2,450,000	752,000	0	752,000	280,000	0	280,000
Children Schools & Families	1,900,000	2,340,000	4,240,000	1,900,000	0	1,900,000	1,900,000	0	1,900,000
Environment and Regeneration	8,427,000	392,000	8,819,000	7,516,000	(152,000)	7,364,000	5,324,000	2,000,000	7,324,000
Total	17,718,840	4,608,000	22,326,840	15,413,000	(152,000)	15,261,000	21,238,080	2,000,000	23,238,080

Funding the Budgeted Capital Programme 2021-25: The Table below summarises the funding of the budgeted capital programme 2021-25, additional departmental detail is contained within Appendix 2D

Funding the Budgeted Capital Programme 2021-25

Description of Funding	2021-22	2022-23	2023-24	2024-25
Strategic CIL	(9,924,385)	(3,280,000)	(100,000)	0
Neighbourhood CIL	(1,008,450)	0	0	0
Section 106	(300,890)	(1,483,000)	(145,000)	0
Revenue Contributions	(30,400)	(2,421,840)	(55,000)	(55,000)
Clarion CPO Contribution	(147,860)	0	0	0
Corporate Reserves	(739,300)	0	0	0
Transport for London	(1,300,000)	(1,300,000)	(1,300,000)	(1,300,000)
Heritage Lottery Fund	(1,205,380)	0	0	0
School Condition Grant	(4,179,187)	(1,900,000)	(1,900,000)	(1,900,000)
High Needs Provision Grant	(2,192,305)	0	0	0
Devolved Formula Capital	(356,453)	0	0	0
Disabled Facilities Grant	(737,590)	(827,000)	(249,864)	0
Other Ringfenced Grants	(804,240)	0	0	0
Capital Receipts	(1,350,820)	(900,000)	(900,000)	(900,000)
Borrowing	(9,018,140)	(10,215,000)	(10,611,136)	(19,083,080)
Total	(33,295,400)	(22,326,840)	(15,261,000)	(23,238,080)

8 CONSULTATION UNDERTAKEN OR PROPOSED

8.1 All relevant bodies have been consulted.

9 TIMETABLE

9.1 In accordance with current financial reporting timetables.

10. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. LEGAL AND STATUTORY IMPLICATIONS

11.1 All relevant implications have been addressed in the report.

12 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

12.1 Not applicable

13 CRIME AND DISORDER IMPLICATIONS

13.1 Not applicable

14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

14.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

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

Appendix 1	Corporate items
Appendix 2A	Capital Programme Outturn Position 2020/21
Appendix 2B	Proposed Budget to be Slipped to 2020/21
Appendix 2C&C1	Current Capital Programme 2020-24 including Slippage
Appendix 2D	Funding the Budgeted Capital Programme 2020-24
Appendix 3	Progress on savings 20/21
Appendix 3A	Progress on savings 19/20
Appendix 4	Debt Report
Appendix 5	Quality of forecasting

16 BACKGROUND PAPERS

16.1 Budgetary Control files held in the Corporate Services department.

17. REPORT AUTHOR

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APPENDIX 1

3E. Corporate Items	Original Budget 2020/21 £000s	Current Budget 2020/21 £000s	Year to Date Budget (Mar.) £000s	Year to Date Actual (Mar.) £000s	Full Year Forecast (Mar.) £000s	Forecast Variance at year end (Mar.) £000s	Forecast Variance at year end (Jan.) £000s	Outturn Variance 2019/20 £000s
Cost of Borrowing	11,190	11,190	11,190	11,163	11,163	(27)	(19)	(161)
Impact of Capital on revenue budget	11,190	11,190	11,190	11,163	11,163	(27)	(19)	(161)
Investment Income	(707)	(707)	(707)	(848)	(848)	(141)	(83)	(704)
Pension Fund	340	254	254	2,900	2,900	2,646	(254)	(104)
Corporate Provision for Pay	2,231	100	100	0	0	(100)	(100)	0
Corporate Provision for NMW	1,500	0	0	0	0	0	0	0
Provision for excess inflation	450	150	150	0	0	(150)	(100)	(100)
Pay and Price Inflation	4,181	250	250	0	0	(250)	(200)	(100)
Contingency	1,500	365	365	0	0	(365)	0	(500)
Single Status/Equal Pay	100	100	100	0	0	(100)	(100)	0
Bad Debt Provision	500	500	500	888	888	388	250	1,304
Loss of income - P3/P4	400	0	0	0	0	0	0	(100)
Loss of HB Admin grant	34	23	23	0	0	(23)	0	(34)
Apprenticeship Levy	450	300	300	220	220	(80)	0	(22)
Revenuisation and miscellaneous	3,384	1,300	1,300	1,811	1,811	511	(250)	(802)
Growth - Provision against DSG	16,009	0	0	0	0	0	0	0
Contingencies and provisions	22,378	2,588	2,588	2,919	2,919	331	(100)	(154)
Other income	0	(6,222)	(6,222)	1,191	1,191	7,413	0	(186)
CHAS IP/Dividend	(1,963)	(1,963)	(1,963)	(1,963)	(1,963)	0	0	(157)
Income items	(1,963)	(8,185)	(8,185)	(773)	(773)	7,413	0	(343)
Appropriations: CS Reserves	(908)	391	391	391	391	0	0	0
Appropriations: E&R Reserves	(317)	(292)	(292)	(292)	(292)	(0)	0	0
Appropriations: CSF Reserves	(360)	566	566	566	566	0	0	0
Appropriations: C&H Reserves	(104)	4,542	4,542	4,542	4,542	0	0	0
Appropriations: Public Health	(1,200)	494	494	494	494	0	0	0
Appropriations: Corporate	(8,386)	32,479	32,479	24,631	24,631	(7,848)	0	0
Appropriations/Transfers	(11,275)	38,180	38,180	30,332	30,332	(7,848)	0	0
Depreciation and Impairment	(23,351)	(25,593)	(25,593)	(25,593)	(25,593)	0	0	0
Central Items	793	17,978	17,978	20,100	20,100	2,122	(656)	(1,566)
Levies	962	962	962	962	962	0	0	(1)
Overheads	(373)	(373)	(373)	(373)	(373)			
TOTAL CORPORATE PROVISIONS	1,381	18,566	18,566	20,688	20,688	2,122	(656)	(1,567)
COVID-19 Expenditure	0	0	0	5,356	5,356	5,356	8,273	176
TOTAL CORPORATE EXPENDITURE inc. COVID-19	1,381	18,566	18,566	26,044	26,044	7,478	7,617	(1,391)

Capital Outturn Position 2020-21

Summary	Budget	Outturn	Variance
Corporate Services	4,207,890	3,080,648	(1,127,242)
Community and Housing	899,000	763,581	(135,419)
Children Schools & Families	2,750,230	2,312,293	(437,937)
Environment and Regeneration	14,040,770	10,773,777	(3,266,993)
Total	21,897,890	16,930,299	(4,967,591)

Corporate Services	Budget	Outturn	Variance
Customer, Policy & Improvement			
Customer Contact Programme	124,000	0	(124,000)
Facilities Management - Works to Buildings			
Capital Building Works	701,690	626,111	(75,579)
Civic Centre Staff Entrance	7,200	0	(7,200)
Facilities Management - Invest to Save			
Project General	61,860	36,311	(25,549)
Photovoltaics & Energy Conserv	20,000	2,109	(17,891)
De-Carbonisation Scheme	497,240	0	(497,240)
Business Systems			
Environmental Asset Management	0	0	0
Capita Housing	100,000	28,080	(71,920)
ePayments Project	157,050	183,976	26,926
Kofax Scanning	0	9,248	9,248
Spectrum Spatial Analyst Repla	229,220	180,673	(48,547)
Regulatory System	28,640	0	(28,640)
Parking System	17,880	24,145	6,265
EHCP Hub	11,310	1,989	(9,321)
SEN Case Management System	234,880	87,024	(147,856)
Infrastructure & Technology			
Project General	390,000	311,750	(78,250)
Data Centre Support Equipment	192,650	110,122	(82,528)
PABX Replacement	192,850	83,594	(109,256)
Network Switch Upgrade	200,000	216,113	16,113
IT Equipment	120,000	171,253	51,253
COVID19 Equipment	0	109,375	109,375
Office 365	421,420	347,953	(73,467)
Corporate Items			
Multi-Functioning Device (MFD)	400,000	450,820	50,820
Housing Company	100,000	100,000	0
Total Corporate Services	4,207,890	3,080,648	(1,127,242)
Community and Housing	Budget	Outturn	Variance
Housing			
Disabled Facilities Grants	500,000	589,411	89,411
Learning Dsbility Aff Housing	25,000	0	(25,000)
Libraries			
Library Enhancement Works	0	0	0
Library Self Service Project	350,000	174,171	(175,829)
Library Management System	24,000	0	(24,000)
Total Community and Housing	899,000	763,581	(135,419)

Capital Outturn Position 2020-21

Children, Schools and Families	Budget	Outturn	Variance
Primary			
West Wimb - Schools Capital maintenance	40,000	5,718	(34,282)
Hatfeild - Schools Capital maintenance	67,110	39,175	(27,935)
Hillcross - Schools Capital maintenance	30,660	31,955	1,295
Dundonald School Expansion	75,000	80,498	5,498
Garfield - Schools Capital maintenance	37,000	36,597	(403)
Poplar - Schools Capital maintenance	33,000	31,265	(1,735)
Poplar - Expansion	0	(4,824)	(4,824)
Wimbledon Chase - Schools Capital maintenance	104,990	106,342	1,352
Wimbledon Park - Schools Capital maintenance	0	425	425
Abbotsbury - Schools Capital maintenance	158,000	125,146	(32,854)
Malmesbury - Schools Capital maintenance	16,000	165	(15,835)
Bond - Schools Capital maintenance	6,030	6,092	62
Cranmer - Schools Capital maintenance	64,000	59,351	(4,649)
Gorringe Park - Schools Capital maintenance	37,000	38,417	1,417
Haslemere - Schools Capital maintenance	0	(68)	(68)
Links - Schools Capital maintenance	10,000	6,547	(3,453)
St Marks - Schools Capital maintenance	45,000	39,103	(5,897)
Lonesome - Schools Capital maintenance	40,000	38,847	(1,153)
Sherwood - Schools Capital maintenance	191,000	187,744	(3,256)
Stanford - Schools Capital maintenance	0	(1,768)	(1,768)
William Morris - Schools Capital maintenance	25,000	2,080	(22,920)
Secondary			
Raynes Park - Schools Capital maintenance	5,590	0	(5,590)
Richards Lodge - Schools Capital maintenance	5,580	0	(5,580)
Rutlish - Schools Capital maintenance	7,420	4,404	(3,016)
Harris Academy Wimbledon	60,000	8,409	(51,591)
Special			
Perseid - Schools Capital maintenance	92,000	92,832	832
Perseid School Expansion	7,110	0	(7,110)
Cricket Green - Schools Capital maintenance	307,190	260,634	(46,557)
Cricket Green School Expansion	160,000	105,524	(54,476)
Melrose - Healthy Schools	33,980	33,980	0
Melrose School Expansion	650,000	574,584	(75,416)
Primary ASD base 1-20 places	50,000	14,016	(35,984)
Medical PRU Expansion	10,000	0	(10,000)
Melbury College - Schools Capital maintenance	32,000	19,529	(12,471)
New ASD Provision	0	20,000	20,000
Other			
Devolved Formula Capital	349,570	349,572	2
Children Schools & Families	2,750,230	2,312,293	(437,937)

Capital Outturn Position 2020-21

Environment and Regeneration	Budget	Outturn	Variance
Public Protection & Development			
Pay and Display Machines - On Street Parking	100,000	0	(100,000)
Car Park Upgrades	75,000	5,466	(69,534)
CCTV (match funding)	10,340	10,439	99
Parking CCTV	140,000	20,794	(119,206)
Street Scene & Waste			
Replacement of Fleet Vehicles	298,790	0	(298,790)
Alley Gating Scheme	24,000	1,200	(22,800)
SLWP - General	8,080	0	(8,080)
SLWP - Waste Bins	30,350	0	(30,350)
Highways			
Street Tree Programme	76,000	65,096	(10,904)
New Street Tree Programme	50,000	25,411	(24,589)
Raynes Park Station Pub Realm	26,110	23,139	(2,971)
Street Lighting Replacement Pr	290,000	316,978	26,978
Accessibility Programme	72,610	81,366	8,756
Casualty Reduction & Schools	280,050	279,153	(897)
Traffic Schemes	257,540	251,464	(6,076)
Surface Water Drainage	82,080	69,281	(12,799)
20mph Zone - TFL	43,000	43,063	63
Repairs to Footways	1,000,000	992,987	(7,013)
Maintain AntiSkid and Coloured	55,000	53,973	(1,027)
Borough Roads Maintenance	1,200,000	1,225,942	25,942
Highways bridges & structures	10,670	10,215	(455)
Tfl Principal Road Maint	80,000	52,469	(27,531)
Safer Walking Routes/Streets	43,100	43,167	67
School part time road closure	27,000	45,820	18,820
Culverts Upgrade	114,000	113,694	(306)
Bishopsford Bridge	2,579,680	1,603,942	(975,738)
Lamp Column Chargers	274,640	32,668	(241,972)
Active Travel Fund	330,480	99,499	(230,981)
Pollards Hill Lighting	100,000	93,759	(6,241)
AFC Wimbledon CCTV	70,000	30,999	(39,001)
Residential Secure Cycle Store	10,000	3,513	(6,487)
Cycle Lane Rdway Bshfd Bridge	20,000	0	(20,000)
Street Lighting Wimbledon	150,000	58,319	(91,681)
Transport Improvements			
Cycle Access Parking	160,500	140,864	(19,636)
Beddington Lane Cycle Route	164,000	163,970	(30)
Cycle Improve Residential Stre	160,210	154,993	(5,217)
Cycle Lane Works Plough Lane	20,000	0	(20,000)
Mitcham Town Centre	20,000	525	(19,475)
Figges Marsh	76,610	76,823	213

Capital Outturn Position 2020-21

Environment and Regeneration Continued....	Budget	Outturn	Variance
Regeneration			
Colliers Wood - Wandle Waymark	15,000	6,838	(8,162)
Canons - Parks for People	2,114,130	1,730,495	(383,635)
Mitcham Cricket Green Improvem	9,320	8,363	(957)
Elmwood Centre Hub	65,000	0	(65,000)
Comm Arts Venue Cric Green Sch	29,020	29,020	0
Rowan Pk Comm Fac Match Fund	150,000	0	(150,000)
Crowded Places-Hostile Vehicl	108,300	109,128	828
Metrobank Public Realm S106	33,420	292	(33,128)
Wimb Public Realm Implement	502,400	401,213	(101,187)
Dean City Farm	36,620	36,616	(4)
Hartfield Walk Public Realm	125,000	125,000	0
Windmill Museum	20,000	0	(20,000)
Haydons Rd Public Realm Improv	50,000	0	(50,000)
Plough Lane East Footpath Only	52,000	50,281	(1,719)
Morden TC Regen Match Funding	50,000	0	(50,000)
Wandle Project	15,640	8,625	(7,015)
Shop Front Improvement	23,410	19,987	(3,423)
Festive Lighting	70,000	70,576	576
Bramcote Parade Improvements	90,000	5,850	(84,150)
Vacant Premises Upgrade	25,000	1,732	(23,268)
Leisure and Culture			
Morden Leisure Centre	55,000	49,931	(5,069)
Wimbledon Park Lake Safety	179,500	158,992	(20,508)
Leisure Centre Plant & Machine	68,840	57,595	(11,245)
Polka Theatre	150,000	150,000	0
Parks Investment			
Parks Investment	252,670	211,576	(41,094)
Canons - Parks for People	1,067,100	1,242,929	175,829
Merton Park Green Walks	59,810	58,504	(1,306)
Figges Marsh Add Table Tennis	12,000	9,495	(2,505)
Durnsford Road Rec Facilities	32,000	0	(32,000)
Morley Park Enhancements	10,000	0	(10,000)
Abbey Recreation Ground	39,750	39,750	0
Environment and Regeneration	14,040,770	10,773,777	(3,266,993)
Capital	21,897,890	16,930,299	(4,967,591)

Proposed Budget to be slipped from 2020/21 to 2021/22 and Clawed Back from 2021/22

Summary	Slipped £	Clawback £	Total £
Corporate Services	1,123,120	0	1,123,120
Community and Housing	224,830	(89,410)	135,420
Children Schools & Families	465,030	(33,150)	431,880
Environment and Regeneration	3,316,820	(175,830)	3,140,990
Total	5,129,800	(298,390)	4,831,410

Corporate Services	Slipped £	Clawback £	Total £	Justification
Invest to Save schemes	25,550	0	25,550	
Photovoltaics & Energy Conserv	17,890	0	17,890	
De-Carbonisation Scheme	497,240	0	497,240	Grant received in March 2021 capital element of the scheme not progressed until 21/22
Capita Housing	71,920	0	71,920	For specific developments in functionality
Spectrum Spatial Analyst Repla	48,550	0	48,550	Project more complex than originally envisaged scheduled completion date June 2021
Regulatory System	28,640	0	28,640	Required to complete the Project in Summer 2021
EHCP Hub	9,320	0	9,320	Scheduled to start on completion of the SEN Case Management System
SEN Case Management System	147,860	0	147,860	This project has suffered with supplier delays but is ongoing
Planned Replacement Programme	120,150	0	120,150	Covid restrictions have limited the ability to gain access
Data Centre Support Equipment	82,530	0	82,530	Required to complete the project
Office 365	73,470	0	73,470	Required to complete the final stages of the project
Corporate Services	1,123,120	0	1,123,120	
Community and Housing				
Disabled Facilities Grant	0	(89,410)	(89,410)	Budget in 2021-22 to be reduced to fund this overspend
Learning Disability Aff Housing	25,000	0	25,000	Capital element of the scheme not started in 2020-21 - Section 106 Funded
Library Self Service	175,830	0	175,830	Supplier delay in the development of the Library Services Platform.
Library Management System	24,000	0	24,000	For the completion of Phase Two of the Library Management System
Community and Housing	224,830	(89,410)	135,420	
Children Schools & Families				
West Wimbledon - Schools Capital Maintenance	34,280	0	34,280	
Hatfield - Schools Capital Maintenance	17,940	0	17,940	
Hillcross - Schools Capital Maintenance	0	(1,300)	(1,300)	Budget in 2021-22 to be reduced to fund this overspend
Dundonald - Schools Capital Maintenance	0	(5,500)	(5,500)	Budget in 2021-22 to be reduced to fund this overspend
Garfield - Schools Capital Maintenance	400	0	400	
Poplar - Schools Capital Maintenance	1,740	0	1,740	
Wimbledon Chase - Schools Capital Maintenance	0	0	0	
Abbotsbury - Schools Capital Maintenance	32,850	0	32,850	
Malmsbury - Schools Capital Maintenance	15,840	0	15,840	
Bond - Schools Capital Maintenance	0	0	0	
Cranmer - Schools Capital Maintenance	4,650	0	4,650	
Gorrige Park - Schools Capital Maintenance	0	(1,420)	(1,420)	Budget in 2021-22 to be reduced to fund this overspend
Links - Schools Capital Maintenance	3,450	0	3,450	
St Marks - Schools Capital Maintenance	0	(4,100)	(4,100)	Budget in 2021-22 to be reduced to fund this overspend
Lonesome - Schools Capital Maintenance	1,150	0	1,150	
Sherwood - Schools Capital Maintenance	3,250	0	3,250	
Stanford - Schools Capital Maintenance	22,920	0	22,920	
Unallocated Schools Capital Maintenance	19,160	0	19,160	
Harris Academy Wimbledon	51,590	0	51,590	
Perseid - Schools Capital Maintenance	0	(830)	(830)	Budget in 2021-22 to be reduced to fund this overspend
Perseid Expansion	7,110	0	7,110	
Cricketer Green - Schools Capital Maintenance	60,390	0	60,390	
Cricketer Green School Expansion	54,480	0	54,480	
Melrose School Expansion	75,420	0	75,420	
Primary ASD base 1-20 places	35,940	0	35,940	
Medical PRU Expansion	10,000	0	10,000	
Melbury College - Smart Ctre - Schools Capital M	12,470	0	12,470	
New ASD Provision	0	(20,000)	(20,000)	Budget in 2021-22 to be reduced to fund this overspend
Children Schools & Families	465,030	(33,150)	431,880	

Proposed Budget to be slipped from 2020/21 to 2021/22 and Clawed Back from 2021/22

Environment and Regeneration	Slipped £	Clawback £	Total £	Justification
Pay and Display Machines	100,000	0	100,000	Currently procuring the new emission based charging machines with an expected contract award date of Summer 2021
Car Park Upgrades	69,530	0	69,530	£28,500 SCIL Funded
CCTV	119,210	0	119,210	£71,206 SCIL Funded
Replacement of Fleet Vehicles	298,790	0	298,790	Four Trekkia Buses ordered December 2020 due to be delivered May/June 2021
Waste SLWP - General	8,080	0	8,080	Capital Costs incurred as part of the SLWP Contract
Waste SLWP - Waste Bins	30,350	0	30,350	For the Purchase of Waste Bins
New street tree planting prog	24,590	0	24,590	SCIL Funded
Raynes Park Station Pub Realm	2,970	0	2,970	Section 106 Funded
Accessibility Programme	4,240	0	4,240	TfL Funded
Surface Water Drainage	22,080	0	22,080	Section 106 Funded - Wimbledon Hill Rain Garden
TfL Principal Road Maint	27,530	0	27,530	TfL Funded
Culverts Upgrade	310	0	310	SCIL Funded
Bishopsford Bridge	975,740	0	975,740	SCIL Funded
Lamp Column Chargers	237,360	0	237,360	£7,331.96 TfL, £21,030.48 S106, £157,000 ORCS DfT and SCIL £52,000
Active Travel Fund	80,980	0	80,980	TfL Funded
Pollards Hill Lighting	6,240	0	6,240	NCIL Funded
AFC Wimbledon CCTV	39,000	0	39,000	SCIL Funded
Residential Secure Cycle Store	6,490	0	6,490	SCIL Funded
Cycle Lane Rdway Bshfd Bridge	20,000	0	20,000	SCIL Funded
Street Lighting Wimbledon	91,680	0	91,680	SCIL Funded
Cycle access/parking	19,640	0	19,640	TfL Funded
Cycle Improve Residential Stre	5,220	0	5,220	TfL Funded
Cycle Lane Works Plough Lane	20,000	0	20,000	SCIL Funded
Mitcham Town Centre	19,480	0	19,480	NCIL Funded
Canons - Parks for People - Regeneration	383,630	0	383,630	Project as a whole attracts 87% grant from HLF with funding from SCIL & existing bugs
Elmwood Centre Hub	65,000	0	65,000	NCIL Funded
Rowan Pk Comm Fac Match Fund	150,000	0	150,000	SCIL Funded
Metrobank Public Realm S106	33,130	0	33,130	Section 106 Funded
Wimb Public Realm Implement	101,190	0	101,190	SCIL Funded
Windmill Museum	20,000	0	20,000	NCIL Funded
Haydons Rd Public Realm Improv	50,000	0	50,000	SCIL Funded
Morden TC Regen Match Funding	50,000	0	50,000	Start of scheme delayed - will need to reprofile across approved programme
Wandle Project - Chapter House	7,020	0	7,020	Section 106 Funded
Bramcote Parade Improvements	84,150	0	84,150	NCIL Funded
Vacant Premises Upgrade	23,270	0	23,270	Invest to Save Scheme - mainly required for canons attic flat
Morden Leisure Centre	5,070	0	5,070	Slippage required for final costs in relation to original building
Wimbledon Park Lake Safety	20,510	0	20,510	SCIL Funded
Leisure Centre Plant & Machine	11,250	0	11,250	Slippage required for works on facia of Canons Leisure Centre to dovetail with the HLF Scheme
Parks Investment	41,090	0	41,090	Slippage requested due to staff sickness/Covid
Canons - Parks for People - Parks	0	(175,830)	(175,830)	Budget in 2021-22 to be reduced to fund this overspend
Durnsford Road Rec Facilities	32,000	0	32,000	NCIL Funded
Morley Park Enhancements	10,000	0	10,000	Section 106 Funded
Environment and Regeneration	3,316,820	(175,830)	3,140,990	
Total	5,129,800	(298,390)	4,831,410	

Proposed Revisions to Capital Programme 2021-22

Summary	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TTL 2021-22	Clawback	Revised Budget 2021-22
Corporate Services	11,204,720	1,123,120	(1,876,000)	0	0	0	0	10,451,840
Community and Housing	1,132,400	224,830	0	0	0	0	(89,410)	1,267,820
Children Schools & Families	9,050,190	465,030	(2,340,000)	971,620	0	0	(33,150)	8,113,690
Environment and Regeneration	19,408,050	3,316,820	(2,240,000)	(208,050)	0	0	(175,830)	20,100,990
Total	40,795,360	5,129,800	(6,456,000)	763,570	0	0	(298,390)	39,934,340
Corporate Services	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TTL 2021-22	Clawback	Revised Budget 2021-22
Customer Contact Programme	2,376,000	0	(1,876,000)	0	(150,000)	0	0	350,000
Web Content Management System	0	0	0	0	150,000	0	0	150,000
Capital Building Works	650,000	0	0	0	0	0	0	650,000
Civic Centre Cycle Parking	60,000	0	0	0	0	0	0	60,000
Boiler Replacement	468,680	0	0	0	0	0	0	468,680
Invest to Save General	498,140	25,550	0	0	0	0	0	523,690
Photovoltaics & Energy Conserv	55,000	17,890	0	0	0	0	0	72,890
De-Carbonisation Scheme	0	497,240	0	0	0	0	0	497,240
Aligned Assets	75,000	0	0	0	0	0	0	75,000
Revenue and Benefits	400,000	0	0	0	0	0	0	400,000
Capita Housing	0	71,920	0	0	0	0	0	71,920
Planning&Public Protection Sys	340,710	0	0	0	0	0	0	340,710
Spectrum Spatial Analyst Repla	0	48,550	0	0	0	0	0	48,550
Regulatory System	0	28,640	0	0	0	0	0	28,640
Ancillary IT Systems	50,000	0	0	0	0	0	0	50,000
Youth Justice IT Systems	100,000	0	0	0	0	0	0	100,000
EHCP Hub	0	9,320	0	0	0	0	0	9,320
SEN Case Management System	0	147,860	0	0	0	0	0	147,860
Planned Replacement Programme	870,000	120,150	0	0	0	0	0	990,150
Data Centre Support Equipment	0	82,530	0	0	0	0	0	82,530
Office 365	0	73,470	0	0	0	0	0	73,470
Westminster Coroners Court	460,000	0	0	0	0	0	0	460,000
CPO Clarion	4,801,190	0	0	0	0	0	0	4,801,190
Corporate Services	11,204,720	1,123,120	(1,876,000)	0	0	0	0	10,451,840
Community and Housing	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TTL 2021-22	Clawback	Revised Budget 2021-22
Telehealth	30,400	0	0	0	0	0	0	30,400
Disabled Facilities Grant	827,000	0	0	0	0	0	(89,410)	737,590
Learning Dsbility Aff Housing	75,000	25,000	0	0	0	0	0	100,000
West Barnes Library Re-Fit	200,000	0	0	0	0	0	0	200,000
Library Self Service	0	175,830	0	0	0	0	0	175,830
Library Management System	0	24,000	0	0	0	0	0	24,000
Community and Housing	1,132,400	224,830	0	0	0	0	(89,410)	1,267,820

Proposed Revisions to Capital Programme 2021-22

Children, Schools and Families	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TTL 2021-22	Clawback	Revised Budget 2021-22
Hollymount Schools Capital mainte	0	0	0	0	60,000	0	0	60,000
West Wimb. Schools Capital maint	0	34,280	0	0	265,720	0	0	300,000
Hatfeild Schools Capital maintenanc	0	17,940	0	0	37,060	0	0	55,000
Hillcross Schools Capital maintenanc	52,630	0	0	0	46,670	0	(1,300)	98,000
Joseph Hood Schools Capital maint	0	0	0	0	73,000	0	0	73,000
Dundonald Schools Capital mainten	49,500	0	0	0	137,000	0	(5,500)	181,000
Garfield Schools Capital maintenanc	5,620	400	0	0	(6,020)	0	0	0
Merton Abbey Schools Capital mai	0	0	0	0	60,000	0	0	60,000
Pelham Abbey Schools Capital mai	0	0	0	0	50,000	0	0	50,000
Poplar Schools Capital maintenanc	5,010	1,740	0	0	(6,750)	0	0	0
Wimb. Chase Schools Capital maint	0	0	0	0	176,000	0	0	176,000
Wimb. Park Schools Capital mainte	40,000	0	0	0	410,000	0	0	450,000
Abbotsbury Schools Capital mainte	7,200	32,850	0	0	(12,050)	0	0	28,000
Malmesbury Schools Capital mainte	68,000	15,840	0	0	6,160	0	0	90,000
Bond Schools Capital maintenanc	0	0	0	0	33,000	0	0	33,000
Cranmer Schools Capital maintenanc	0	4,650	0	0	54,350	0	0	59,000
Gorringe Schools Capital maintenanc	49,650	0	0	0	(48,230)	0	(1,420)	0
Haslemere Schools Capital mainten	0	0	0	0	150,000	0	0	150,000
Liberty Schools Capital maintenanc	33,640	0	0	0	0	0	0	33,640
Links Schools Capital maintenanc	160,000	3,450	0	0	16,550	0	0	180,000
St Marks Schools Capital maintenanc	120,000	0	0	0	0	0	(4,100)	115,900
Lonesome Schools Capital mainten	6,740	1,150	0	0	(7,890)	0	0	0
Sherwood Schools Capital maintenanc	24,200	3,250	0	0	138,550	0	0	166,000
Stanford Schools Capital maintenanc	0	0	0	0	0	0	0	0
William Morris Schools Capital ma	28,200	22,920	0	0	208,880	0	0	260,000
Unallocated Schools Capital mainte	2,472,360	19,160	0	615,170	(2,296,760)	0	0	809,930
Harris Merton Schools Capital mai	34,170	0	0	0	(34,170)	0	0	0
Raynes Park Schools Capital maint	0	0	0	0	5,610	0	0	5,610
Ricards Lodge Schools Capital mai	0	0	0	0	5,610	0	0	5,610
Rutlish Schools Capital maintenanc	11,580	0	0	0	59,420	0	0	71,000
Harris Wimbledon New School	135,670	51,590	0	0	0	0	0	187,260
Perseid Schools Capital maintenanc	164,840	0	0	0	215,990	0	(830)	380,000
Perseid School Expansion	22,020	7,110	0	0	0	0	0	29,130
Cricket Green Schools Capital mai	0	60,390	0	0	80,610	0	0	141,000
Cricket Green School Expansion	0	54,480	0	0	0	0	0	54,480
Melrose Schools Capital maintenanc	0	0	0	0	140,000	0	0	140,000
Melrose School Expansion	2,122,560	75,420	0	0	0	0	0	2,197,980
Secondary Autism Unit	1,360,000	0	(1,310,000)	0	0	0	0	50,000
Further SEN Provision	200,000	0	(180,000)	0	0	0	0	20,000
Primary ASD base 1-20 places	18,260	35,940	0	0	0	0	0	54,200
Medical PRU Expansion	590,000	10,000	(100,000)	0	0	0	0	500,000
New ASD Provision	1,020,000	0	(750,000)	0	0	0	(20,000)	250,000
Melbury College Schools Capital m	13,340	12,470	0	0	(18,310)	0	0	7,500
Devolved Formula Capital	0	0	0	356,450	0	0	0	356,450
Bond Road Family Centre	55,000	0	0	0	0	0	0	55,000
Pollards Hill Digital Divide	180,000	0	0	0	0	0	0	180,000
Children Schools & Families	9,050,190	465,030	(2,340,000)	971,620	0	0	(33,150)	8,113,690

Proposed Revisions to Capital Programme 2021-22

Environment and Regeneration	Budget 2021-22	Slippage into 2021-22 from 2020-21	Reprofiled into Future Years	New 2021-22	Virement	TFL 2021-22	Clawback	Revised Budget 2021-22
Pay and Display Machines	400,000	100,000	0	0	0	0	0	500,000
Car Park Upgrades	909,000	69,530	0	0	0	0	0	978,530
Parking CCTV	699,000	119,210	0	0	0	0	0	818,210
Public Protection and Development	35,000	0	0	0	0	0	0	35,000
Replacement of Fleet Vehicles	550,210	298,790	0	0	0	0	0	849,000
Mechanical Street Washer	75,000	0	0	0	0	0	0	75,000
Alley Gating Scheme	24,000	0	0	0	0	0	0	24,000
SLWP General	0	8,080	0	0	0	0	0	8,080
SLWP Waste Bins	0	30,350	0	0	0	0	0	30,350
SLWP Replacement of Fleet Vehicle	35,000	0	0	0	0	0	0	35,000
Street Cleanse Sub Dep Mitcham	55,000	0	0	0	0	0	0	55,000
Street Tree Programme	60,000	0	0	0	0	0	0	60,000
New street tree planting prog	50,000	24,590	0	0	0	0	0	74,590
Raynes Park Station Pub Realm	0	2,970	0	0	0	0	0	2,970
Street Lighting Replacement Pr	290,000	0	0	0	0	0	0	290,000
Accessability Programme	0	4,240	0	46,000	0	0	0	50,240
Casualty Reduction & Schools	0	0	0	67,160	0	0	0	67,160
Traffic Schemes	150,000	0	0	67,050	0	0	0	217,050
Surface Water Drainage	60,000	22,080	0	0	0	0	0	82,080
Repairs to Footways	1,000,000	0	0	0	0	0	0	1,000,000
Maintain AntiSkid and Coloured	85,000	0	0	0	0	0	0	85,000
Borough Roads Maintenance	1,200,000	0	0	0	0	0	0	1,200,000
Highways bridges & structures	884,000	0	0	0	0	0	0	884,000
Tfl Principal Road Maint	0	27,530	0	0	0	0	0	27,530
Culverts Upgrade	508,120	310	0	0	0	0	0	508,430
ZZ3233 - High Path School Harr	0	0	0	20,000	0	0	0	20,000
Bishopsford Bridge	1,202,000	975,740	0	0	0	0	0	2,177,740
Lamp Column Chargers	0	237,360	0	0	0	0	0	237,360
Active Travel Fund	150,000	80,980	0	0	0	62,070	0	293,050
Pollards Hill Lighting	0	6,240	0	0	0	0	0	6,240
AFC Wimbledon CCTV	0	39,000	0	0	0	0	0	39,000
Residential Secure Cycle Store	30,000	6,490	0	0	0	0	0	36,490
Cycle Lane Rdway Bshfd Bridge	130,000	20,000	0	0	0	0	0	150,000
ANPR Cameras School Streets	486,000	0	0	0	0	0	0	486,000
Street Lighting Wimbledon	670,000	91,680	0	0	0	0	0	761,680
Cycle access/parking	0	19,640	0	0	0	0	0	19,640
Cycle Improve Residential Stre	0	5,220	0	46,000	0	26,000	0	77,220
Cycle Lane Works Plough Lane	200,000	20,000	0	0	0	0	0	220,000
Mitcham Town Centre	0	19,480	0	0	0	0	0	19,480
Unallocated TFL	1,300,000	0	0	(467,100)	0	(88,070)	0	744,830
Canons - Parks for People	697,120	383,630	0	0	0	0	0	1,080,750
Elmwood Centre Hub	0	65,000	0	0	0	0	0	65,000
Rowan Pk Comm Fac Match Fund	0	150,000	0	0	0	0	0	150,000
Crowded Places-Hostile Vehicl	180,000	0	0	0	0	0	0	180,000
Metrobank Public Realm S106	0	33,130	0	0	0	0	0	33,130
Wimb Public Realm Implement	500,000	101,190	0	0	0	0	0	601,190
Windmill Museum	0	20,000	0	0	0	0	0	20,000
Haydons Rd Public Realm Improv	350,000	50,000	0	0	0	0	0	400,000
Morden TC Regen Match Funding	2,190,000	50,000	(2,240,000)	0	0	0	0	0
Crown Creative Knowledge Exch	150,000	0	0	0	0	0	0	150,000
Morden Town Centre Improvemen	300,000	0	0	0	0	0	0	300,000
Wandle Project - Chapter House	0	7,020	0	0	0	0	0	7,020
Merton Lost Rivers	100,000	0	0	0	0	0	0	100,000
Haydons Rd Shop Front Impr	481,580	0	0	0	0	0	0	481,580
Bramcote Parade Improvements	0	84,150	0	0	0	0	0	84,150
42 Graham Road	50,000	0	0	0	0	0	0	50,000
Vacant Premises Upgrade	0	23,270	0	0	0	0	0	23,270
Morden Leisure Centre	0	5,070	0	0	0	0	0	5,070
Wimbledon Park Lake Safety	1,157,450	20,510	0	0	0	0	0	1,177,960
Leisure Centre Plant & Machine	410,000	11,250	0	0	0	0	0	421,250
Parks Investment	363,000	41,090	0	0	0	0	0	404,090
Canons - Parks for People	311,350	0	0	0	0	0	(175,830)	135,520
Resurface Tennis Courts	150,440	0	0	0	0	0	0	150,440
New water play feature Wimb Pk	226,000	0	0	0	0	0	0	226,000
Wimb Pk Surface Car Park Op 2	40,000	0	0	0	0	0	0	40,000
Padding Pool Option 1	135,000	0	0	0	0	0	0	135,000
Padding Pool Option 2	226,000	0	0	0	0	0	0	226,000
Bennets Hole Nature Reserve	0	0	0	12,840	0	0	0	12,840
Durnsford Road Rec Facilities	0	32,000	0	0	0	0	0	32,000
Morden Rec Hockey Pitch	135,000	0	0	0	0	0	0	135,000
Morley Park Enhancements	17,780	10,000	0	0	0	0	0	27,780
Environment and Regeneration	19,408,050	3,316,820	(2,240,000)	(208,050)	0	0	(175,830)	20,100,990

Capital Programme 2022-25

Summary	Budget 2022-23	Reprofiled from 2021-22	Revised Budget 2022-23	Budget 2023-24	Reprofiled to 2024-25	Revised Budget 2023-24	Budget 2024-25	Reprofiled from 2023-24	Revised Budget 2024-25
Corporate Services	4,941,840	1,876,000	6,817,840	5,245,000	0	5,245,000	13,734,080	0	13,734,080
Community and Housing	2,450,000	0	2,450,000	752,000	0	752,000	280,000	0	280,000
Children Schools & Families	1,900,000	2,340,000	4,240,000	1,900,000	0	1,900,000	1,900,000	0	1,900,000
Environment and Regeneration	8,427,000	392,000	8,819,000	7,516,000	(152,000)	7,364,000	5,324,000	2,000,000	7,324,000
Total	17,718,840	4,608,000	22,326,840	15,413,000	(152,000)	15,261,000	21,238,080	2,000,000	23,238,080
Corporate Services									
Customer Contact Programme	0	1,876,000	1,876,000	0	0	0	0	0	0
Capital Building Works	650,000	0	650,000	650,000	0	650,000	650,000	0	650,000
Civic Centre Lightning Upgrade	300,000	0	300,000	0	0	0	0	0	0
Comb. Heat & Power System Repl	0	0	0	450,000	0	450,000	0	0	0
Absorption Chiller Replacement	0	0	0	275,000	0	275,000	0	0	0
Invest to Save schemes - General	300,000	0	300,000	300,000	0	300,000	300,000	0	300,000
Environmental Asset Management	240,000	0	240,000	0	0	0	0	0	0
Children's Safeguarding	125,000	0	125,000	0	0	0	0	0	0
Planning&Public Protection Sys	0	0	0	0	0	0	550,000	0	550,000
Youth Justice IT Systems	0	0	0	0	0	0	100,000	0	100,000
Replacement SC System	0	0	0	2,100,000	0	2,100,000	0	0	0
Planned Replacement Programme	705,000	0	705,000	770,000	0	770,000	0	0	0
Data Centre Support Equipment	0	0	0	0	0	0	1,405,000	0	1,405,000
Network Switch Upgrade	200,000	0	200,000	0	0	0	0	0	0
New Finance System	0	0	0	700,000	0	700,000	0	0	0
Acquisitions Budget	0	0	0	0	0	0	6,985,180	0	6,985,180
Capital Bidding Fund	0	0	0	0	0	0	1,000,000	0	1,000,000
Multi-Functioning Device (MFD)	0	0	0	0	0	0	600,000	0	600,000
Corporate Capital Contingency	0	0	0	0	0	0	2,143,900	0	2,143,900
CPO Clarion	2,421,840	0	2,421,840	0	0	0	0	0	0
Corporate Services	4,941,840	1,876,000	6,817,840	5,245,000	0	5,245,000	13,734,080	0	13,734,080
Community and Housing									
Disabled Facilities Grant	827,000	0	827,000	607,000	0	607,000	280,000	0	280,000
Learning Dsbility Aff Housing	1,483,000	0	1,483,000	145,000	0	145,000	0	0	0
Library Management System	140,000	0	140,000	0	0	0	0	0	0
Community and Housing	2,450,000	0	2,450,000	752,000	0	752,000	280,000	0	280,000
chools and Families									
Schools Capital maintenance	1,900,000	0	1,900,000	1,900,000	0	1,900,000	1,900,000	0	1,900,000
Secondary Autism Unit	0	1,310,000	1,310,000	0	0	0	0	0	0
Further SEN Provision	0	180,000	180,000	0	0	0	0	0	0
Medical PRU Expansion	0	100,000	100,000	0	0	0	0	0	0
New ASD Provision	0	750,000	750,000	0	0	0	0	0	0
Children Schools & Families	1,900,000	2,340,000	4,240,000	1,900,000	0	1,900,000	1,900,000	0	1,900,000
Environment and Regeneration									
Pay and Display Machines	0	0	0	0	0	0	60,000	0	60,000
Parking CCTV	480,000	0	480,000	0	0	0	0	0	0
Replacement of Fleet Vehicles	300,000	0	300,000	300,000	0	300,000	300,000	0	300,000
Alley Gating Scheme	24,000	0	24,000	24,000	0	24,000	24,000	0	24,000
SLWP - Replacement of Fleet Vehi	340,000	0	340,000	0	0	0	0	0	0
Street Tree Programme	60,000	0	60,000	60,000	0	60,000	60,000	0	60,000
Street Lighting Replacement Pr	290,000	0	290,000	290,000	0	290,000	290,000	0	290,000
Traffic Schemes	150,000	0	150,000	150,000	0	150,000	150,000	0	150,000
Surface Water Drainage	60,000	0	60,000	60,000	0	60,000	60,000	0	60,000
Repairs to Footways	1,000,000	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0	1,000,000
Maintain AntiSkid and Coloured	70,000	0	70,000	70,000	0	70,000	70,000	0	70,000
Borough Roads Maintenance	1,200,000	0	1,200,000	1,200,000	0	1,200,000	1,200,000	0	1,200,000
Highways bridges & structures	260,000	0	260,000	260,000	0	260,000	260,000	0	260,000
Unallocated TFL	1,300,000	0	1,300,000	1,300,000	0	1,300,000	1,300,000	0	1,300,000
Wimb Public Realm Implement	500,000	0	500,000	0	0	0	0	0	0
Morden TC Regen Match Funding	1,608,000	392,000	2,000,000	2,152,000	(152,000)	2,000,000	0	2,000,000	2,000,000
Merton Lost Rivers	100,000	0	100,000	100,000	0	100,000	0	0	0
Leisure Centre Plant & Machine	250,000	0	250,000	250,000	0	250,000	250,000	0	250,000
Parks Investment	300,000	0	300,000	300,000	0	300,000	300,000	0	300,000
Paddling Pool Option 1	135,000	0	135,000	0	0	0	0	0	0
Environment and Regeneration	8,427,000	392,000	8,819,000	7,516,000	(152,000)	7,364,000	5,324,000	2,000,000	7,324,000

Funding the Budgeted Capital Programme 2021-22

Appendix 2D

Department	Revised Budget 2021-22	Strategic CIL	Neighbourhood CIL	Section 106	Revenue Contributions	Corporate Reserves	TfL	Other Ringfenced Grants	Capital Receipts	Borrowing
Corporate Services	10,451,840	0	0	0	(147,860)	(147,860)	0	(497,240)	0	5,005,550
Community and Housing	1,267,820	0	0	(100,000)	(30,400)	(147,860)	0	(737,590)	0	399,830
Children, Schools and Families	8,113,690	(1,385,745)	0	0	0	(147,860)	0	(6,727,945)	0	0
Environment and Regeneration	20,100,990	(8,538,640)	(1,008,450)	(200,890)	0	(147,860)	(1,300,000)	(1,362,380)	0	7,540,190
Generally Applied to Programme		0	0	0	0	(147,860)	0	0	(1,350,820)	(3,927,430)
Total	39,934,340	(9,924,385)	(1,008,450)	(300,890)	(178,260)	(739,300)	(1,300,000)	(9,325,155)	(1,350,820)	9,018,140

Funding the Budgeted Capital Programme 2022-23

Department	Revised Budget 2022-23	Strategic CIL	Neighbourhood CIL	Section 106	Revenue Contributions	Corporate Reserves	TfL	Other Ringfenced Grants	Capital Receipts	Borrowing
Corporate Services	6,817,840	0	0	0	(2,421,840)	0	0	0	0	4,396,000
Community and Housing	2,450,000	0	0	(1,483,000)	0	0	0	(827,000)	0	140,000
Children, Schools and Families	4,240,000	(2,340,000)	0	0	0	0	0	(1,900,000)	0	0
Environment and Regeneration	8,819,000	(940,000)	0	0	0	0	(1,300,000)	0	0	6,579,000
Generally Applied to Programme		0	0	0	0	0	0	0	(900,000)	(900,000)
Total	22,326,840	(3,280,000)	0	(1,483,000)	(2,421,840)	0	(1,300,000)	(2,727,000)	(900,000)	10,215,000

Funding the Budgeted Capital Programme 2023-24

Department	Revised Budget 2023-24	Strategic CIL	Neighbourhood CIL	Section 106	Revenue Contributions	Corporate Reserves	TfL	Other Ringfenced Grants	Capital Receipts	Borrowing
Corporate Services	5,245,000	0	0	0	0	0	0	0	0	5,245,000
Community and Housing	752,000	0	0	(145,000)	0	0	0	(249,864)	0	357,136
Children, Schools and Families	1,900,000	0	0	0	0	0	0	(1,900,000)	0	0
Environment and Regeneration	7,364,000	(100,000)	0	0	0	0	(1,300,000)	0	0	5,964,000
Generally Applied to Programme		0	0	0	(55,000)	0	0	0	(900,000)	(955,000)
Total	15,261,000	(100,000)	0	(145,000)	(55,000)	0	(1,300,000)	(2,149,864)	(900,000)	10,611,136

Funding the Budgeted Capital Programme 2024-25

Department	Indicative Budget 2024-25	Strategic CIL	Neighbourhood CIL	Section 106	Revenue Contributions	Corporate Reserves	TfL	Other Ringfenced Grants	Capital Receipts	Borrowing
Corporate Services	13,734,080	0	0	0	0	0	0	0	0	13,734,080
Community and Housing	280,000	0	0	0	0	0	0	0	0	280,000
Children, Schools and Families	1,900,000	0	0	0	0	0	0	(1,900,000)	0	0
Environment and Regeneration	7,324,000	0	0	0	0	0	(1,300,000)	0	0	6,024,000
Generally Applied to Programme		0	0	0	(55,000)	0	0	0	(900,000)	(955,000)
Total	23,238,080	0	0	0	(55,000)	0	(1,300,000)	(1,900,000)	(900,000)	19,083,080

APPENDIX 3

Department	Target Savings 2020/21	Achieved Savings 2020/21	Period 12 Shortfall	Shortfall (P12)	Period 10 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,835	883	32.5%	987	180
Children Schools and Families	2,969	2,305	664	22.4%	734	300
Community and Housing	2,460	2,432	28	1.1%	892	128
Environment and Regeneration	3,927	554	3,373	85.9%	3,040	2,067
Total	12,074	7,126	4,948	41.0%	5,653	2,675

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
SUSTAINABLE COMMUNITIES											
ENV1920-03	Property Management: Realign rental income budgets to better reflect current levels of income being achieved from conducting rent reviews in line with tenancy agreements	300	300	0	G	300	0	G	James McGinlay		N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	0	40	R	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ALT1920-01	Property Management: Increased income already being achieved from conducting rent reviews in line with tenancy agreements	70	70	0	G	70	0	G	James McGinlay		N
PUBLIC PROTECTION											
ENV1819 - 02	Parking: Operational efficiencies. Parking services manage a high level of transactional applications, for PCN, Permit and general enquiries. Through improved use of technology and a review of practices, including the development of self service transactions by customers opposed to back office staff processing, efficiency savings can be made.	57	57	0	G	57	0	G	Cathryn James		N
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	0	1,900	R	0	1900	R	Cathryn James	<p>PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now on par with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity. 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Lockdown 3 continued to make analysis of the savings difficult but full financial year estimates show this saving will not be fully met.</p> <p>ON STREET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible. For the period June through to October data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity on this will be closely monitored as Covid tiers are implemented and changed in future months. December and Christmas parking data shows less activity than in previous year and now Lockdown 3 (Jan) continued to have a further significant detrimental effect in 'on and off street parking' activity.</p>	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	Cathryn James	Delayed until 2021/22	Y
ENV1920-01	<p>Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect. The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.</p> <p>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.</p>	340	0	340	R	340	0	A	Cathryn James	<p>This saving will not be achieved in 2020/21. The consultation process had been extended to 28th June 2020 to allow further time for responses to be received due to the Covid 19 emergency.</p> <p>Following the consultation process and approval by Merton, the proposal was put before London Council in October 2020 and, the process is now for GLA, Mayor for London and Secretary of State to approve.</p> <p>How due to delays cause by covid, it is estimated that if approval is granted the proposal could be implemented by Oct 2021.</p>	Y

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
ENV1920-02	<p>Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase.</p> <p>The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.</p>	300	0	300	R	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year.	Y
ALT1920-02	<p>Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.</p>	337	0	337	R	319	18	R	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. Tier 4 and Lockdown 3 resulted in less 'on street' activity.	Y
PUBLIC SPACE											
E3	Leisure: Polka Theatre Grant Reduction	30	30	0	G	30	0	G	John Bosley		N
ENV1920-04	<p>Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.</p>	250	0	250	R	250	0	A	John Bosley	The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. The financial impact on this budget has been revised. This is being monitored closely and financial forecast will be amended accordingly if the current trend changes.	Y
ENV1920-05	<p>Waste: The Kingdom environment enforcement contract is due for reprocurement and renewal in Spring 2020. This provides an opportunity for it to be broadened and also ensure that its operation is as effective as possible for the Council .</p>	50	50	0	G	50	0	G	John Bosley		N
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres the savings was not achieved this year.	Y
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	51	99	R	John Bosley	Impacted by covid.	Y
ALT1920-05	Waste Services: Reduction in external training budget.	6	6	0	G	6	0	G	John Bosley	Completed - all new training and development requirement will be assessed and managed in line with the corporate L&D team.	N

G A R

APPENDIX 3

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unders pend? Y/N
ALT1920-06	Greenspaces: Reduction in grant to Deen City farm as part of agreement involving capital investment	10	10	0	G	10	0	G	John Bosley		N
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	John Bosley	Many events due for 2020/21 were cancelled due to Covid-19.	Y
Total Environment and Regeneration Savings 2018/19		3,927	554	3,373		1,860	2,067				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unders pend? Y/N
Adult Social Care											
CH72	Deferred Savings - Transport	100	200	(100)	G	100	0	G	John Morgan	Although the implementation of the review has been delayed, there has been a drop in transport activity, particularly taxis, due to C19. Further work is required to ensure that these reductions are sustained into the long term.	
CH76	OPMH Staffing	100	0	100	R	0	100	R	John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	72	28	R	72	28	R	Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
CH88	Home Care Monitoring System: -The aim of this proposal is to roll out a home care monitoring system for all home care providers to ensure that we can monitor the delivery of home care visits.	78	78	0	G	78	0	G	Phil Howell	Although the project has been delayed. This reflects period 9 budget monitoring forecasts on dom care	
CH82 / 83 / 86	Out of Area Placements	1,100	1,100	0	A	1,100	0	A	John Morgan	This reflects ASC placement spend as at period 9. Work continues to try to achieve the balance of the saving	
CH91	Supported Living / Residential review	400	400	0	G	400	0	A	John Morgan	This reflects ASC placement spend as at period 9. Work continues to try to achieve the balance of the saving	
CH92	Mobile Working	50	50	0	A	50	0	G	John Morgan	C19 has prompted a major move towards mobile working. Public transport costs are down £15k, other recharges awaited	
CH96	Home Care Monitoring	32	32	0	G	32	0	G	John Morgan	The project has been delayed by actions necessary due to C19	
CH99	Placements	500	500	0	G	500	0	G	John Morgan	There has been a reduction in gross costs of care forecast as at period 9. Placements are subject to continued senior management scrutiny	
Subtotal Adult Social Care		2,460	2,432	28		2,332	128				

Updated 09/06/21										APPENDIX 3	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21											
Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unders pend? Y/N
	Total C & H Savings for 2020/21	2,460	2,432	28		2,332	128				

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
Customers, Policy & Improvement											
CS2016 -06	Merton Link - efficiency savings	30	30	0	G	30	0	G	Sean Cunniffe		
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	Sean Cunniffe	Charges not yet in place - to be reviewed.	Y
2019-20 CS28	cash collection reduction	12	12	0	G	12	0	G	Sean Cunniffe		
2020-21 CS5	Reduction in various running costs across the division	20	20	0	G	20	0	G	CPI AD		
2020-21 CS6	Community engagement - reduction in running costs	8	8	0	G	8	0	G	Kris Witherington		
Resources											
2018-19 CS06	Miscellaneous budgets within Resources	17	17	0	G	17	0	G	Resources Senior Management		
2018-19 CS07	Retender of insurance contract	50	0	50	R	7	43	A	Nemashe Sivayogan	New contract came into place mid 2020/21. Insurance premiums cost has reduced but variance remains adverse due to historic budget pressure.	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
2019-20 CS06	Revs and Bens reduction in staffing	146	146	0	G	146	0	G	David Keppler		
2019-20 CS07	Treasury - increase in investment income	20	20	0	G	20	0	G	Nemashe Sivayogan		
2019-20 CS08	Insurance reduction in staffing	15	15	0	G	15	0	G	Nemashe Sivayogan		
2020-21 CS1	Right sizing charge to Pension Fund for Pension Manager time	24	24	0	G	24	0	G	Nemashe Sivayogan		
2020-21 CS2	Savings in Insurance Fund top up budget	70	70	0	G	70	0	G	Nemashe Sivayogan		
2020-21 CS3	Increase in Investment Income	100	100	0	G	100	0	G	Nemashe Sivayogan		
2020-21 CS15	Miscellaneous savings (eg. Subscriptions)	39	39	0	G	10	0	G	Resources Senior Management	Part of this is a one-off saving - there is only £10k saving built in for 2021/22	
2020-21 CS16	Saving in Consultancy costs	20	20	0	G	20	0	G	Resources Senior Management		
CSREP 2020-21 (1)	Savings in Insurance Fund top up budget	30	30	0	G	30	0	G	Nemashe Sivayogan		
Corporate Governance											
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	50	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	20	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	45	0	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS27	merge democracy services and electoral services	70	38	32	A	70	0	G	Louise Round	Post holder retired mid-year, shortfall in year offsets with other underspends within the services	Y
2020-21 CS13	Corp Gov AD - Running Costs	24	24	0	G	24	0	G	Louise Round		

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
2020-21 CS14	Information governance - reduction in consultancy spend	10	10	0	G	10	0	G	Karin Lane		
	Human Resources										
2019-20 CS24	Realignment/redesign of HR services to provide services to the organisation and mitigate associated risks	50	47	3	G	47	3	G	Liz Hammond	Restructure of HR staffing completed in 2019/20 to reduce staffing structure cost by £47k	
2019-20 CS25	Charge for voluntary sector payroll	7	3	4	A	3	4	A	Liz Hammond		Y
	Infrastructure & Technology										
2019-20 CS19	Reduction in the Repairs and Maintenance budgets for the corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2019-20 CS20	Reduction in the energy 'Invest to Save' budget for the corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
CSD7	Restructure Post & Print section and delete 2 FTE posts	47	47	0	G	47	0	G	Keith Bartlett		
CS2015-03	Review of Transactional Services team	100	100	0	G	100	0	G	Pamela Lamb		
2018-19 CS03	Adjust current Local Authority Liaison Officer (LALO) arrangements to require Assistant Directors to undertake the duties as part of their job description.	33	33	0	G	33	0	G	Adam Viccari	Nil shortfall as this has effectively been replaced by growth added to the safety services budget from 2020/21	
2020-21 CS8	A further £100k reduction of the repairs and maintenance budget for corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS12	Cancel lease on two Council vans	5	5	0	G	5	0	G	Edwin O'Donnell/ Richard Warren	Expenditure elsewhere in the division reduced as alternative to reducing vans	
	Corporate										
2019-20 CS09	CHAS dividend	460	460	0	G	460	0	G	Ian McKinnon		
2019-20 CS10	Recharges to Merantun Developments	75	71	4	A	0	75	R		Overheads set at £71k for 2020/21. Unachievable from 2021/22 onwards and will require replacement.	Y
2019-20 CS11	Amend discretionary rate relief policy	75	75	0	G	75	0	G	David Keppler		
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	36	36	0	G	36	0	G	David Keppler		
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
2020-21 CS4	Housing benefit written off debt recovery (one off)	120	35	85	A			N/A	David Keppler	Reduced recovery due to covid-19. One-off saving for 2020/21.	Y
	Total CS Savings for 2020/21	2718	1835	883		1869	180	0			

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
Education											
CSF2017-07	Review schools trade offer, raise charges or consider ceasing services from 2020.	60	60	0		60	0		Jane McSherry	Delivered in Full	
CSF2018-08	Review Early Years service: radically reduce some services and/or consider withdrawing the Early Years offer.	150	150	0		150	0		Jane McSherry	Delivered in Full	
CSF2019-08	Review of school premises and contracts staffing structure	45	45	0		45	0		Jane McSherry	Delivered in Full	
CSF2019-09	Repurposing of some posts in education inclusion service	150	150	0		150	0		Jane McSherry	Delivered in Full	
CSF2019-10	Reduced contribution towards the MSCB	44	10	34		44	0		Jane McSherry	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter.	
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140		200	0		Jane McSherry	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity	
CSF2019-22	SEND Travel	50	0	50		50	0		Jane McSherry	Likely to have to spend more against this budget because of Covid-related distancing requirements in our transport options. Will also need to delay the start of this review because of the consultation requirements.	
CSF2019-20	Revenue costs of capital projects	200	200	0		200	0		Jane McSherry	Delivered in Full	
CSF2019-03	Early help re-design	100	100	0		100	0		Jane McSherry	Delivered in Full	
CSF2019-21	Legal Hard Charging	75	75	0		75	0		Jane McSherry	Delivered in Full	
Children Social Care & Youth Inclusion											
CSF2017-03	Delivery of preventative services through the Social Impact Bond	45	45	0		45	0		EI Mayhew	This saving should be set against the placements budget. Effective MST avoids entry to care and new placement costs	
CSF2017-05											

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30		45	30		EI Mayhew	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £15k if consultation can take place in 3rd quarter of financial year. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	200		400	200		EI Mayhew	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. The transformation resource leaves CSC & YI in September 2020. Unlikely to achieve savings in 2020/21. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40		60	0		EI Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21 Will deliver no more than £20k, if consultation can take place in 3rd quarter of financial year.	
CSF2019-05	Full year effect of transfer of adoption service to Adopt London South	30	30	0		30	0		EI Mayhew	Delivered in full. However, additional costs have emerged in relation to both retained functions and increased costs of service delivery passed on by ALS. Future funding for ALS will be based on demand and use. Early indications are that	
CSF2019-06	Review of safeguarding and social work training budgets	60	60	0		60	0		EI Mayhew	ALS costs are rising Delivered in full	
CSF2019-07	Reduction of Central recruitment cost budget	30	30	0		30	0		EI Mayhew	Delivered in full	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-13	Review of current Adolescent and Family service	100	30	70		100	70		EI Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £30k, if consultation can take place in 3rd quarter of financial year. Some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	30		45	0		EI Mayhew	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Unlikely to achieve savings in 2020/21	
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	50	0	50		50	0		EI Mayhew	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this will be set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office revenue decisions	
CSF2019-18	Implementation of the DfE National Minimum rate	20	0	20		20	0		EI Mayhew	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	
CSF2019-19	Increased use of in-house foster carers	20	20	0		20	0		EI Mayhew	DfE Covid-19 guidance requires local authorities to increase placement sufficiency. Recruitment campaign building on Covid-19 'community spirit' in motion.	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Required £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-01	Review of CSF admin structure	200	200	0		200	0		El Mayhew	Business Support restructure completed in July 2019. There are no additional savings arising from this.	
	<u>Commissioning</u>			0							
CSF2019-11	Review of centralised commissioning budgets	90	90	0		90	0			Delivered in full	
	<u>CSF Other</u>			0		0	0				
CSF2019-22	PFI Unitary charges	400	400	0		400	0				
CSF2019-23	Pension and Redundancies charges	300	300	0		300	0				
	Total Children, Schools and Families Department Savings for 2020/21	2,969	2,305	664		2,969	300				

APPENDIX 3A

Department	Savings Target 2019/20	Shortfall 2019/20	Shortfall 2020/21
	£000	£000	£000
Corporate Services	1,484	100	70
Children Schools and Families	572	0	0
Community and Housing	1,534	118	0
Environment and Regeneration	2,449	1,612	2,079
Total	6,039	1,830	2,149

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 19-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Shortfall £000	20/21 RAG	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments
	Infrastructure & Technology										
2018-19 CS14	M3 support to Richmond/Wandsworth	20	0	20	R	20	R	0	A	Clive Cooke	This is dependent on agreement with RSP, may be at risk if they don't migrate to M3 system.
	Resources										
2018-19 CS05	Reduction in permanent staffing	30	0	30	R					Roger Kershaw	Saving replaced from 2020/21.
CSREP 2019-20 (3)	Increase in income from Enforcement service	50	0	50	R	50	R	50	A	David Keppler	Not achievable in light of covid-19
	Total Corporate Services Department Savings for 2019/20	100	0	100		70		50			

APPENDIX 3A

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2019-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Shortfall £000	2020/21 RAG	Responsible Officer	Comments	R/IA Included in Forecast Over/Underpend? Y/N
ENV1819-05	Highways advertising income through re-procurement of the advertising contract for the public highway. New contract due to be in place by last quarter of 2019/20.	55	10	45	R	55	R	James McGinlay	Covid-19 impacted on saving, due to JC Decaux requesting to remove Q2 guaranteed income payment due to LBM.	Y
E1	Investigate potential commercial opportunities to generate income from provision of business advice. This follows on from the expansion of the RSP to include Wandsworth from November 2017, and increased resilience.	60	0	60	R	60	R	Cathryn James	This saving is conditional on income being generated from chargeable business advice/consultancy. The focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not been possible to achieve the savings targets set for this financial year.	Y
ENR4	Charge local business' for monitoring of their CCTV	100	0	100	R			Cathryn James	Alternative saving has been agreed for 2020/21.	N
ENV1819-03	The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	662	1,238	R	1900	R	Cathryn James	<p>PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales in Sept and October 2020 are now compared with previous years and will continue to be monitored on a monthly basis particular in light of Lockdown 2 (Nov 2020). Lockdown 3 has been announced with further unknown consequences, however Lockdown 2 did not show a significant change in activity, 12 month equivalent Permit sales for the year are estimated to be down by approx. 10% overall for the calendar year 2020. Lockdown 3 continues to make analysis of the savings difficult but full financial year estimates show this saving will not be fully met.</p> <p>ON STREET PARKING CHARGES - PAY & DISPLAY: Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible. For the period June through to October data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity on this will be closely monitored as Covid tiers are implemented and changed in future months. December and Christmas parking data shows less activity than in previous year and now Lockdown 3 (Jan) will continue to have a further significant detrimental effect in 'on and off street parking' activity.</p>	Y
ALT3	Reduction in the number of pay & display machines required.	14	0	14	R	14	R	Cathryn James	Expected to be achieved in 2021/22.	Y
ENR9	Waste: Increase level of Enforcement activities of internal team ensuring the operational service is cost neutral	200	165	35	R			John Bosley	Alternative saving has been agreed for 2020/21.	N
E2	Waste: Thermal Treatment of wood waste from HRRC	30	0	30	R			John Bosley	This saving was replaced from 2020/21 by the underspend in residual waste disposal costs following the October 2018 service change.	N
E5	Letting of remaining vacant facilities in Greenspaces	50	0	50	R	50	R	John Bosley	One vacant property recently let, but saving impacted by C-19.	Y
E6	Increased tenancy income in Greenspaces	40	0	40	R			John Bosley	Alternative saving has been agreed for 2020/21.	N
Total Environment and Regeneration Savings 2018/19		2,449	837	1,612		2,079				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2019/20

Ref		2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	Adult Social Care									
CH89	Older People Day Care Activities: -As less people are choosing to attend these formal day centre we currently having increasingly vacancies within these provisions which are not been utilised. The proposal seeks to assess and analyse the demand and supply of activity aimed at supporting older people to access community activity. This will objectively look at the supply of building based and non-building based activity, its utilisation and the limitations on providing what people expect and need within the current model. It is envisaged that this will include a rationalisation and reduction of the current level of building based 'day centre' activity. This is based on current demand statistics and will include consideration of the effect of 2018/19 reductions in contracted day centre services; which is covered in a separate EIA for that specific proposal.	236	118	118	R	0	G	Richard Ellis	Engagement with the new owner has established an agreed timeline that means that the majority of savings will not be achieved until the new year. The work is underway to ensure that delivery	Y
	Subtotal Adult Social Care	236	118	118		0				

Appendix 4

Subject: Miscellaneous Debt Update March 2021

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

- 1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 March 2021, is shown in column F of the table below.
- 1.2 Please note that on the 6 February 2017 the new financial computer system E5 went live and this included the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 31 March 2021 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Mar 21 arrears f	Dec 20 arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	2,035,776	531,536	1,919,699	338,970	4,825,981	6,227,477	↓
Corporate Services	196,081	80,707	54,590	123,549	454,927	1,113,919	↓
Housing Benefits	304,562	288,613	903,593	3,512,975	5,009,743	5,043,802	↓
Children, Schools & Families	623,286	263,570	112,910	470,682	1,470,448	1,159,314	↑
Community & Housing	1,141,927	680,246	782,586	2,173,212	4,777,970	5,138,369	↓
Chief Executive's	-				-	-	-
CHAS 2013	61,042	22,881	764	2,077	82,610	110,608	↓
Total	4,362,674	1,867,553	3,774,143	6,617,310	16,621,679	18,793,489	↓

- 1.3 Since the position was last reported on 31 December 2020, the net level of arrears, i.e. invoices over 30 days old, has reduced by £2,171,810.
- 1.4 Since last reported at the end of December the only department debt to increase is Children's Schools and Families which has increased by £311,134.

- 1.5 The large CIL debt of £820,000 which has been reported to the Financial Task Group was paid at the end of April. This payment will not show in the figures above as they are only up to the end of March 2021.
- 1.6 The debt recovery team continue to proactively pursue all outstanding sundry debt, working with service departments to improve collection.

2 IMPACT OF COVID19

- 2.1 Towards the end of March 20, all recovery action for council tax, business rates, sundry debt, parking PCN's and enforcement work ceased.
- 2.2 The new years council tax and business rates bills had already been distributed to residents and businesses in the borough.
- 2.3 **Council Tax**
- 2.4 From early April residents who contacted the service were offered advice on claiming welfare benefits and deferral of council tax instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 2,700 residents have had instalments deferred.
- 2.5 Recovery action for non-payment of council tax re-commenced in May with reminders and SMS being issued. Recovery action has continued although we have not yet issued summonses for non-payment.
- 2.6 The Council held a remote Liability Order Hearing with Wimbledon Magistrates Court on 9 December. This pilot with the Court Service was successful and we obtained 1,400 liability orders, had 130 debts paid in full and 200 payment arrangements agreed.
- 2.7 The Court Service has now provided the Council with monthly Liability Order Hearings. The first one was held in mid-April. The Council obtained Liability Orders for council tax and business rates debts.
- 2.8 When last reported at the end of December, the forecasted shortfall in council tax income for the year was £2.838 million, Merton's share of this shortfall would be £2.240 million.
- 2.9 At the end of March, the full year collection rate was just 0.98% down from the previous year. The shortfall in council tax income for the year reduced to £1.197 million, Merton's share of this shortfall would be £946,000.

- 2.10 The improvement from December was due to increased payments in February and March as instalments had been deferred from earlier in the year.
- 2.11 **Business Rates**
- 2.12 From early April businesses who contacted the service were offered advice on government support and grants and offered the deferral of business rates instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 750 businesses have had instalments deferred
- 2.13 The government introduced new reliefs for many businesses. Over £44.8 million in expanded retail, hospitality and leisure relief has been granted to businesses. In addition, a further £799,000 relief has been awarded to nurseries
- 2.14 At the beginning of the year the net debt for all business rates was £95 million. Following the award of the reliefs mentioned above the net debt now being collected is £49 million
- 2.15 An analysis of outstanding debt showed many businesses that should be able to pay their rates had not paid. This included large supermarket retailers, delivery companies and large institutions. There were also many businesses that were not be in a position to pay due to the impact of covid19. Reminder notices for non-payment were issued in August 20. Businesses were asked to contact the team if they were having difficulty paying and in these instances we have further deferred payments and spread payment arrangements into 2021/22.
- 2.16 In March 21 targeted summonses were issued to some businesses for non-payment of rates. Liability Orders were obtain in April and debts passed to the Enforcement team for collection.
- 2.17 When last reported at the end of December, the forecasted shortfall in business rates income for the year had reduced to £5.149 million, Merton's share of this shortfall would be £1.544 million.
- 2.18 At the end of December, the forecasted shortfall in business rates income for the year had reduced to £3.814 million, Merton's share of this shortfall would be £1.144 million.
- 2.19 The improvement from December was due to increased recovery action including the issuing of summonses.
- 2.20 **Sundry Debt**

- 2.21 Invoices have continued to be issued since April. Commercial rent clients have had their first quarter invoice deferred and payments spread across the remainder of the year
- 2.22 Issuing of letters for non-payment was recommenced in early June although not for Commercial rent clients
- 2.23 As detailed in the table above in 1.2, debt older than 30 days for all departments has reduced since December 20 by just over £2.1 million.
- 2.20 Recovery action has continued on existing long term cases although the team have not been able to undertake visits and the legal service recovery has been affected with reduced court access.
- 2.21 Adult Social Care debt has reduced from £4.237 million at the end of December 20 to £3.690 million at the end of March 21. A reduction of £547,000.
- 2.22 In the past year Adult Social Care debt has reduced by £958,000. The improvements to working processes, targeted collection, increased legal action and ongoing monitoring has contributed to the improvement.
- 2.23 **Housing Benefit Overpayments**
- 2.24 Invoices have continued to be issued for new debts but no other recovery action has re-commenced.
- 2.25 Housing Benefit overpayment debt has reduced from £7.34 million in December 20 to £7.19 million at the end of March 21.
- 2.26 **Parking Debts**
- 2.27 Where parking enforcement has continued the service have progressed cases to Charge Certificate stage.
- 2.28 Debt Registration is now up to date and cases being passed to the enforcement team where they remain unpaid on a regular basis.
- 2.29 **Enforcement service (bailiffs)**
- 2.30 Enforcement Agents ceased visits in March before the Government formally announced a stop to enforcement work.
- 2.31 In May 20, Councillors agreed to re-engagement by letter and text with existing debtors with a more customer focused approach offering welfare advice and longer term arrangements.
- 2.32 In June 20, the enforcement admin team were furloughed by agreement of the Shared Enforcement Service Board.

- 2.33 Re-engagement letters were issued in late September 20 and the in house team re-commenced enforcement visits on 6 October 20 for Merton and Sutton parking debts only.
- 2.34 Risk assessments, new working procedures, refresher training have all been completed. All enforcement agents have been provided with PPE and have been instructed on undertaking covid-19 assessments within their work.
- 2.35 Enforcement action recommenced for Merton council tax cases in November. The amount of debt and fees collected by the team for the three month period October to December is considerably lower than prior to the pandemic. This is to be expected as Enforcement Agents are restricted with the action they can take.
- 2.36 There has been a gradual increase in debt and fees collected in February and March 21.

3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 31 March 2021 is detailed in the table below.

Total debt outstanding as at 31 March 2021 and compared with previous periods over the past 15 months

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
	£	£	£	£	£	£
Miscellaneous sundry debt Note 1	12,584,544	15,997,460	18,485,599	15,943,871	16,453,772	16,414,842
Housing Benefit debt	7,653,539	7,644,804	7,758,894	7,611,691	7,342,968	7,190,534
Parking Services	4,183,930	3,489,345	3,645,037	3,967,251	4,895,362	4,661,940
Council Tax Note 2	6,496,094	8,755,512	8,182,271	7,721,592	7,139,145	10,927,588
Business Rates Note 3	1,941,014	3,661,859	3,725,128	3,689,921	3,611,524	8,414,383
Total	32,859,121	39,548,980	41,796,929	38,934,326	39,442,771	47,609,287

Note 1 The amount shown against miscellaneous sundry debt above differs from the amount shown in table 1 as it shows all debt, including debt which is less than 30 days old and table 1 only includes debt over 30 days old and also includes housing benefit overpayments which is shown separate in the table above.

Note 2 Council tax debt now includes unpaid council tax for 2020/21 in March 21 figures hence the increase.

Note 3 Business rates debt now includes unpaid business rates for 2020/21 in March 21 figure hence the increase.

3.1 The overall debt outstanding has increased by £8,166,516 since last reported at the end of December 2020. The large increases are mainly for council tax and business rates as the debt for 2020/21 has now been included.

3.2 A more relevant comparison is between March 2020 and March 2021. The changes in outstanding debt are as follows

Overall £8,060,307 increase
 Sundry debt £417,382 increase
 Housing Benefit £454,270 decrease
 Council Tax £2,172,076 increase
 Parking £1,172,595 increase
 Business Rates £4,752,524 increase

3.3 The large increase in previous years debts for council tax and business rates is due to the lower collection rates due to the impact of the pandemic and the fact that we have not undertaken normal recovery action during the year.

3.4 Detailed breakdowns of the Council Car Parking figures as at 31 March 2021 are shown in the table below:

Age of Debt			
Age of Debt	Outstanding	Number of PCNs	Average Value
0-3 months	£		£
3-6 months	£604,681	6,606	£92
6-9 months	£508,533	3,310	£154
9-12 months	£554,262	3,264	£170
12-15 months	£397,539	2,198	£181
Older than 15 months	£300,188	1,647	£182
Total	£2,296,737	12,796	£179
	£4,661,940	29,821	£156
Total December 2020			
	£4,895,362	31,905	
Increase/-decrease			
	£233,422	2,084	

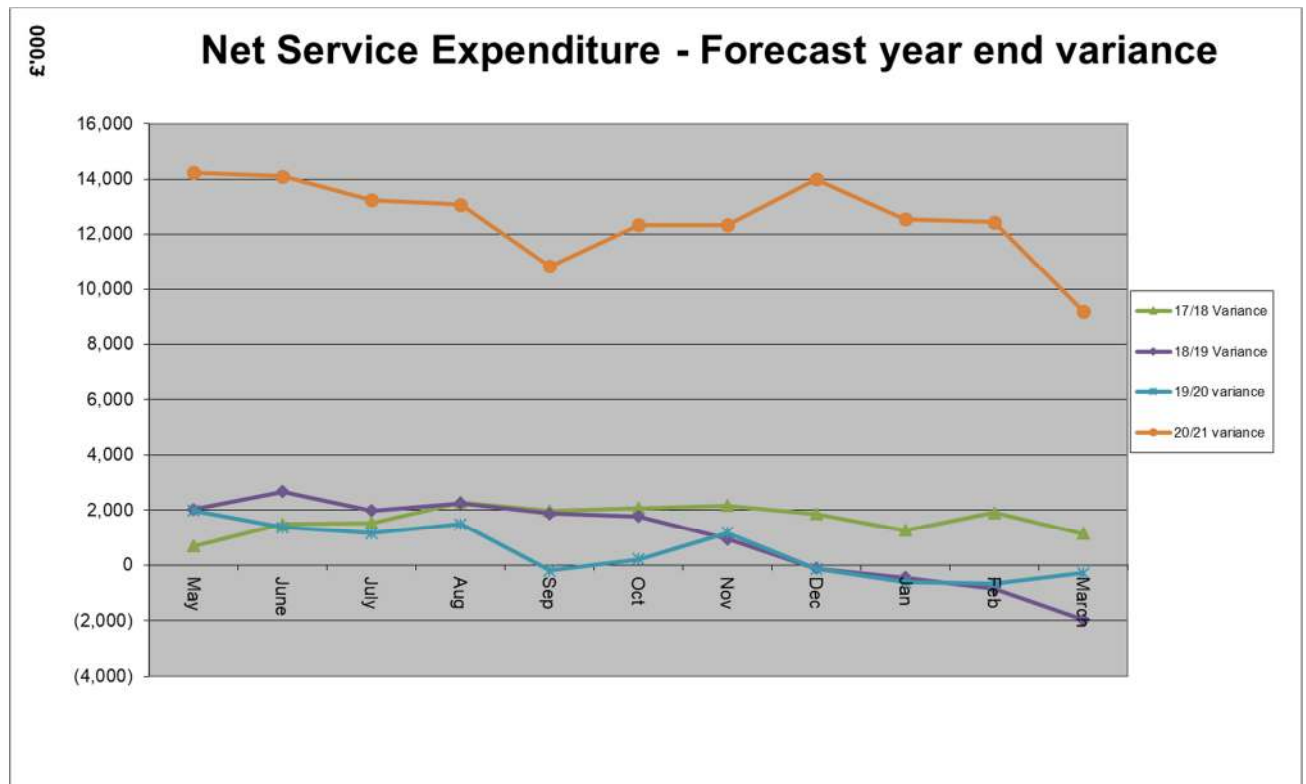
APPENDIX AUTHOR - David Keppler (020 8545 3727/david.keppler@merton.gov.uk)

Quality of Forecasting

This section explains the reasons for variances between the period 10 forecast, which was the last forecast reported to Cabinet, and the final outturn.

The quality of accurate forecasting has visibly reduced in 2020/21. This is largely, but not exclusively, due to the large scale uncertainty around the covid-19 pandemic and its impact on the Council's services. It has consequently reduced many services' ability to determine likely levels of demand and income generation. In addition, the extra workload and pressure on some front line services may have inadvertently reduced the time and resources available to dedicate to the monthly budget monitoring process. Demonstrated by the graph below is a stark comparison between outturn and monitoring for 2020/21 compared with recent years.

Budget monitoring and forecasting will continue to be reviewed and challenged in 2021/22 with the focus on accurate forecasting for the financial impact of Covid-19 and on improving the training offer for budget managers, targeting high financial value areas which have demonstrated a lack of accuracy during 2020/21.



Corporate Services – Reasons for January to Outturn variances

Division	December Forecast variance £'000	January Forecast variance £'000	February Forecast variance £'000	Outturn variance £'000	January – Outturn Variance £'000
Customers, Policy & Improvement	926	975	975	915	(60)
Infrastructure & Technology	210	151	135	(51)	(202)
Corporate Governance	(98)	(77)	(89)	(88)	(11)
Resources	2203	2,118	2,101	1,811	(307)
Human Resources	157	154	154	102	(52)
Corporate Other	916	885	867	1,057	172
Total	4,314	4,206	4,143	3,746	(460)

Customers, Policy & Improvement

The adverse forecast variance reduced from £975k expected at period 10 to £915k at year end. Whilst there were some smaller changes offsetting one another within the division, the main area of change was the Registrars Service. Forecasting income for the service was complicated by the various covid restrictions in place throughout the year and the position improved significantly by year end as national restrictions began to ease and demand for the registrars service increased. Going into 2021/22, income in the service will be kept under close review as levels of uncertainty around covid improve and forecasting can therefore become less cautious.

Infrastructure and Technology

The outturn position of a £51k favourable variance has significantly improved compared to the period 10 forecast adverse variance of £151k. The vast majority of the change between forecasts and outturn occurred within Facilities and Business Systems.

Across the various buildings in the Facilities portfolio, the outturn was £131k less than forecast at period 10. This was due to numerous buildings maintenance works which had been expected to be completed within the financial year but, due to covid, it was not possible to get contractors on site to carry out the works by the end of March 2021. Whilst the circumstances around covid and lockdown restrictions caused issues getting contractors on site, the uncertainty around these works being completed had not been flagged at an earlier stage. Closer scrutiny of the level of outstanding commitments and spend to date will be addressed to avoid similar issues in the new year, though it is thought the availability of contractors should become easier to predict as we emerge from the pandemic.

Within the Business Systems team the outturn variance was £108k more favourable than forecast at period 10. This is due to many factors, one of which being the complexity of the forecast model being used which was more susceptible to human error. Other issues were around the uncertainty of the level of staffing costs which could be capitalised, the years in which licence costs would be incurred and accounted for and the timing of vacancies being filled. To address these issues the capital finance team will be undertaking more regular reviews of requests for capitalisation and the budget management team will be working more closely with the budget manager to support accurate forecasts being generated that tie in with recruitment plans of the service and timing of licence/support and maintenance contracts.

Corporate Governance

Corporate Governance's outturn favourable variance is £88k compared to £77k forecast at period 10. This relatively small difference is due to the receipt of a grant in Information Governance which hadn't previously been confirmed, a lower charge from Richmond Council for the shared Internal Audit service and an improved surplus generated by the South London Legal Partnership (SLLp).

Offset with the above is increased costs due to higher requests for postal vote applications leading up to the May 2021 elections and reduced property income in the legal service.

Resources

The outturn in resources had a net favourable movement of £307k from the period 10 forecast position.

The main favourable movements within the division came from the Revenues and Benefits services, largely due to the uncertainty caused by covid and additional funding achieved. The Bailiffs service (including the Sutton element) had a significant adverse variance of £887k but this was an improvement of £81k compared to the period 10 forecast. This was because the team were able to improve income in the final months of the year having not been able to operate for much of 2020/21 as a result of covid. Within the Local Taxation service the outturn variance was £263k better than anticipated at period 10, this was due to a further summons run which was able to be completed in March 2021 and which was previously unknown at the time of forecasting. There was also additional funding from the GLA which was unknown at the time of period 10 forecasting but had been identified as part of a review at period 11, and various smaller over-estimates for postage and staffing costs. The Benefits Administration team also improved their position by £76k compared to period 10, partly due to an additional Housing Benefit admin grant which was only advised by DWP on 12 March 2021.

Offsetting with some of the above favourable changes within Resources were increased costs in Insurance to cover claims handling and increased premiums following property valuations and Corporate Accountancy as a result of additional external audit fees proposed, such as for further testing of the 2018/19 housing benefit claim. This in turn resulted in the subsidy clawback cost to LBM being revised from over £0.4m to zero.

Human Resources

The variance on HR moved from £154k adverse variance forecast at period 10 to £102k adverse variance at year end.

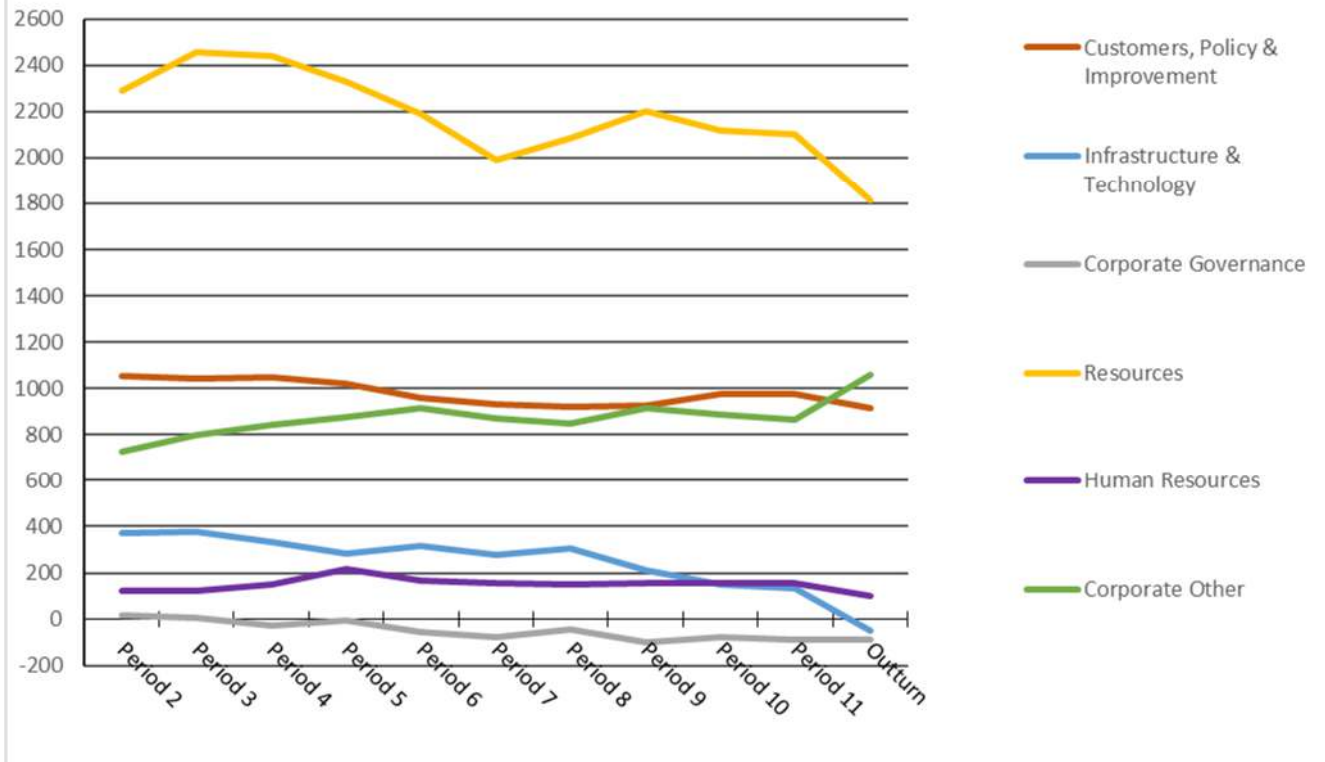
The movement in HR is mainly due to the charge from Kingston Council for the shared Itrent team and payroll service being less than expected following difficulty in obtaining revised estimates from Kingston during the year, additional income on the payroll service from schools and internal recharge income from other departments to cover long service awards.

Corporate Items

Compared to period 10, the outturn variance has moved adversely by £172k. The main contributing factor is having provided for costs of a new HR contract which will be required in the coming year. Offsetting with this is an improved position of the Housing Benefits (HB) account as the subsidy clawback for 2018/19 was not needed following additional testing of the claim by EY.

The following graph represents the monthly forecast variances reported by each division throughout 2020/21, compared to the final outturn position:

Forecast Variance Vs Outturn Variance



Environment & Regeneration – Reasons for Jan-Outturn variances

Division	Forecast Variance			Outturn variance £'000	Jan – Outturn £'000
	December £'000	January £'000	February £'000		
Public Protection	9,198	9,254	9,257	8,973	(281)
Public Space	1,874	1,794	1,851	2,003	209
Senior Management	(98)	(129)	(113)	(134)	(5)
Sustainable Communities	352	20	11	(153)	(173)
TOTAL	11,326	10,939	11,006	10,689	(250)

Public Protection – favourable movement of £281k

The principal reasons for the improvement between January and outturn relates to Parking Services and Regulatory Services. The adverse variance within Parking Services reduced by £180k mainly due to income (£129k) whereby the position on PCN and P&D improved by £172k and £73k respectively. This was partially offset by lower than expected permit income of £150k.

The impact of covid-19 has resulted in complexities with accurately forecasting income projections as the nation eased out of the January 2021 lockdown. However, detailed monthly analysis resulted in the respective above mentioned movements between January and outturn being only 3.7%, 2.3%, and 3.4%. Therefore, taken in context, the difference between January and outturn is relatively minor.

Finally, supplies & services costs were £60k lower than forecast mainly due to the fact that the forecast included the placement of signage around the borough relating to emissions based charging being undertaken twice as the Council followed due process but, due to timing delays, only one had been carried out by outturn.

The position within Regulatory Services also improved between January and outturn by £86k, mainly as a result of the section being able to recharge additional staff costs against both the Test & Trace, and the Outbreak Contain & Management grants. In addition, licensing income levels improved by £30k between January and outturn.

A relatively minor variation was experienced between January and outturn within the position within Safer Merton improving by (£14k).

Public Space – adverse movement of £209k

The forecast variance remained relatively steady when comparing January to outturn, with the exception of Waste Services whereby the adverse variance increased by £328k.

The main reason for this relates to the Council's waste collection and street cleansing contract (Phase C), whereby a £270k provision was created in the accounts at year-end. The amount reflects the contractor's claim for a reduction in guaranteed income due to the Authority from the impact of covid-19. As yet no agreement has been reached with regards to this but the potential loss of income falls within the scope of the Income Compensation Claim form submission to Central Government.

In addition, disposal costs were £155k higher than forecast mainly as a result of the Council being liable for disposal costs relating to Schedule 2 properties (£115k), but only being invoiced in March, resulting in the costs being omitted from January's forecast.

This was partially offset by an improvement in the net income from issuing fixed penalty notices of £31k, and other Phase C related costs of £36k

Minor variations were experienced within Leisure & Culture (-£11k), Greenspaces (-£51k) and Transport Services (-£56k).

Sustainable Communities – favourable movement of £173k

Between January and outturn the adverse variance of £20k was replaced with a favourable variance of £153k, principally within Future Merton (-£226k), and Development & Building Control (+£108k).

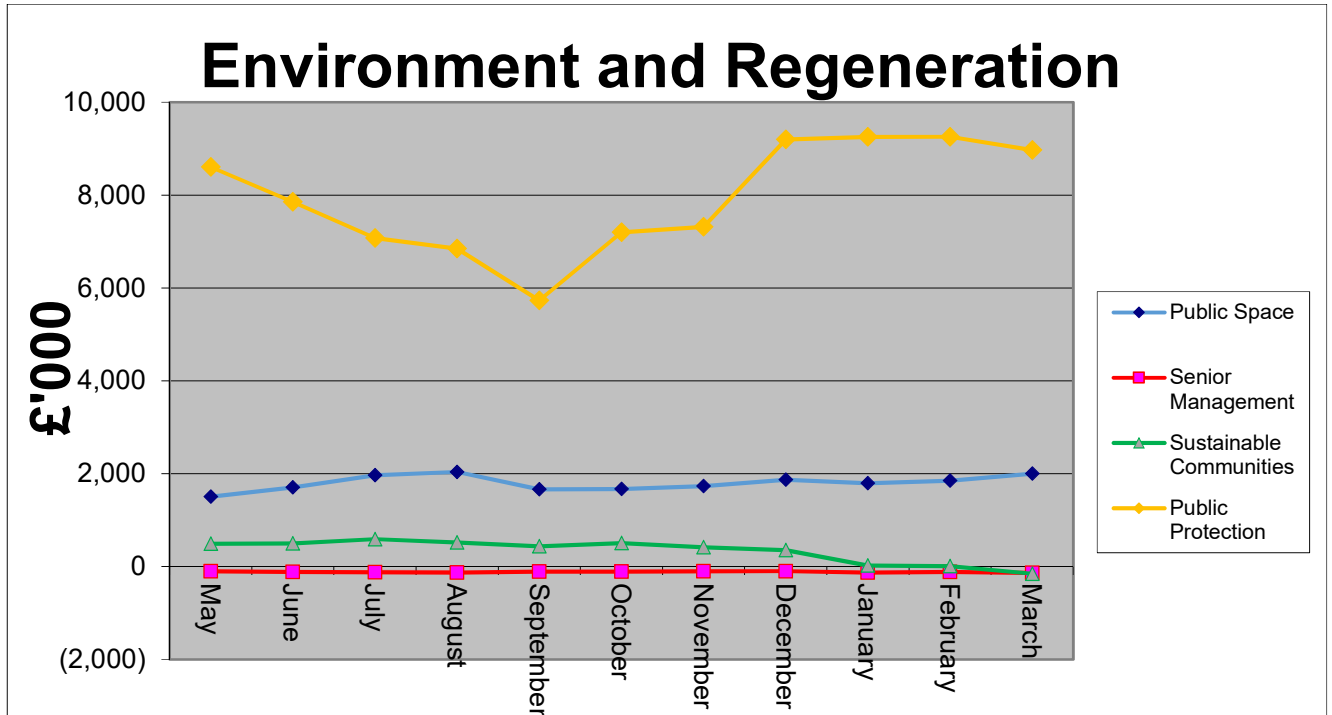
As at Period 10, the section had an income expectation of £60k from 2019/20 (sundry debtor) relating to services provided to a developer in relation to a Planning Performance Agreement. However, the developer had paused planning activity pending a review of their business plan. Therefore, although the developer still planned to proceed with the associated work with discussions in progress, a prudent approach of not forecasting the income was taken. By year-end these discussions had been finalised, and the Authority duly received an income payment resulting in a January to outturn movement of £114k.

The section also ended the year with higher than expected street works & permitting, and temporary orders income of £89k, as businesses resumed carrying out work on the highways during the latter stages of the financial year.

The increase in Development & Building Controls adverse variance of £108k was due to a combination of legal & counsel fees in relation to a Public Enquiry (£44k), staff costs (£22k), and lower than anticipated income (£32k).

A relatively minor variation was experienced within Property Management & Review (-£56k).

The following graph represents the monthly forecast variances reported by each division throughout 2020/21, compared to the final outturn position:-



Children, Schools and Families – Reasons for Jan-Outturn variances

Summary

The first table shows forecast variances since December 2020/21.

Division	December Forecast variance	January Forecast variance	February Forecast variance	Outturn variance	January – Outturn Variance
	£'000	£'000	£'000	£'000	
<u>Education</u>					
Education Budgets	(836)	(988)	(988)	(1,719)	(731)
Depreciation	0	0	0	0	0
Other Education Budgets	0	0	0	(84)	(84)
Education Services Grant	0	0	0	0	
Education sub-total	(836)	(988)	(988)	(1,803)	(815)
<u>Other CSF</u>					
Child Social Care & Youth Inclusion	(101)	(397)	(397)	(908)	(511)
Cross Department	(69)	(225)	(225)	48	273
PFI Unitary Costs	(556)	(556)	(556)	280	836
Pension and Redundancy Costs	0	0	0	(589)	(589)
Other CSF Sub-total	(726)	(1,178)	(1,178)	(1,169)	9
Grand Total	(1,562)	(2,166)	(2,166)	(2,972)	(806)

CSF outturn variance from January outturn can be summarised as follows:

CSC – (£511k)

Education – (£731k)

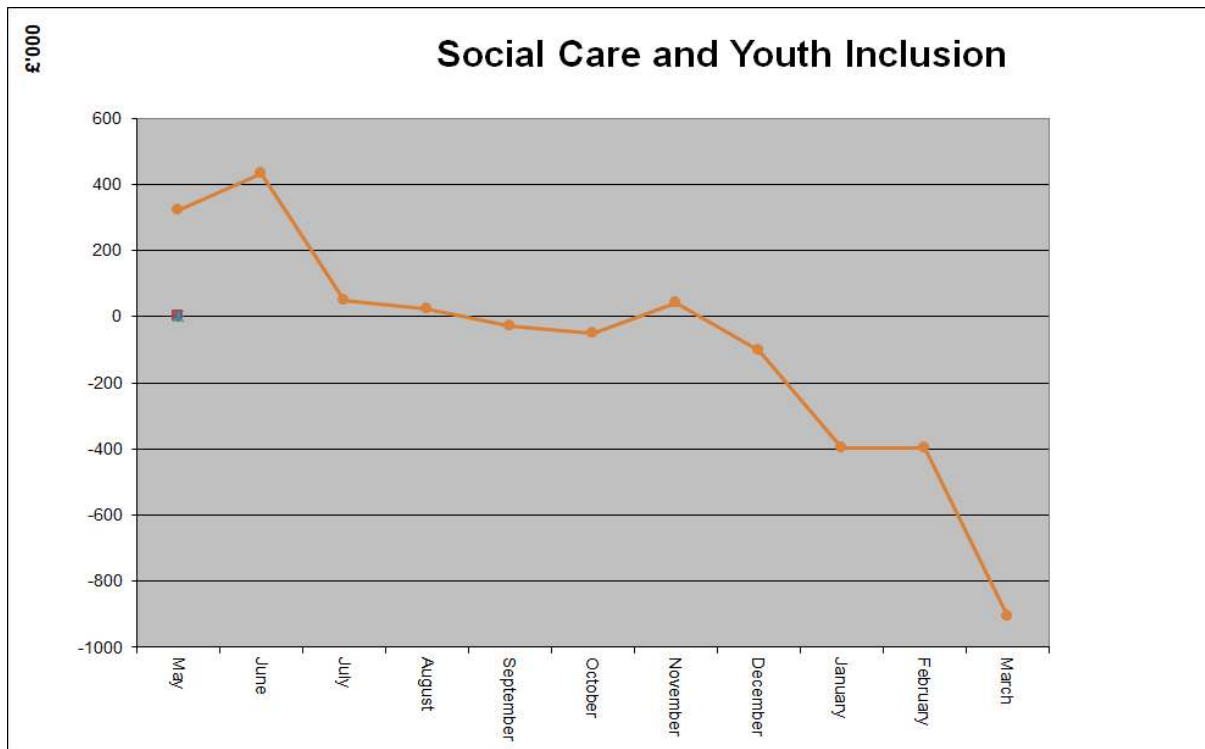
Other Cross Departmental (Joint Commissioning) – £273k

Other CSF - £164k broken down into PFI £836k and Pensions and Redundancy Costs (£589k).

In total the variance from January to Outturn is (£806k). The Pension and Redundancy variance is a one-off position where the fund was in surplus last year and a contribution was not required. It is currently unclear if this will be repeated.

The remainder of this narrative explain the above in more detail.

Children's Social Care and Youth Inclusion Division

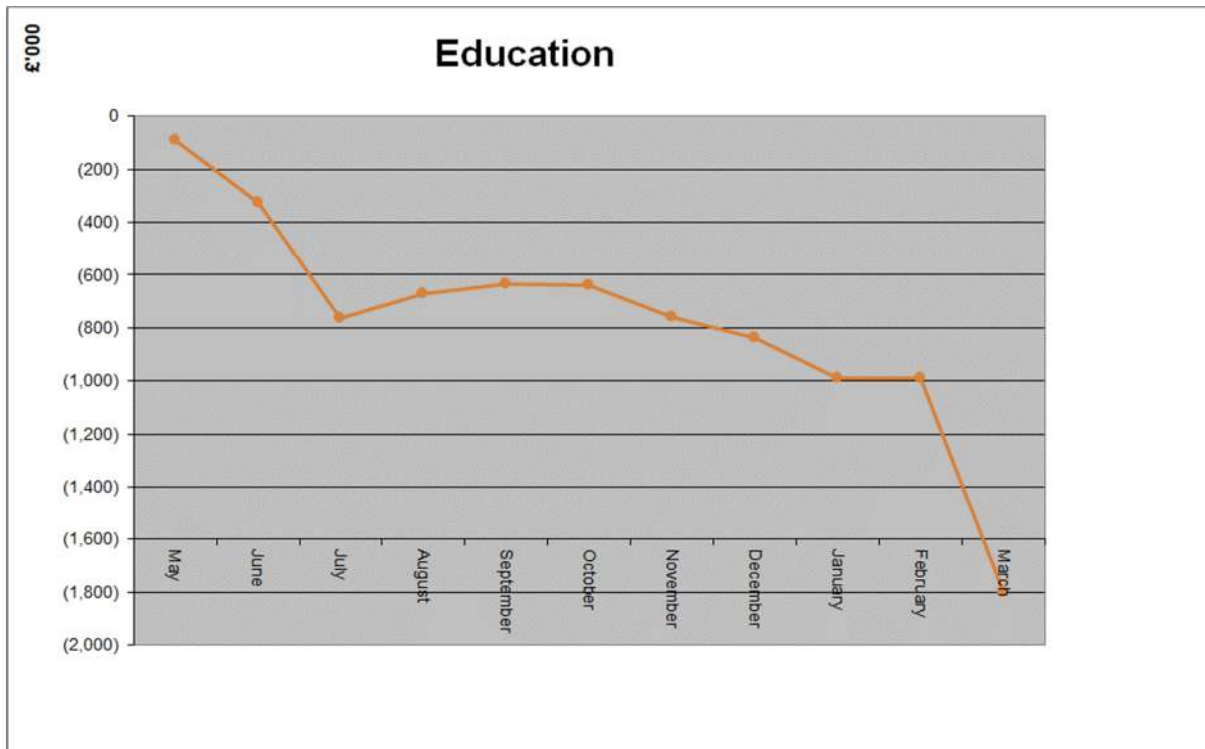


The favourable outturn position has significantly improved since the forecast at period 10.

Whilst there are some smaller areas of change offsetting each other the main areas of change were a favourable variance reduction within the Central Social Work teams mainly related to increased staffing and agency costs; a reduced adverse variance in the MASH and Child Protection Service relate to a reduction in payment to housing associations and a reduced adverse variance in Children in Care and Resources related to underspends in residential placements, supported housing and staying put and secure accommodation .

A number of these variances, particularly those relating to Children in Care will require further budget forecasting training to be undertaken with cost centre managers to improve the position for 2021/22.

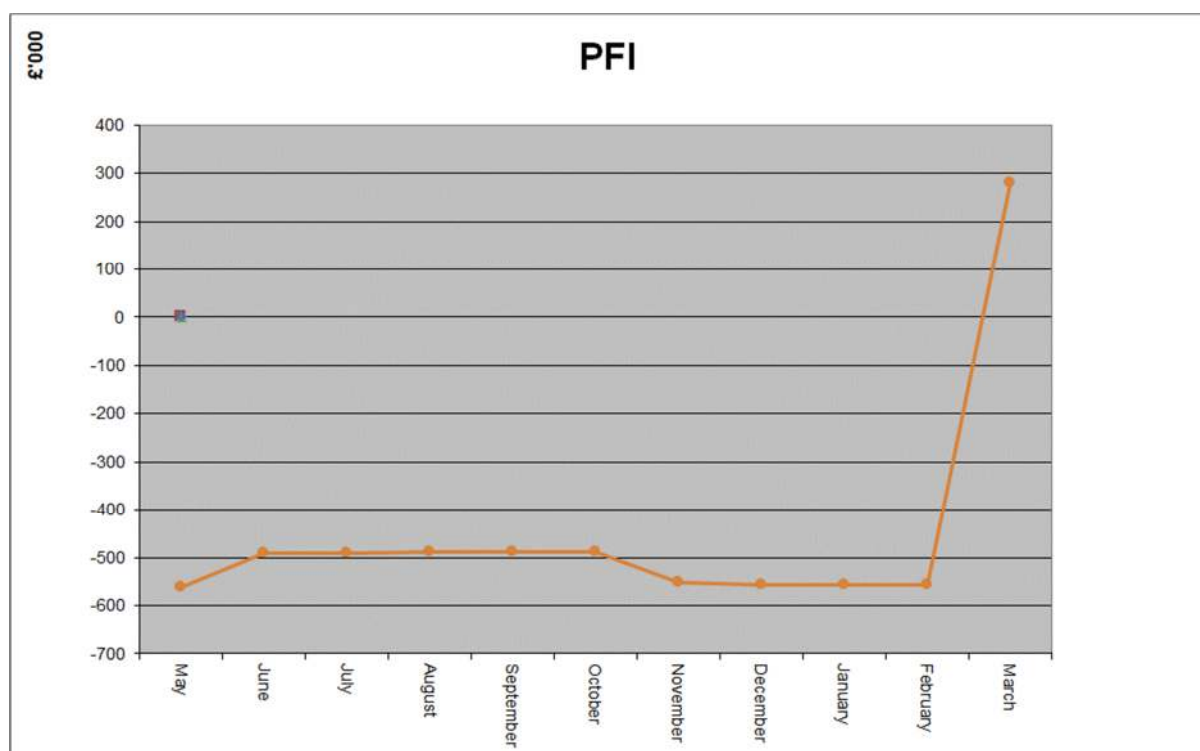
Education Division



The favourable outturn position has significantly improved since the forecast at period 10.

Whilst there are some smaller areas of change offsetting each other the main area of change was an increased favourable variance in relation to the SEN tax spend. This budget has been difficult to forecast this year due to constant changes in the status of schools in relation to their opening and the closure of bubbles or classes at short notice in relation to infection control and self-isolation requirements. Further focus will be required on the forecasting of the transport budget moving forward taking into account the continued volatility of the situation in relation to the pandemic.

Other CSF



Schools PFI

The movement against this budget since Period 10 is £836k. This is primarily due to payments to contractors and payments to and from schools.

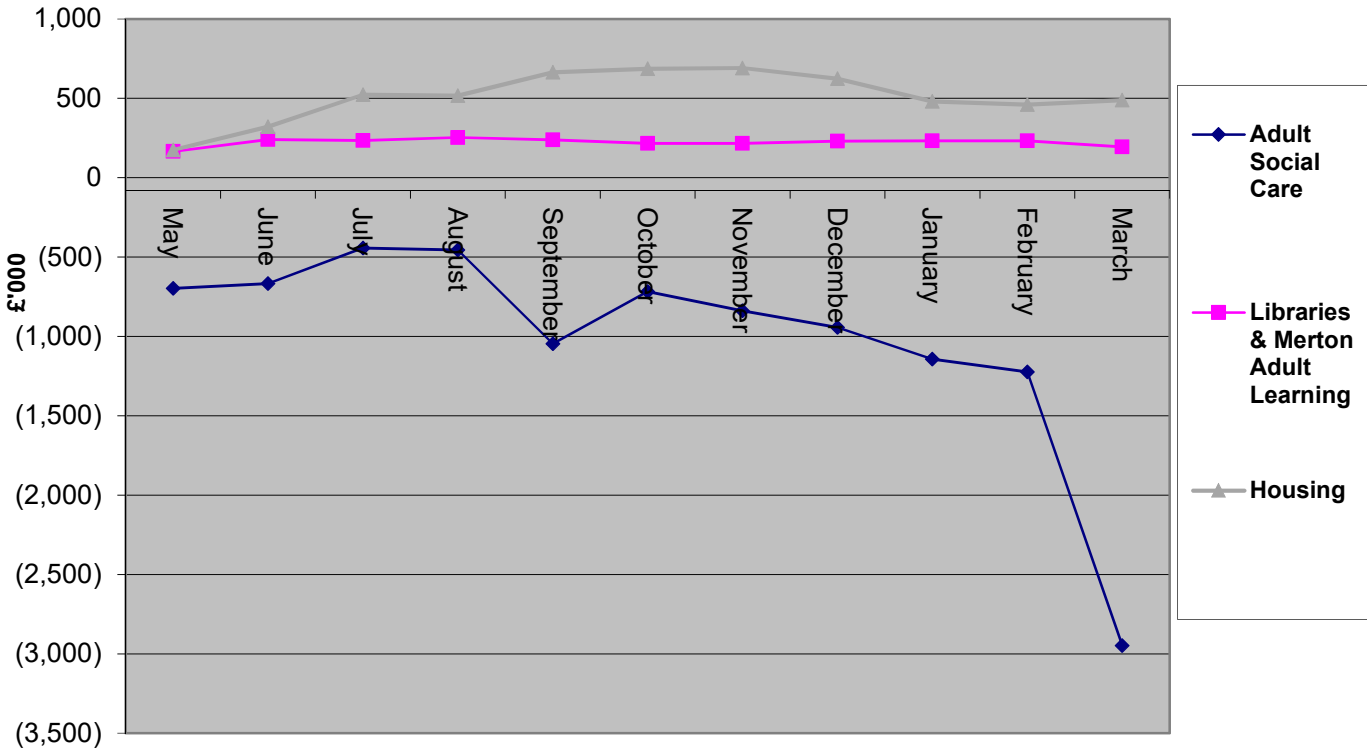
Community & Housing – Reasons for Jan -Outturn variances

Division	December Forecast variance £'000	January Forecast variance £'000	February Forecast variance £'000	Outturn variance £'000	Jan–Outturn Variance £'000
Adult Social Care	(943)	(1,142)	(1,224)	(2,947)	(1,805)
Housing	623	480	460	489	9
Libraries & Merton Adult Learning	230	233	233	195	(38)
Public Health	0	0	0	0	0
TOTAL	(90)	(429)	(531)	(2,263)	(1,834)

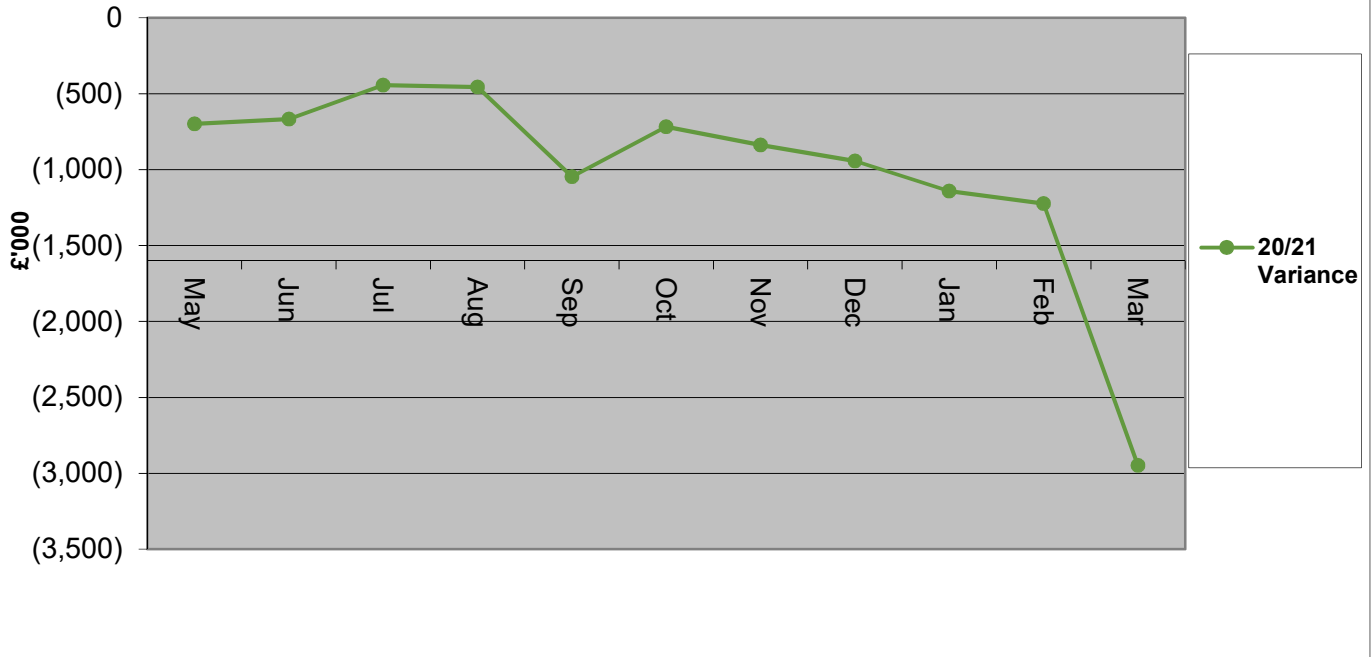
The following graph represents the monthly forecast variances reported by each division in community & housing throughout 2020/21 compared to the final outturn position: -

It shows that forecasting during 2017/18 to 2019/20 the outturn position was similar or quite close to forecasted except in 2020/21 the covid-19 pandemic has affected particularly Adult Social Care forecasting as it was prudent to forecast based on the best information available.

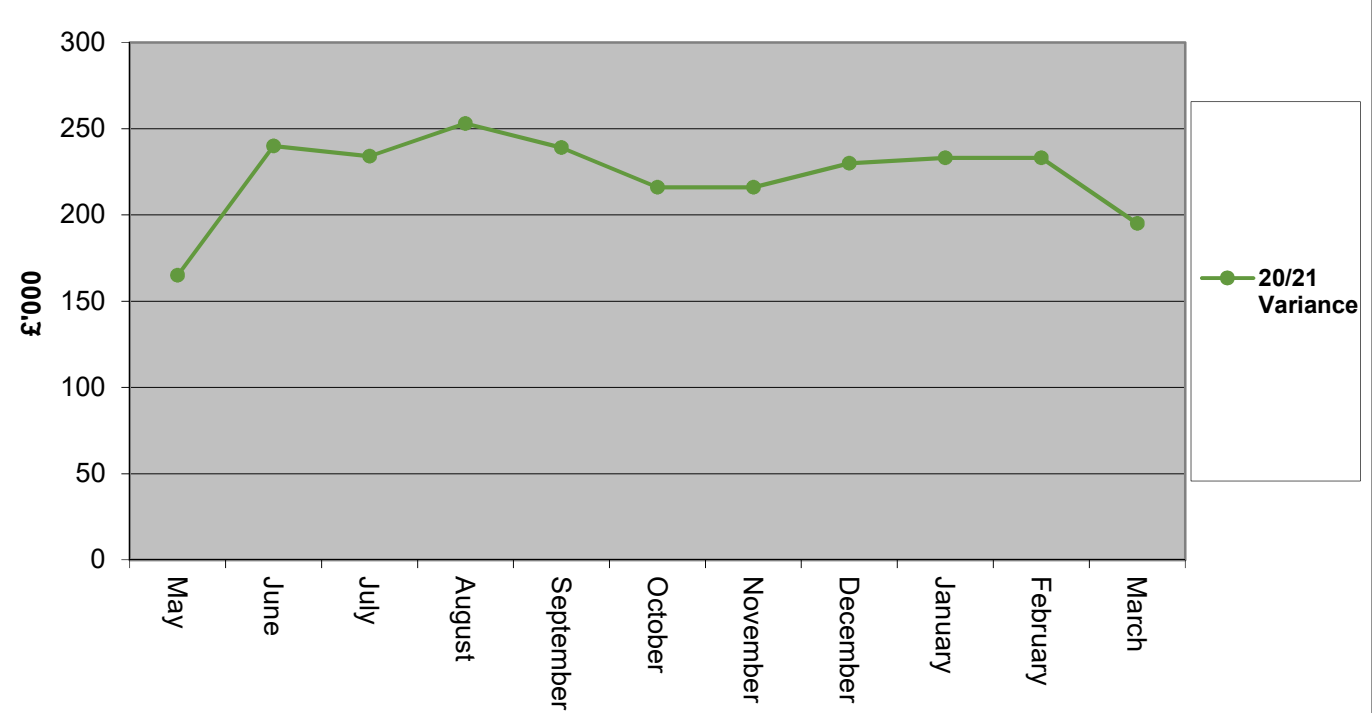
Community and Housing 20/21

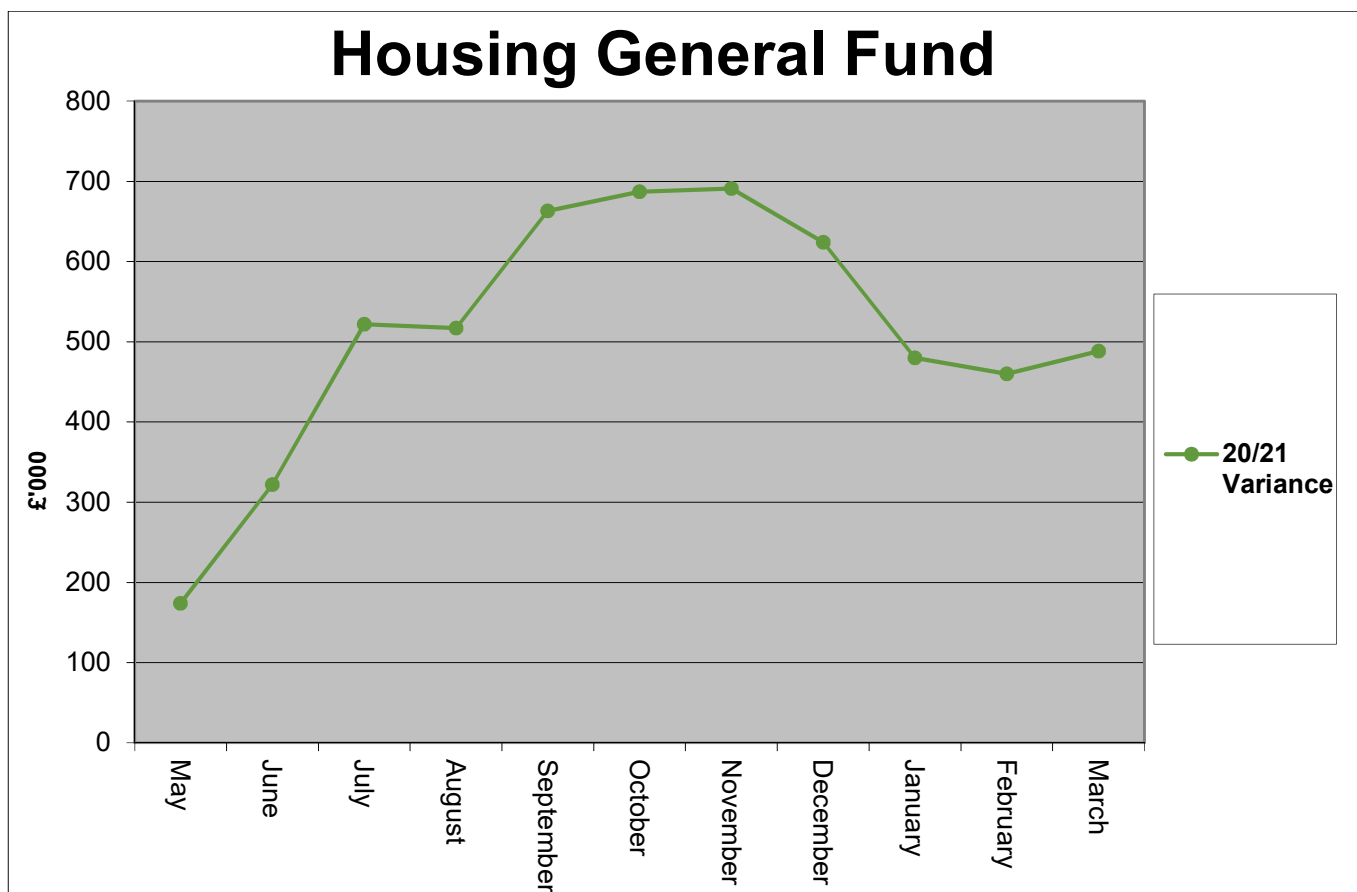


Adult Social Care



Libraries & Adult Education





Community & Housing (C&H)

C&H Outturn to period 10 has varied by **£1.8m**.

- Adult Social Care - (£2.9m)** which is due primary to the uncertainty during the covid-19 pandemic, it was not a situation that the service has experienced and the constant changing environment, the number of clock downs and the unpredictability of forecasting placement expenditure. There were a significant amount of unknowns and insufficient data during this period such as on whether external day care costs were payable, suspension and variation in homecare packages and the income collection was better than expected. This favourable outturn position seems to have been experienced by a number of authorities. The pandemic remains but Adult Social Care has sought to learn from this experience and in terms of placement and client income data there will be additional checks and a new process which should improve data but unfortunately this will take longer to produce.
- Housing - £489k** This is due to increase in temporary accommodation activity, rent deposits and less income than expected HMO licences due to the pandemic.
- Libraries & Merton Adult Learning - £195k** unfavourable position on Libraries due to loss of income, one off business rates and increase cost for security costs. It is expected however that loss of income will continue into 2021/22 as libraries main close and rent relief is given to leasers. Merton Adult Learning achieved a breakeven position.

- **Public Health** – Achieved a breakeven position and a transfer to reserves due to the delay in projects and on-going negotiations with a provider.

Covid-19– Central Items

Department	December Forecast	January Forecast	February Forecast	Outturn	Jan– Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Corporate Services	800	717	717	730	13
Children, Schools and Families	400	400	400	73	(327)
Community & Housing	5,417	5,404	5,404	3,119	(2,285)
Environment and Regeneration	1,784	1,752	1,752	1,434	(318)
TOTAL	8,401	8,273	8,273	5,356	(2,917)

Corporate Services

There was a minimal difference of £13k between period 10 and outturn for spend in central items for covid 19 originating from the Corporate Service departments.

Children, Schools and Families

Estimates throughout the year have declined from over £1m midway through year, revised in period 9 downwards to £0.4m. The actual expenditure relates to social work interim staff supporting covid related activity.

Community & Housing

The difference of £2.3m between P10 and outturn is due to a number of factors such as payments to the community hub and other relating shielding activities were eventually covered by the Clinical Commissioning Group (CCG) and late the receipt and allocation of the CEV shielding grant.

An agreement was also reached with the CCG to cover the overtime cost relating to brokerage and hospital discharge staff.

It is important to note that forecast during the year was based on estimated cost for the department regarding additional staffing required, potential payment to providers to secure beds due to the limited number of suppliers in the market, PPE and an estimated cost for the provision of 'Hot Bed's during wave 2 as it was viewed that LBM will be responsible for this cost which never materialised.

Environment and Regeneration

The principal reason for the reduction between P10 and outturn is due to c£296k of the Mortality Management Wave 2 contribution being treated as a prepayment.

Committee: Cabinet

Date: 12 July 2021

Wards: All

Subject: CHAS 2013 LTD

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Tobin Byers

Contact officer: Louise Round, Managing Director South London Legal Partnership

Recommendations:

- A. To appoint the Chief Executive, in consultation with the Director of Corporate Services and the Managing Director of the South London Legal Partnership (the Shareholder Panel) to act as the Council's Shareholder Representatives for the purposes of taking decisions on the matters reserved for the Council as the sole shareholder in CHAS 2013 Limited ("the Company"), except for the matters listed in paragraph 2.12 of this report which shall be reserved for decision by the Cabinet;
- B. To approve the revised articles of association and shareholder agreement attached as appendix A and B respectively, subject to any changes which the Shareholder Panel consider reasonably necessary in order to protect the Council's interests;
- C. To approve the proposed new company structure set out in paragraph 2.2 and that to delegate authority to the Shareholder Panel to agree the articles of association and any shareholder agreement relating to that new structure and to make any necessary applications in order to effect those changes;
- D. To authorise the Shareholder Panel to agree the proposal for the Company to acquire Company X at such a price and on such terms as in their view, having taken such advice as may be appropriate, represents a fair and proper commercial consideration;
- E. To note that decisions by the Shareholder Panel will, where appropriate, be taken in consultation with the Cabinet Member for Finance.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

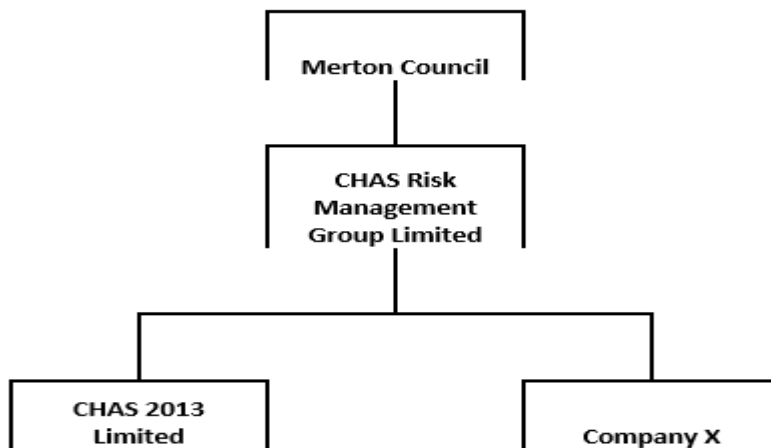
- 1.1. In 2013 the Cabinet agreed to "spin out" its internal Contractors Health and Safety (CHAS) Assessment Scheme which was acknowledged nationally as a highly respected scheme and the market leader for health and safety pre-qualification in the UK.
- 1.2. A limited company was incorporated as CHAS 2013 Limited ("the Company") in March 2013, with the Council as the sole shareholder. The Company has been very successful and has approached the Council seeking to vary its articles of association and the terms of the agreement between the Company and the Council as shareholder. This would seem an opportune moment to review the governance arrangements relating to the Council's oversight of its wholly owned company.

2 DETAIL

- 2.1. Following agreement by the Cabinet to the establishment of the Company in 2013, the Company was formed on the basis of Model Articles of Association and a draft shareholder agreement was approved by the Director of Environment and Regeneration who at that time acted as the shareholder representative on behalf of the Council. Subsequently, the Director of Environment and Regeneration was appointed as director of the Company and Chair of the Board. The role of shareholder representative was taken by the Director of Corporate Services.

Company Structure

- 2.2. In November 2019, the Cabinet agreed to establish a holding company based on a separate group model which would sit above a number of council owned companies, including CHAS. This proposal has not yet been implemented. CHAS now wishes to pursue this and is recommending that a new “ HoldCo” company be created, whose name is to be determined, to be wholly owned by the Council and which will act as the parent company for the current CHAS 2013 Ltd and any other associated company that may be acquired of part of a CHAS Group. The articles of association and shareholders’ agreement would mirror those of the existing CHAS 2013 Ltd. Although when Cabinet considered the matter in 2019 it envisaged this arrangement would be part of a wider group of local authority trading companies including, for instance, Merantun Ltd, this proposed new structure is in line with the overall approach agreed. The proposed new structure is illustrated below and includes an indication of where Company X would sit should the Company proceed with its acquisition.



- 2.3. The current arrangements are structured so that the articles of association define the division of responsibility between the board of directors of the Company and the Council as shareholder. The board of directors (“the Board”) is appointed by the Council and must comprise at between 3 and 8 directors, with an equal number of council officer directors and executive and non-executive directors. A Council officer director must be chair and will have a casting vote. At least one of which should be a council officer. The current directors are:

Council Directors	Other Directors
Chris Lee, Director Environment and Regeneration	Ian McKinnon, Managing Director
Nick Steevens, Head of the RSP	Bindi Lakhani, Finance Director
John Morgan, AD,	Peter Hepworth (Independent NED)
Kam Singh, Head of Law, Social Care and Education, SLLP	Elaine Bailey (INDEPENDENT NED)

- 2.4. The day-to-day operations of the Company are a matter for the Board who should act in accordance with an annual business plan to be approved by the council in its capacity as shareholder by the end of February every year.
- 2.5. More significant decisions require approval by the shareholder; these include issuing share capital, paying dividends and approving the Company’s business plan and pay policy.
- 2.6. The function of granting the approvals referred to in 2.4 and 2.5 above has since April 2017 been discharged by the Director of Corporate Services.

Proposed changes to arrangements

- 2.7. Since its establishment, the Company has become increasingly successful and as would be expected of any company is now reviewing its governance arrangements. The Board has taken the view that a more bespoke form of articles of association should be adopted and that some amendments should be made to the shareholder agreement to reflect the evolving nature of the Company. Attached to this report as appendices A and B respectively are the proposed new articles and amended shareholder agreement. The Cabinet is being recommended to agree these, subject to any further amendments which the Shareholder Panel (referred to in paragraph 2.13 below) may consider reasonably necessary to protect the Council’s interests.

- 2.8. Under the proposed new arrangements, the importance of the annual business plan is increased as a number of matters which previously required specific shareholder approval, will now be a matter for the Board as long as they have already been specifically authorised as part of the process of approving the annual business plan. The division of responsibility between the Board and the Council is set out in a delegation matrix which forms a schedule to the shareholders' agreement and is attached as appendix C.
- 2.9. If the proposals are agreed, it will therefore be really important that the business plan is clear and unambiguous about what steps are being proposed and that there is a robust process for formally approving it. Officers are in discussions with CHAS about how best to achieve this clarity on the face of the business plan.
- 2.10. To date the sign off of the business plan has been a relatively informal process. Given the value of the Company to the Council and of some of its potential future transactions, it would be prudent to strengthen the governance around this process. It is recognised that a balance needs to be struck between providing assurance that decisions are being taken in a sound matter and allowing the Company to operate in a commercial way without being overly constrained by bureaucratic processes. In that light it would not seem sensible to require all shareholder decisions relating to the Company to be taken by councillors. However, there might be some decisions which are so significant as to require formal member oversight.
- 2.11. Given the central importance of the annual business plan, officers are therefore recommending that its approval should be a matter for the Cabinet. If so, this could be built into the forward plan and need not add any delay to the process of approval. Should a significant decision need to be made mid-year which had not been specifically authorised by the business plan, this would require a separate specific Cabinet decision. In order to allow a degree of flexibility in decision making, it is suggested that the number of cases where such a decision is reserved for the Cabinet should be relatively few, namely:
- 2.11.1 Forming a subsidiary company or acquiring shares in another company, forming joint ventures or formal partnerships;
 - 2.11.2 Amalgamating or merging with any other company or acquiring a company or other business
 - 2.11.3 Entering into contracts with a value of £2million or more
 - 2.11.4 Borrowing or granting security over assets where the value is of £2million or more
 - 2.11.5 The admission of a new shareholder to the Company or the expulsion of any existing shareholder

- 2.11.6 Altering the amount of the Company's issued share capital, granting any option or other interest or in its share capital, redeeming or purchasing any of its own shares or effecting any other reorganisation of its share capital.
- 2.11.7 Applying for the listing or trading of any shares or debt securities on any stock exchange or market.
- 2.11.8 Making any petition or passing any resolution to wind up the Company or making any application for an administration or winding up order or any order having similar effect in relation to the Company or giving notice of intention to appoint an administrator or file a notice of appointment of an administrator including automatic strike out.
- 2.12. In all other cases, decisions would be delegated to officers in accordance with the arrangements set out below.

Officer Decision Taking – Shareholder Panel

- 2.13. At present, the responsibility for taking shareholder decisions rests solely with the Director of Corporate Services and it might be argued that it is preferable for that decision to rest with more than one individual, particularly if the extent of that authority is considerable.
- 2.14. It is therefore being suggested that that role be exercised by a panel of three officers, namely the Chief Executive, Director of Corporate Services (Section 151 Officer) and the Managing Director of the South London Legal Partnership (Monitoring Officer).
- 2.15. Decisions (other than those reserved for Cabinet under paragraph 2.12 above) would be taken by the Shareholder Panel on the basis of reports setting out the nature of the decision being contemplated, with the usual legal and financial implications. In some cases, it may be appropriate to call a meeting to discuss the matter, particularly if the matter under decision requires a formal resolution of the Company (as opposed to the board of directors). One example of this is the declaration of dividends, which under the articles is a matter for company, on the recommendation of the Board of Directors (although the directors can declare interim dividends). Although it would be hoped that the Panel would be able to take decisions unanimously, in the event of a disagreement, it is proposed that the final decision rest with the Chief Executive.
- 2.16. Delegating responsibility for decisions to the Shareholder Panel would not prevent them from being referred to Cabinet for decision where that panel considered the impact of those decisions on the Council's interests to be significant.

Acquisitions of New Companies

- 2.17. As stated above, one of the activities which are currently are, and it is proposed should remain, a decision for the Council as shareholder, is the acquisition of other companies. The Company has made an outline proposal at its meeting on 22 April to acquire an external company, referred to as Company X, further details of which are set out in the exempt appendix D. Due diligence is currently being undertaken but , subject to the outcome of that exercise it is recommended that authority be delegated to the Shareholder Panel to agree that the Company should acquire Company X at a price which in their view, and having taken such advice as may be appropriate, represents a fair and proper commercial consideration.

3 ALTERNATIVE OPTIONS

- 3.1. The Cabinet could decide to leave all decisions in relation to the Company to be decided by officers but given the value of some potential transactions, officers consider that the principles of good governance will be better served by creating some degree of member oversight. In relation to the acquisition of Company X, the Council could decline to agree this if, following due diligence, the Shareholder Panel forms the view that it the business case does not justify it.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. None.

5 TIMETABLE

- 5.1. If agreed, it is proposed that these proposals take immediate effect, subject to the final wording of the shareholder agreement and articles of association being agreed.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Under the current arrangements, the decision to pay a dividend lies with the Council as sole shareholder. Since the company was established in 2013, the following dividends have been issued on the following occasions:

Financial Year	Amount of Dividend
	£m
2014/15	
2015/16	
2016/17	0.400
2017/18	0.700
2018/19	0.870
2019/20	1.160

2020/21	1.723
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The Company also contributes £500k year to the Council's overheads and for renting office space at the Civic Centre.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The arrangements for the Company must comply with the requirements of company law but the arrangements by which the Council takes its decisions as shareholder must comply with the law governing local authorities and the Council's constitution. As the Company is a separate legal entity from the Council it is not constrained by public procurement rules and nor need it be bound by the Council's employment policies. It is therefore a matter for the Council the extent to which it wishes to allow it the freedom to act as a fully commercial entity, balancing a range of considerations.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. None

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None

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

- Appendix A – draft revised articles of association - to follow
- Appendix B - draft revised shareholders' agreement – to follow
- Appendix C – draft delegations matrix – to follow
- Exempt Appendix D – details of possible acquisition of Company X
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12 BACKGROUND PAPERS

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THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION OF CHAS 2013 LIMITED

Company Registration No. 08466203 (England and Wales)

PART 1

INTERPRETATION AND LIMITATION OF LIABILITY

1 Model articles not to apply

The model articles for private companies limited by shares contained in Schedule 1 of The Companies (Model Articles) Regulations 2008 (SI 2009/3229) as amended prior to the date of adoption of these Articles shall not apply to the Company. References to the “Articles” shall be to the following articles of association as amended from time to time.

2 Defined terms

2.1 In these Articles, unless the context requires otherwise—

“Act” means the Companies Act 2006;

“bankruptcy” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

“board” means the board of directors of the Company;

“business day” means any day (other than a Saturday, Sunday or public holiday in the United Kingdom) on which clearing banks in the City of London are generally open for business;

“chairman” has the meaning given in article 14;

“chairman of the meeting” has the meaning given in article 45;

“Companies Acts” means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the Company;

“Conflict” has the meaning given in article 17.1;

“council” means London Borough of Merton Council or any successor body thereto;

“delegation matrix” the delegation matrix document adopted by the Company and approved by the council at the date of adoption of these Articles as amended from time to time by the Company (and if required with the further approval of the council in accordance with article 5.2);

“director” means a director of the Company, and includes any person occupying the position of director, by whatever name called;

“distribution recipient” has the meaning given in article 37.2;

“document” includes, unless otherwise specified, any document sent or supplied in electronic form;

“electronic form” has the meaning given in section 1168 of the Act;

“eligible director” means a director who would be entitled to vote on the matter at a meeting of directors (but excluding any director whose vote is not to be counted in respect of the particular matter);

“executive director” means a director that is an officer or employee of the Company;

“fully paid” in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company;

“hard copy form” has the meaning given in section 1168 of the Act;

“holder” in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

“independent director” means a director of the Company ~~who is not a local authority person~~ or an officer or employee of the Company;

“instrument” means a document in hard copy form;

“local authority person” means any person:

- a) who is a member of the council;
- b) who is an officer of the council;

“officer director” means an officer of the council who is appointed as a non-executive director of the Company;

“ordinary resolution” has the meaning given in section 282 of the Act;

“paid” means paid or credited as paid;

“participate”, in relation to a directors’ meeting, has the meaning given in article 12;

“proxy notice” has the meaning given in article 51;

“shareholder” means a person who is the holder of a share;

“shares” means shares in the Company;

“special resolution” has the meaning given in section 283 of the Act;

“subsidiary” has the meaning given in section 1159 of the Act;

“transmittee” means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 2.2 Unless the context otherwise requires, words and expressions which have particular meanings in the Act shall have the same meanings in these Articles.
- 2.3 Headings in these Articles are used for convenience only and shall not affect the construction or interpretation of these Articles.
- 2.4 A reference in these Articles to an "article" is a reference to the relevant article of these Articles unless expressly provided otherwise.
- 2.5 Unless expressly provided otherwise, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of—
- 2.5.1 any subordinate legislation from time to time made under it, and
- 2.5.2 any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 2.6 Any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

3 Liability of members

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4 Objects clause

4.1 The objects of the company are:

- 4.1.1 to operate as a commercial company established for the purpose of making profit by way of more efficient operation of businesses in particular by delivering health and safety and risk management services;
- 4.1.2 to pursue any activities reasonably incidental and/or complementary to article 4.1.1, and to that end, to develop, finance and direct subsidiary and associated companies to undertake any other business activities which seem to the company to further these objects or to enhance the value of the company's assets, property, rights or services;

together with any activities reasonably incidental to the above.

4.2 In pursuance of the object set out in article 4.1, the company has the power to:

- 4.2.1 borrow and raise money in such manner as the directors shall think fit and secure the repayment of any money borrowed, raised or owing by mortgage, charge, lien or other security on the company's property and assets;

- 4.2.2 invest and deal with the funds of the company not immediately required for its operations in or upon such investments, securities or property as may be thought fit;
- 4.2.3 subscribe for, take, buy or otherwise acquire, hold, sell, deal with and dispose of, place and underwrite shares, stocks, debentures, debenture stocks, bonds, obligations or securities issued or guaranteed by any government or authority in any part of the world;
- 4.2.4 lend and advance money or give credit on such terms as may seem expedient and with or without security to customers and others, to enter into guarantees, contracts of indemnity and suretyships of all kinds to receive money on deposit or loan upon such terms as the company may approve and to secure or guarantee the payment of any sums of money or the performance of any obligation by any company, firm or person including any holding company or subsidiary;
- 4.2.5 lobby, advertise, publish, educate, examine, research and survey in respect of all matters of law, regulation, economics, accounting, governance, politics and/or other issues and to hold meetings, events and other procedures and co-operate with or assist any other body or organisation in each case in such way or by such means as may, in the opinion of the directors, affect or advance the principal object in any way;
- 4.2.6 buy, lease or otherwise acquire and deal with any property real or personal and any rights or privileges of any kind over or in respect of any property real or personal and to improve, manage, develop, construct, repair, sell, lease, mortgage, charge, surrender or dispose of or otherwise deal with all or any part of such property and any and all rights of the company;
- 4.2.7 pay all or any expenses incurred in connection with the promotion, formation and incorporation of the company and to contract with any person, firm or company to pay the same;
- 4.2.8 enter into contracts to provide services to or on behalf of other bodies;
- 4.2.9 provide and assist in the provision of money, materials or other help;
- 4.2.10 open and operate bank accounts and other facilities for banking and draw, accept, endorse, issue or execute promissory notes, bills of exchange, cheques and other instruments;
- 4.2.11 incorporate subsidiary companies to carry on any trade; and
- 4.2.12 do all such other lawful things as are incidental or conducive to the pursuit or to the attainment of any of the object set out in article 4.1.

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

5 Directors' general authority

- 5.1 Subject to any provision of these Articles to the contrary (including but not limited to article 5.2), the directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.
- 5.2 Any matters which require the approval of the council pursuant to the delegation matrix from time to time shall not be carried out without the prior written approval of the council and each of the directors shall use their respective rights and powers to procure, ~~so far as they are each able,~~ that no such matter is carried out unless the required approval has been given. In particular, no amendment or variation to the delegation matrix which would reduce or limit those matters which require the approval of the council shall be made by the Company without the prior written approval of the council.

6 Shareholders' reserve power

- 6.1 The shareholder may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

7 Directors may delegate

- 7.1 Subject to the Articles (and in particular article 5.2), the directors may delegate any of the powers which are conferred on them under the Articles—
- 7.1.1 to such person or committee;
 - 7.1.2 by such means (including by power of attorney);
 - 7.1.3 to such an extent;
 - 7.1.4 in relation to such matters or territories; and
 - 7.1.5 on such terms and conditions,
- as they think fit, and the directors may make any rule which they think fit about how any such delegation should operate.
- 7.2 If the directors so specify, any such delegation (subject to article 5.2) may authorise further delegation of the directors' powers by any person to whom they are delegated.

7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 Committees

8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by directors.

8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not inconsistent with them.

8.3 Notwithstanding the generality of the above provisions of this article 8, the directors of the company may set up a standing:

8.3.1 finance committee to monitor the finances, guide the preparation of financial proposals to the board, supervise spending, assess risks and take minor financial decisions at levels confirmed by the board:

8.3.2 personnel committee to create job descriptions, set performance standards and evaluate employees, to conduct the hiring of staff, to prepare guidance for employees and to advise the board and management on pay; or

8.3.3 any other standing committee which the directors of the company deem suitable and necessary in the pursuance of the object of the company set out in article 4.1.

DECISION-MAKING BY DIRECTORS

9 Directors to take decisions collectively

9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 10.

9.2 If—

9.2.1 the Company only has one director for the time being, and

9.2.2 no provision of the Articles requires it to have more than one director,

the general rule does not apply, and the director may (for so long as he remains the sole director) take decisions without regard to any of the provisions of the Articles relating to directors' decision-making.

10 Unanimous decisions

10.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

10.2 Such a decision may take the form of a resolution in writing, where each eligible director has signed one or more copies of it, or to which each eligible director has otherwise indicated agreement in writing.

10.3 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

11 Calling a directors' meeting

11.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

11.2 Notice of any directors' meeting must indicate—

11.2.1 its proposed date and time;

11.2.2 where and/or how it is to take place; and

11.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

11.3 Notice of a directors' meeting must be given to each director, but need not be in writing.

11.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company at any time before or after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 Participation in directors' meetings

12.1 Subject to the Articles, directors participate in a directors' meeting, or part of a directors' meeting, when—

12.1.1 the meeting has been called and takes place in accordance with the Articles; and

12.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

12.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

12.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

13 Quorum for directors' meetings

Commented [FH1]: The text has been inserted in light of the current pandemic and the current reliance on virtual meetings

- 13.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 13.2 Subject to article 13.3, the quorum for the transaction of business at a meeting of directors shall be three eligible directors. A quorum at a meeting of the Board shall not exist if the aggregate number of executive directors and/or independent directors (taken together) exceed the number of officer directors attending and able to participate in the decision making process.
- 13.3 For the purposes of any meeting (or part of a meeting) held pursuant to article 17 to authorise a director's conflict, if there are fewer directors in office of any class other than the conflicted director(s) who would constitute a quorum, the quorum for such meeting (or part of a meeting) shall be the remaining eligible directors.
- 13.4 If the total number of directors in office for the time being is less than the quorum required, the directors must not take any decision other than a decision to call a general meeting so as to enable the shareholders to appoint further directors in accordance with Article 21.

14 Chairing of directors' meetings

- 14.1 The directors may appoint a director to chair their meetings.
- 14.2 The person so appointed for the time being is known as the chairman.
- 14.3 The post of chairman shall at all times be held by an officer director.
- 14.4 The directors may terminate the chairman's appointment at any time and appoint a replacement.
- 14.5 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint another officer director one of themselves to chair it.

15 Casting vote

- 15.1 If the numbers of votes for and against a proposal at a meeting of directors are equal, the chairman or other officer director chairing the meeting has a casting vote.
- 15.2 Article 15.1 shall not apply in respect of a particular meeting (or part of a meeting) if, in accordance with the Articles, the chairman or other officer director is not an eligible director for the purposes of that meeting (or part of a meeting).

16 Transactions or other arrangements with the Company

- 16.1 Subject to sections 177(5) and 177(6) and sections 182(5) and 182(6) of the Act and provided he has declared the nature and extent of his interest in accordance with the requirements of the Companies Acts, a director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company—

- 16.1.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
 - 16.1.2 shall be an eligible director for the purposes of any proposed decision of the directors (or committee of directors) in respect of such existing or proposed transaction or arrangement in which he is interested;
 - 16.1.3 shall be entitled to vote at a meeting of directors or of a committee of the directors, or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which he is interested;
 - 16.1.4 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director;
 - 16.1.5 may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; and
 - 16.1.6 shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he (or a person connected with him (as defined in section 252 of the Act)) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.
- 16.2 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 16.3 Subject to article 16.4, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- 16.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 Directors' conflicts of interest

- 17.1 The directors may, in accordance with the requirements set out in this article, authorise any matter or situation proposed to them by any director which would, if not authorised, involve a director (an “**Interested Director**”) breaching his duty under section 175 of the Act to avoid conflicts of interest (a “**Conflict**”).
- 17.2 Any authorisation under this article 17 will be effective only if–
- 17.2.1 the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of these Articles or in such other manner as the directors may determine;
 - 17.2.2 any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and
 - 17.2.3 the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director’s vote had not been counted.
- 17.3 Any authorisation of a Conflict under this article 17 may (whether at the time of giving the authorisation or subsequently)–
- 17.3.1 extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
 - 17.3.2 provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the directors or otherwise) related to the Conflict;
 - 17.3.3 provide that the Interested Director shall or shall not be an eligible director in respect of any future decision of the directors in relation to any resolution related to the Conflict;
 - 17.3.4 impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the directors think fit;
 - 17.3.5 provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose that information to the Company, or to use it in relation to the Company’s affairs where to do so would amount to a breach of that confidence; and
 - 17.3.6 permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the directors and be excused from reviewing papers prepared by, or for, the directors to the extent to which they relate to such matters.

17.4 Where the directors authorise a Conflict the Interested Director will be obliged to conduct himself in accordance with any terms and conditions imposed by the directors in relation to the Conflict.

17.5 The directors may revoke or vary such authorisation at any time, but this will not affect anything done by the Interested Director, prior to such revocation of variation, in accordance with the terms of such authorisation.

17.6 A director is not required, by reason of being a director (or because of the fiduciary relationship established by reason of being a director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the directors or by the Company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

17.7 For the purposes of sections 175 and 180(4) of the Act and for all other purposes, it is acknowledged that a director may be or become subject to a Conflict as a result of his also being or having been (or being party to an agreement or arrangement or understanding or circumstances under which he may become) an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or a direct or indirect investor in and/or otherwise involved with or interested in, any of the council, the Company, its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies (as such terms are defined in section 1159 of the Act) or any of its shareholders.

17.8 No director shall be in breach of the duty to avoid conflicts of interest in section 175 of the Act as a result of, and no authorisation is required in respect of, any Conflict envisaged by article 17.7 having arisen or existing in relation to him.

18 Records of decisions to be kept

18.1 The directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

18.2 Where decisions of the directors are taken by electronic means, such decisions shall be recorded by the directors in permanent form, so that they may be read with the naked eye.

19 Directors' discretion to make further rules

Subject to the Articles, the directors may make any rule which they think fit about how they take decisions and hold meetings, and about how such rules are to be recorded or communicated to directors.

APPOINTMENT OF DIRECTORS

20 Number of directors

~~Unless otherwise determined by the council, the number of directors shall not be less than four and shall include no less than one officer director.~~

~~20.1 Unless the Council shall determine otherwise, there shall be a minimum number of three (3) and a maximum of eight (8) directors on the Board. Subject to article 15 of the Articles of Association, the Board shall be made up as follows:~~

~~20.1.1 up to two (2) executive directors;~~

~~20.1.2 up to two (2) Independent directors;~~

~~20.1.3 up to four (4) officer directors.~~

~~20.2 The number of officer directors shall at all times be equal to or exceed the aggregate number of executive directors and independent directors.~~

~~20.3 The post of Chair shall at all times be held by an officer director. The Chairman shall have a casting vote. If the Chairman for the time being is unable to attend any meeting of the Board, or is not participating in a meeting of the Board, the participating directors must appoint another officer director as Chair.~~

21 Methods of appointing directors

21.1 Any person who is willing to act as a director, and is permitted by law and these Articles to do so, may be appointed to be a director by ordinary resolution ~~of the shareholder~~ on the recommendation of the board.

21.2 Any appointment of a director in accordance with article 21.1 shall take immediate effect upon receipt (or deemed receipt) by the Company of such resolution writing, or the production of such resolution in writing at a meeting of the directors or, if later, the date (if any) specified in such resolution.

22 Termination of director's appointment

22.1 A person shall be ineligible for appointment to the board and if already appointed shall cease to be a director as soon as—

22.1.1 that person ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law;

22.1.2 that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that person's office be vacated;

- 22.1.3 a bankruptcy order is made against that person;
- 22.1.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 22.1.5 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 22.1.6 notification is received by the Company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
- 22.1.7 that person is removed by the council by a notice in writing to the Company;
- 22.1.8 that person is an employee of the council and ceases to be employed as such for any reason, unless otherwise agreed by the board; or
- 22.1.9 ~~that person is removed from office by a resolution of or written notice signed by not less than three quarters of all the other directors from time to time.~~

23 Directors' remuneration

- 23.1 Directors may undertake any services for the Company that the directors decide.
- 23.2 Independent directors (and not officer directors) are entitled to such remuneration as the directors determine—
 - 23.2.1 for their services to the Company as directors, and
 - 23.2.2 for any other service which they undertake for the Company.
- 23.3 Subject to the Articles, remuneration of an independent director may—
 - 23.3.1 take any form, and
 - 23.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- 23.4 Unless the directors decide otherwise, such remuneration accrues from day to day.
- 23.5 Unless the directors decide otherwise, directors are not accountable to the Company for any remuneration which they receive as directors or other officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

24 Directors' expenses

The Company may pay any reasonable expenses which the executive and independent directors ~~and the secretary~~ properly incur in connection with their attendance at—

- 24.1 meetings of directors or committees of directors,
- 24.2 general meetings, or
- 24.3 separate meetings of the holders of any class of shares or of debentures of the Company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

25 Secretary

~~The directors may appoint any person who is willing to act as the secretary for such term, at such remuneration and upon such conditions as they may think fit and from time to time remove such person and, if the directors so decide, appoint a replacement, in each case by a decision of the directors.~~

PART 3

SHARES AND DISTRIBUTIONS

SHARES

26 All shares to be fully paid up

- 26.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.
- 26.2 This does not apply to shares taken on the formation of the Company by the subscribers to the Company's memorandum.

27 Allotment of shares

- 27.1 Save to the extent authorised by these Articles, or authorised from time to time by ordinary resolution, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the Company.
- 27.2 In accordance with section 567(1) of the Act, sections 561 and 562 of the Act shall not apply to an allotment of equity securities (as defined in section 560(1) of the Act) made by the Company.

28 Powers to issue different classes of share

- 28.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.
- 28.2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the directors

may determine the terms, conditions and manner of redemption of any such shares.

29 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

30 Share certificates

30.1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

30.2 Every certificate must specify—

30.2.1 in respect of how many shares, of what class, it is issued;

30.2.2 the nominal value of those shares;

30.2.3 that the shares are fully paid; and

30.2.4 any distinguishing numbers assigned to them.

30.3 No certificate may be issued in respect of shares of more than one class.

30.4 If more than one person holds a share, only one certificate may be issued in respect of it.

30.5 Certificates must—

30.5.1 have affixed to them the Company's common seal, or

30.5.2 be otherwise executed in accordance with the Companies Acts.

31 Replacement share certificates

31.1 If a certificate issued in respect of a shareholder's shares is—

31.1.1 damaged or defaced, or

31.1.2 said to be lost, stolen or destroyed,

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

31.2 A shareholder exercising the right to be issued with such a replacement certificate—

31.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

31.2.2 must return the certificate which is to be replaced to the Company if it is damaged or defaced; and

31.2.3 must comply with such conditions as to evidence, and indemnity and the payment of a reasonable fee as the directors decide.

32 Share transfers

- 32.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- 32.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 32.3 The Company may retain any instrument of transfer which is registered.
- 32.4 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 32.5 The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

33 Transmission of shares

- 33.1 If title to a share passes to a transferee, the Company may only recognise the transferee as having any title to that share.
- 33.2 A transferee who produces such evidence of entitlement to shares as the directors may properly require—
 - 33.2.1 may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person, and
 - 33.2.2 subject to the Articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 33.3 Transferees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

34 Exercise of transferees' rights

- 34.1 Transferees who wish to become the holders of shares to which they have become entitled must notify the Company in writing of that wish.
- 34.2 If the transferee wishes to have a share transferred to another person, the transferee must execute an instrument of transfer in respect of it.
- 34.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transferee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

35 Transferees bound by prior notices

If a notice is given to a shareholder in respect of shares and a transferee is entitled to those shares, the transferee is bound by the notice if it was given to

the shareholder before the transferee's name, or the name of any person(s) named as the transferee(s) in an instrument of transfer executed under article 34.2, has been entered in the register of members.

DIVIDENDS AND OTHER DISTRIBUTIONS

36 Procedure for declaring dividends

- 36.1 The Company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.
- 36.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 36.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.
- 36.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 36.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 36.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 36.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

37 Payment of dividends and other distributions

- 37.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by such means of payment as the directors may determine.
- 37.2 In the Articles, "**the distribution recipient**" means, in respect of a share in respect of which a dividend or other sum is payable—
 - 37.2.1 the holder of the share; or
 - 37.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or
 - 37.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transferee.

38 No interest on distributions

38.1 The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by—

38.1.1 the terms on which the share was issued, or

38.1.2 the provisions of another agreement between the holder of that share and the Company.

39 Unclaimed distributions

39.1 All dividends or other sums which are—

39.1.1 payable in respect of shares, and

39.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the Company until claimed.

39.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

39.3 If—

39.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment, and

39.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

40 Non-cash distributions

40.1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

40.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution—

40.2.1 fixing the value of any assets;

40.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

40.2.3 vesting any assets in trustees.

41 Waiver of distributions

41.1 Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect, but if–

41.1.1 the share has more than one holder, or

41.1.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

CAPITALISATION OF PROFITS

42 Authority to capitalise and appropriation of capitalised sums

42.1 Subject to the Articles, the directors may, if they are so authorised by an ordinary resolution –

42.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

42.1.2 appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

42.2 Capitalised sums must be applied–

42.2.1 on behalf of the persons entitled, and

42.2.2 in the same proportions as a dividend would have been distributed to them.

42.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

42.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.

42.5 Subject to the Articles the directors may–

42.5.1 apply capitalised sums in accordance with articles 42.3 and 42.4 partly in one way and partly in another;

- 42.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
- 42.5.3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

PART 4

DECISION-MAKING BY SHAREHOLDERS

ORGANISATION OF GENERAL MEETINGS

43 Attendance and speaking at general meetings

- 43.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 43.2 A person is able to exercise the right to vote at a general meeting when—
 - 43.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - 43.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 43.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 43.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 43.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

44 Quorum for general meetings

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

45 Chairing general meetings

- 45.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

45.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start—

45.2.1 the directors present, or

45.2.2 (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

45.3 The person chairing a meeting in accordance with this article is referred to as “**the chairman of the meeting**”.

46 Attendance and speaking by directors and non-shareholders

46.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

46.2 The chairman of the meeting may permit other persons who are not—

46.2.1 shareholders of the Company, or

46.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

47 Adjournment

47.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

47.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if—

47.2.1 the meeting consents to an adjournment, or

47.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

47.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

47.4 When adjourning a general meeting, the chairman of the meeting must—

47.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors, and

- 47.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 47.5 If a general meeting is adjourned, the Company must give notice of the time and place to which it is adjourned:
 - 47.5.1 to the same persons to whom notice of the Company's general meetings is required to be given, and
 - 47.5.2 containing the same information which such notice is required to contain.
- 47.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

48 Voting: general

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

49 Errors and disputes

- 49.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.
- 49.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

50 Poll votes

- 50.1 A poll on a resolution may be demanded—
 - 50.1.1 in advance of the general meeting where it is to be put to the vote, or
 - 50.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 50.2 A poll may be demanded at any general meeting by any qualifying person (as defined in section 318 of the Act) present and entitled to vote at the meeting.
- 50.3 A demand for a poll may be withdrawn if—
 - 50.3.1 the poll has not yet been taken, and
 - 50.3.2 the chairman of the meeting consents to the withdrawal.

A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made.

- 50.4 Polls must be taken immediately and in such manner as the chairman of the meeting directs.

51 Content of proxy notices

- 51.1 Proxies may only validly be appointed by a notice in writing (a “**proxy notice**”) which—
- 51.1.1 states the name and address of the shareholder appointing the proxy;
 - 51.1.2 identifies the person appointed to be that shareholder’s proxy and the general meeting in relation to which that person is appointed;
 - 51.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - 51.1.4 is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting (or adjourned meeting) to which they relate,

and a proxy notice which is not delivered in such manner shall be invalid, unless the directors, in their discretion, accept the notice at any time before the meeting.

- 51.2 The Company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- 51.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 51.4 Unless a proxy notice indicates otherwise, it must be treated as—
- 51.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and
 - 51.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

52 Delivery of proxy notices

- 52.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person.
- 52.2 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

- 52.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 52.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

53 Amendments to resolutions

- 53.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if—
- 53.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
- 53.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 53.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if—
- 53.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
- 53.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 53.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

PART 5

ADMINISTRATIVE ARRANGEMENTS

54 Means of communication to be used

- 54.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by or to the Company.
- 54.2 Any notice, document or other information shall be deemed served on or delivered to the intended recipient—
- 54.2.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five business days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom if (in each case) sent by reputable international overnight courier addressed to the

intended recipient, provided that delivery in at least five business days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

54.2.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;

54.2.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied.

For the purposes of this article, no account shall be taken of any part of a day that is not a business day.

54.3 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Act.

54.4 Subject to the Articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

54.5 A director may agree with the Company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

55 No right to inspect accounts and other records

Except as provided by law or authorised by the directors or an ordinary resolution of the Company, but save for the external auditor appointed by the Company and the external auditor appointed by the shareholder and the Director of Corporate Services (or their nominee) of the council, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a shareholder.

56 Provision for employees on cessation of business

The directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

57 Indemnity

~~57.1 Subject to article 57.2, a relevant director of the company or an associated company may be indemnified out of the company's assets against-~~

~~57.1.1 any liability incurred by that director in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company;~~

~~57.1.2 any liability incurred by that director in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006);~~

~~57.1.3 any other liability incurred by that director as an officer of the company or an associated company.~~

~~but without prejudice to any indemnity to which a relevant officer is otherwise entitled—~~

~~each relevant officer shall be indemnified out of the Company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer—~~

~~in the actual or purported execution and/or discharge of his duties, or in relation to them; and~~

~~in relation to the Company's (or any associated Company's) activities as trustee of an occupational pension scheme (as defined in section 235(6) of the Act),~~

~~including (in each case) any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's (or any associated Company's) affairs; and~~

~~the Company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application referred to in article 57.1.1 and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.~~

~~57.157.2~~ This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

~~57.2~~57.3 In this article—

~~57.2.1~~57.3.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, ~~and~~

~~a “relevant officer” means any director or other officer or former director or other officer of the Company or an associated Company (including any company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the Company (or associated Company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor).~~

58 Insurance

58.1 The directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any ~~Director~~**relevant officer** in respect of any relevant loss.

58.2 In this article—

58.2.1 a “**relevant officer**” means any director or other officer or former director or other officer of the Company or an associated Company (including any such Company which is a trustee of an occupational pension scheme (as defined by section 235(6) of the Act, but excluding in each case any person engaged by the Company (or associated Company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor),

58.2.2 a “**relevant loss**” means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer’s duties or powers in relation to the Company, any associated Company or any pension fund or employees’ share scheme of the Company or associated Company, and

58.2.3 companies are “**associated**” if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

END

DATED

2021

THE MAYOR AND BURGESSES OF THE LONDON
BOROUGH OF MERTON (1) AND
CHAS 2013 LIMITED (2)

SOLE SHAREHOLDER AGREEMENT

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THIS AGREEMENT dated the _____ day of _____ 2021

IS MADE BETWEEN

1. **THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF MERTON**, of Civic Centre, London Road, Morden, SM4 5DX (“the **Council**”); and
2. **CHAS 2013 LIMITED** incorporated and registered in England and Wales with company number 08466203 whose registered office is at Civic Centre, London Road, Morden, SM4 5DX (“the **Company**”).

BACKGROUND

- A. The Company was incorporated in England and Wales on 28 March 2013 and has one ordinary share of £1 in issue, which is registered in the name of and the beneficial ownership of the Council.

~~(B) The Company has been established with the aim of being commercially focused, to provide the Council with increased revenue that will be used to benefit the community. The Company has been established for the purpose of making profit by way of more efficient operation of businesses in particular by delivering Health and Safety and Risk Management assessments and supporting services and establishing a data base of contractors containing assessment and management information relevant to health and safety assessment, standards and performance.~~

~~(C) The Company shall carry on business in accordance with the terms and conditions of this Agreement~~

~~(D) This agreement sets out the terms upon which the Council will participate in the Company as its shareholder. The Council shall exercise its rights as shareholder in relation to the company in accordance with the terms and condition of this Agreement~~

AGREED TERMS

1. INTERPRETATION

1.1. In this agreement:

Adequate Procedures means adequate procedures, as referred to in section 7(2) of the Bribery Act 2010 and any guidance issued by the Secretary of State under section 9 of the Bribery Act 2010;

Articles means the articles of association of the Company;

Associated Person means a person (including an employee, agent or Subsidiary) who performs services for or on behalf of the Company;

Board means the board of Directors of the Company as constituted from time to time;

Business means the business of the Company as set out in clause 2;

Business Day means a day (other than a Saturday or Sunday) on which the banks in the City of London are open for business;

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Business Plan means the business plan for the time being adopted by the Company in accordance with clause 4;

CA 2006 means the Companies Act 2006;

Chairman means the person chosen to preside over a meeting of the Directors;

Company means CHAS 2013 Limited;

Confidential Information means any information or data in whatever form disclosed, which by its nature is confidential or which the disclosing party acting reasonably states in writing to the receiving party is to be regarded as confidential, or which the disclosing party acting reasonably has marked 'confidential' (including, without limitation, information concerning the business, affairs, customers, clients or suppliers of a party, financial information, or marketing or development or work force plans and information, and information relating to services or products) but which is not personal data (as defined in the Data Protection Act 2018 and General Data Protection Regulations 2018), pursuant to an FOIA or EIRs request, or information which is published as a result of government policy in relation to transparency;

Council Non-Executive Director means a Director that is an officer or employee of the Council;

Delegations Matrix means the matrix of decision-making and approval, as may be amended from time to time in accordance with the Articles (the first version of which is contained in Schedule 1);

Director means a director of the Company;

Environmental Information Regulations means the Environmental Information Regulations 2004;

Executive Director means a Director that is an officer or employee of the Company;

Financial Year in relation to the Company means its accounting reference period of 12 months ending on 31 March.

FOIA means the Freedom of Information Act 2000;

Group means the Company and its subsidiary undertakings from time to time, or any of them as the context requires and Group Company shall be construed accordingly;

Independent Non-Executive Director means a Director that is not an officer, employee or member of the Council or the Company;

Information has the meaning given to it under section 84 of the FOIA;

Intellectual Property Rights means any and all intellectual property rights of any nature anywhere in the world whether registered, registerable or otherwise, including patents, utility models, trade marks, registered designs and domain names, applications for any of the foregoing, trade or business names, goodwill, copyright and rights in the nature of copyright, design rights, rights in databases, moral rights, know-how and any other intellectual property rights which subsist in computer software, computer programs, websites, documents,

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information, techniques, business methods, drawings, logos, instruction manuals, lists and procedures and particulars of customers, marketing methods and procedures and advertising literature, including the "look and feel" of any websites.

Local Government Transparency Code: means the code of practice issued by Government from time to time to meet the Government's desire for greater transparency in local decision making processes and to give greater power to the public to contribute to the decision making process

Request for Information has the meaning set out in the FOIA or any apparent request for information made under the FOIA or the Environment Information Regulations;

Shares means the ordinary shares of £1 each in the issued share capital of the Company; and

Subsidiary has the meaning given in the CA 2006.

- 1.2. A reference to a statutory provision includes a reference to:
 - 1.2.1. a statutory amendment, consolidation or re-enactment (whether before or after the date of this agreement);
 - 1.2.2. statutory instruments or subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) or orders made under the statutory provision (whether made before or after the date of this agreement); and
 - 1.2.3. statutory provisions of which the statutory provision is an amendment, consolidation or re-enactment.
- 1.3. Reference to:
 - 1.3.1. a person includes a legal or natural person, partnership, trust, company, government or local authority department or other body (whether corporate or unincorporate);
 - 1.3.2. a statutory or regulatory body shall include its successors and any substituted body;
 - 1.3.3. an individual includes, where appropriate, his personal representatives;
 - 1.3.4. the singular includes the plural and vice versa, and
 - 1.3.5. one gender includes all genders.
- 1.4. Unless otherwise stated, a reference to a clause or schedule is a reference to a clause or schedule to this agreement and a reference to this agreement includes its schedules;
- 1.5. Clause headings in this agreement are for ease of reference only and do not affect its construction;
- 1.6. In construing this agreement the so-called *eiusdem generis* rule does not apply and

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accordingly the interpretation of general words shall not be restricted by words indicating a particular class or particular examples.

- 1.7. For the purposes of this agreement **party** means a party to this agreement and reference to **parties** shall be to all or more than one of them as applicable.
- 1.8. Where a provision of this agreement imposes an obligation, cost or liability on two or more parties, that obligation, costs or liability shall be construed as being against those parties jointly and severally, and where a provision of this agreement gives a claim, benefit or right to two or more parties, that claim, benefit or right attaches to those parties **jointly**.

Commented [FH1]: What situations does CHAS envisage this would arise and this clause 1.8 apply?

2. BUSINESS

2.1. The Business of the Company shall be:

- 2.1.1. to operate as a commercial company established for the purpose of making profit by way of more efficient operation of businesses in particular by delivering health and safety and risk management services;
- 2.1.2. to pursue any activities reasonably incidental and/or complementary to clause 2.1.1, and to that end, to develop, finance and direct subsidiary and associated companies to undertake any other business activities which seem to the company to further these objects or to enhance the value of the company's assets, property, rights or services.

together with any activities reasonably incidental to the above.

2.2 The principle place of business of and for management of the Company and of each other Group Company shall be within the London Borough of Merton, unless otherwise agreed in writing by the Council.

2.3 The Company shall procure that the Directors shall circulate a draft Pay Policy Statement relating to the next Financial Year to the Council on or before 1 February of the then current Financial Year. The Council shall use reasonable endeavours to respond and confirm whether it has approved the Pay Policy Statement by 31 March of the then current Financial Year.

2.4 The Company shall remunerate the Directors and employees of the Company only in accordance with the Pay Policy Statement.

2.5 The Company shall inform the Council of the commencement of any claim, proceedings or other litigation brought by or settling or defending any claim, proceedings or other litigation brought against the Group, except in relation to debt collection in the ordinary course of the business of the Group.

3. MATTERS REQUIRING THE CONSENT OF THE COUNCIL

- 3.1. With the exception of those matters requiring the approval of the Council under the Delegations Matrix, the management of the Company shall be vested in the Directors.
- 3.2. The Directors will determine the general policies of the Company and the manner in which the Business is to be carried out, subject to the Business Plan, the Delegations Matrix and to any other express provisions of this agreement. In particular, the Directors shall exercise all voting rights and other powers of control available to them in relation to the Company so as

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to procure (in so far as they are able in the exercise of such rights and power) that, at all times during the term of this agreement, the Company shall:

3.2.1. carry on and conduct its business and affairs in a proper and efficient manner, for its own benefit and in accordance with the Business Plan and with good business practices; and

3.2.2. transact all its business on arm's length terms.

3.3. The Company shall not carry out any activity which would render the holding of Shares by the Council unlawful provided that where a proposed change of law would render such shareholding unlawful the Council will use its reasonable endeavours to take such steps as are necessary to allow it to continue lawfully to hold its Shares.

3.4. ~~The Company shall not carry out any activity which would bring adverse publicity or cause damage to the reputation of the Council or cause the Council to be in breach of legislation.~~

3.5. The Company shall ensure that none of the matters requiring the approval of the Council under the Delegations Matrix shall be carried out without the prior approval in writing of the Council, ~~save for where such matters have been contemplated in a Business Plan previously approved by the Council.~~ save for where such matters have already been specifically authorised as part of the agreement to the annual business plan.

~~3.3-3.6.~~ The Council may, in its absolute discretion, delegate its decision making in relation to any matter relating to the Company or this agreement to such of its officers as it shall determine and such person shall have all of the rights of the Council under this agreement and in relation to the Company save as notified to the Company from time to time.

~~3.4-3.7.~~ The Board may, in its absolute discretion in accordance with the Articles, delegate any of the powers which are conferred on them under the Articles and Delegation Matrix to such person or committee as they think fit.

4. BUSINESS PLAN

4.1. ~~The Business Plan is a rolling three year strategic and annual business plan (unless otherwise agreed by the Council) for the Company prepared by the Board and it shall include in relation to the Financial Year to which it relates:~~

(a) a cashflow statement giving:

(i) an estimate of the working capital requirements; and

(ii) an indication of the amount (if any) that it is considered prudent to retain, for the purpose of meeting those requirements, out of those profits of the previous Financial Year that are available for distribution to the Council as shareholder;

(b) a monthly projected profit and loss account;

- (c) an operating budget (including capital expenditure requirements) and balance sheet forecast;
- (d) a management report giving business objectives for the year;
- (e) a financial report which shall include an analysis of the estimated results of the Company for the previous Financial Year compared with the Business Plan for that year, identifying variations in sales, revenues, costs, write offs and other material items;
- (f) A report on any potential acquisitions or disposals of assets by the Company;
- (g) A management report confirming any proposals to amalgamate or merge with any other company or business undertaking or acquiring or purchasing a company or other business.
- (h) A management report on proposals to form any Company subsidiary or associated undertaking, acquiring shares in any other company or entity (subscription or transfer) such that the Company becomes a Subsidiary, entering into joint ventures or partnerships (incorporated or not).
- (i) A report on the Company's plans to issue any loan capital in the Company or entering into any commitment with any person with respect to the issue of any loan capital and making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity
- (j) A report on any planned alteration in the nature/scope of the Business, or closing down/commencing any new business where the same is not ancillary or otherwise incidental to the business of the Company.
- (k) A report on any plans to enter into (or agreeing to enter into) any borrowing arrangement on behalf of the company and giving any security in respect of such borrowing (including creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the Company or over any shares in the Company or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business).
- (l) A report on the Company's plans to Enter into any arrangement, contract or transaction above an overall value of £1,000,000.00 (one million pounds) either in the singular or, where the same are related, in the aggregate.
- (m)** A management report on proposed staff pay including bonus scheme;
- (n) A report on any proposed creation of Intellectual Property Rights;

- (o) A financial report on the dividend forecast;
- (p) A management report as to the Company's performance in relation to the rolling three year strategic Business Plan
- (g) A management report as to the Company's policy for the recruitment of employees, additional employees and the pay and conditions of employment of employees of the Company including:
 - (i) proposals concerning the establishment or amendment to any pension scheme or granting any pension rights to any Director, officer, employee, former Director, officer or employee (in each case) of any Group Company, or any member of any such person's family;
 - (ii) Approving the Pay Policy Statement or any changes to the Pay Policy Statement or establishing or amending any profit-sharing, bonus or other incentive scheme of any nature for any Director, officer or employee of, or consultant to, any Group Company.]
- (r) A management report on any amendments made to the policies and procedures of the Company (with the policies and procedures attached as a schedule to the report) and in particular to the following policies and procedures:
 - (i) Procurement policy
 - (ii) HR policy
 - (iii) Equalities policy
 - (iv) H&S policy
 - (v) gifts & hospitality policy
 - (vi) Cyber security
 - (v) Whistleblowing
 - (vi) Fraud & corruption
 - (vii) the policy for the approval and payment of exceptional expenses. Exceptional expenses means payment of any exceptional or unusual expenses to any Director, officer or employee if, or consultant to, any Group Company such as (but without limitation), non-standard hotel accommodation and foreign travel.

4.2 The Company shall ~~prepare the business plan and circulate it a revised version of the then current Business Plan~~ to the Council by the end of the last week of ~~December~~ January in each year for the approval of the Council. The Council will use reasonable endeavours to approve the Business Plan at the earliest opportunity, and in no circumstances later than the end of February. Subject to the receipt of approval from the Council, the Directors shall (in accordance with this agreement) consider and, if appropriate, adopt the updated and revised Business Plan. No adoption, variation or replacement of any Business Plan shall take effect unless such adoption, variation or replacement has received approval from the Council.

~~Each Business Plan shall provide sufficient detail to allow informed decision making by the Council.~~

4.3 Notwithstanding any other provision of this clause 4, following the requisite approval of the amended or updated and revised Business Plan the amended or updated and revised Business Plan shall become the Business Plan for the relevant financial year. For any period when a proposed Business Plan presented under clause 4.1 has not been approved and

adopted by the Directors in accordance with this agreement the relevant existing Business Plan shall continue to be the Business Plan of the Company.

5. DIRECTORS

~~5.1 Unless the Council shall determine otherwise, there shall be a minimum number of four (4) Directors on the Board and shall include no less than one (1) Council Non-Executive Director.~~

5.1 Unless the Council shall determine otherwise, there shall be a minimum number of three (3) and a maximum of eight (8) Directors on the Board. Subject to article 13 of the Articles of Association, the Board shall be made up as follows:

- (i) up to two (2) Executive Directors;
- (ii) up to two (2) Independent Non-Executive Directors;
- (iii) up to four (4) Council Non-Executive Directors.

5.2 The number of Council Non-Executive Directors shall at all times be equal to or exceed the aggregate number of Executive Directors and Independent Non-Executive Directors.

5.3 The post of Chair~~man~~ shall at all times be held by a Council Non-Executive Director. The Chairman shall have a casting vote. If the Chairman for the time being is unable to attend any meeting of the Board, or is not participating in a meeting of the Board, the participating directors must appoint appoint another Council Non-Executive as Chair..one of themselves to act as chair.

6. ACCOUNTING AND OTHER INFORMATION

~~6.1 The Company agrees with the Council that it will maintain effective and appropriate control systems in relation to the financial, accounting and record-keeping functions of the Group and will generally keep the Council informed of the progress of each Group Company's business and affairs and in particular will procure that the Council is given such information and such access to the officers, employees and premises of the Group as it may reasonably require for the purposes of enabling it to monitor its investment in the Group.~~

6.1 The Company shall supply the Council with the financial and other information necessary to keep the Council informed about how effectively the Business is performing and in particular shall supply the Council with:

- (i) a copy of each year's Business Plan for approval in accordance with clause **Error!**

Reference source not found.4.2:

- (ii) a copy of the audited accounts of the Company prepared in accordance with the laws
- (iii) applicable in and the accounting standards, principles and practices generally accepted in the United Kingdom, within the timescales set by the Council's external auditors;
- (iv) a going concern statement

(iv) monthly management accounts of the Company to be supplied within the timescales required by the Council's monthly monitoring timetable and the accounts shall include a profit and loss account, a balance sheet and a cashflow statement and such other information as the Council may reasonably require; and

(v) if requested by the Council, a copy of a report prepared by the Company in respect of each Financial Year, demonstrating the implementation by the Company of Adequate Procedures, such report to be provided within twenty (20 Business Days of the end of the Financial Year to which it relates.

6.2 All books, records, accounts and documents relating to the business and the affairs of the Company and its subsidiaries shall (upon reasonable prior notice) be open to the inspection of the Council's designated officers and executives, who shall be entitled to make any copies thereof as he or she deems appropriate to protect its interests as a shareholder. Any information secured as a consequence of such examinations shall be kept confidential by the Council and its designated officers and executives in accordance with the terms of clause 8-save where the request is made by the Council for the provision of any documents, information and correspondence necessary to enable the Council to comply with filing, elections, returns or any other requirements of HM Revenue & Customs or any other revenue or tax authority or is required by law, court order or any governmental or regulatory authority.

6.3 The Company shall inform the Council of any agreement with any relevant authority for tax purposes in relation to the Company, its business, assets or undertakings or making a claim, disclaimer, election or consent.

6.4 Notwithstanding the Company in the Delegations Matrix approves its statutory accounts, the Company shall supply the Council the statutory accounts prior to approval and no later than 5 working days before such approval is given by the Board.

7. TERMINATION

7.1 This agreement shall terminate upon:

- (i) the written agreement of the parties in accordance with the terms agreed; or
- (ii) when a resolution is passed by the Council or creditors of the Company, or any order made by a court or other competent body or person instituting a process that shall lead to the Company being wound up and its assets being distributed among the creditors, the Council or other contributors.

7.2 On termination of this Agreement, the following clauses shall continue in force:

- (i) Clause **Error! Reference source not found.**1 (Interpretation);
- (ii) this clause;
- (iii) Clause 8 (Confidentiality);
- (iv) Clause 10 (Assignment and Other Dealings);
- (v) Clause 12 (Entire Agreement);
- (vi) Clause 9 (Variation and Waiver);
- (vii) Clause 17 (Costs);
- (viii) Clause 18 (No Partnership or Agency);
- (ix) Clause 19 (Communications);
- (x) Clause 20 (Severance); and
- (xi) Clause **Error! Reference source not found.**28 (Governing Law and Jurisdiction).

7.3 Termination of this Agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the agreement which existed at or before the date of termination.

7.4 Where, following an event referred to in clause **Error! Reference source not found.**7.1(iii), the Company is to be wound up and its assets distributed, the parties shall agree a suitable basis for dealing with the interests and assets of the Company and shall endeavour to ensure that, before dissolution:

- (i) all existing contracts of the Company are performed to the extent that there are sufficient resources;
- (ii) the Company shall not enter into any new contractual obligations;
- (iii) the Company's assets are distributed as soon as practical;
- (iv) all Intellectual Property Rights owned by or (to the extent that it is able to do so) licenced to the Company and all data relating to the Company and its Business are transferred to the Council at nil cost; and
- (v) any assets transferred to the Company pursuant to any relevant agreement shall be returned to the Council or as the Council directs.

8. CONFIDENTIALITY

8.1 Each party undertakes that it shall not at any time disclose to any person any Confidential Information concerning the business, affairs, customers, clients or suppliers of the other party or of any member of the group of companies to which the other party belongs, except as permitted by clause 06-2.

8.2 Each party may disclose the other party's Confidential Information:

- i. to its employees, officers, representatives or advisers who need to know such information for the purposes of carrying out the party's obligations under this agreement. Each party shall ensure that its employees, officers, representatives or advisers to whom it discloses the other party's Confidential Information comply with this clause 8; or
- ii. as may be required by law, court order or any governmental or regulatory authority.

8.3 Each party acknowledges that the other party is subject to the requirements of the

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FOIA and the Environmental Information Regulations, and shall each facilitate the other party's compliance with its Information disclosure requirements in clauses ~~086.4~~ and ~~086.7~~.

8.4 If either party (the **Recipient**) receives a Request for Information in relation to Information that the other party is holding and which the Recipient does not hold itself, the Recipient shall refer to the other Party such Request for Information as soon as practicable and in any event within ~~three~~ **five (35)** Business Days of receiving a Request for Information, and the other party shall:

(i) provide the Recipient with a copy of all such Information in the form that the Recipient requires as soon as practicable and in any event within 10 Business Days (or such other period as the Recipient acting reasonably may specify) of the Recipient's request; and

(ii) provide all necessary assistance as reasonably requested by the Recipient to enable the Recipient to respond to a Request for Information within the time for compliance set out in Section 10 of the FOIA or Regulation 5 of the Environmental Information Regulations.

8.5 Following notification under clause 8.4, and up until such time as the other party has provided the Recipient with all the Information specified in clause ~~086.4~~, the other party may make representations to the Recipient as to whether or not or on what basis Information requested should be disclosed, and whether further information should reasonably be provided in order to identify and locate the information requested, provided always that the Recipient shall be responsible for determining, at its absolute discretion:

(i) whether Information is exempt from disclosure under the FOIA and the Environmental Information Regulations; and

(ii) whether Information is to be disclosed in response to a Request for Information, and in no event shall the other party respond directly to a Request for Information unless the Request for Information is addressed to it.

8.6 Where a party (the "Recipient") receives a request for information in relation to information which it is holding on behalf of the other party in relation to this Agreement, it shall:

(i) transfer the request for information to the other party as soon as practicable after receipt and in any event within three (3) Business Days of receiving a request for information;

(ii) provide the other party with a copy of all information in its possession or power in the form that the other party requires within ten (10) Business Days (or such longer period as the other party may specify) of the other party requesting that information; and

(iii) provide all necessary assistance as is reasonably requested by the other party to enable it to respond to a request for information within the time for compliance set out in the FOIA or the EIRs.

8.7 The parties acknowledge that (notwithstanding the provisions of clause ~~06.1~~) the Recipient may be obliged under the FOIA or the Environmental Information Regulations to disclose Information concerning the other party:

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(i) in certain circumstances without consulting with the other party; or

(ii) following consultation with the other party and having taken their views into account.

8.8 Each Party shall transfer to the other party any Request for Information which it receives but is addressed to the other party as soon as practicable and in any event within 3 Business Days of receiving it.

8.9 The parties acknowledge that any lists provided which list or outline Confidential Information are of indicative value only and that a Recipient may nevertheless be obliged to disclose Confidential Information in accordance with clause 8.7.

8.10 The Company shall comply with the Local Government Transparency Code.

9. **ANTI-CORRUPTION**

9.1 The Company undertakes to the Council that:

- (a) it will not, and will procure that all Associated Persons do not, in the course of the operation of the Business, engage in any activity, practice or conduct which would constitute an offence under sections 1, 2 or 6 of the Bribery Act 2010;
- (b) it has and will maintain in place Adequate Procedures designed to prevent any Associated Person from undertaking any conduct that would give rise to an offence under section 7 of the Bribery Act 2010; and
- (c) from time to time, at the reasonable request of the Council, it will confirm in writing that it has complied with its undertakings under clause 9.1(a) and clause 9.1(b) and will provide any information reasonably requested by the Council in support of such compliance.

9.2 Breach of any of the undertakings in this clause shall be deemed to be a material breach of this Agreement.

10. **DATA PROTECTION**

10.1 The parties undertake to comply with the provisions of the Data Protection Act 2018 and the General Data Protection Regulations 2018 in so far as the same relates to any subject matter of this Agreement.

11. **VARIATION AND WAIVER**

11.1 No variation of this Agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives). In the context of this clause, writing does not include email.

11.2 A waiver of any right or remedy under this Agreement or by law is only effective if it is given in writing and is signed by the person waiving such right or remedy. Any such waiver shall apply only to the circumstances for which it is given and shall not be deemed a waiver of any subsequent breach or default.

11.3 A failure or delay by any person to exercise any right or remedy provided under this Agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy.

11.4 No single or partial exercise of any right or remedy provided under this Agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.

11.5 A person that waives any right or remedy provided under this Agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

11.6 The rights and remedies provided in this agreement are cumulative and not exclusive of any other rights or remedies.

12. ASSIGNMENT AND OTHER DEALINGS

12.1 Subject to clause ~~0120.3~~, neither party shall assign, transfer, mortgage, charge, sub-contract, declare a trust over or deal in any other manner with any or all of its rights and obligations under this agreement (or any other document referred to in it) without the prior written consent of the other party.

12.2 Each party confirms that it is acting on its own behalf and not for the benefit of any other person.

12.3 The Council shall at any time be entitled to assign, transfer, sub-contract, novate or otherwise dispose of this agreement to any other body which substantially performs any of the functions that previously had been performed by the Council.

13. Warranties

13.1 Each party warrants and represents to the other party that:

- (i) it has full power and authority and has obtained all necessary authorities and consents to enter into and perform its obligations under this Agreement and such other agreements and arrangements referred to in this Agreement; and
- (ii) the signing of this Agreement and the performance of its obligations under this Agreement and the other agreements and arrangements referred to in this Agreement will not result in a breach of any other agreement or arrangement to which it is a party, nor give rise to any right of termination of any other agreement or arrangement to which it is a party.

14. ANNOUNCEMENTS

14.1 Subject to clause ~~014.2~~, neither party shall make, or permit any person to make, any public announcement, communication or circular (announcement) concerning this Agreement without the prior written consent of the other party. The parties shall consult together on the timing, contents and manner of release of any announcement.

14.2 Where an announcement is required by law or any governmental or regulatory authority (including, without limitation, any relevant securities exchange), or by any court or other authority of competent jurisdiction, the party required to make the announcement shall

promptly notify the other party. The party concerned shall make all reasonable attempts to agree the contents of the announcement before making it.

15. DISPUTE RESOLUTION

15.1 The parties shall endeavour to resolve a dispute arising in connection with this agreement by referring the dispute for resolution to, in the case of the Council, the Council's monitoring officer and, in the case of the Company, a Director that is not a Council Non-Executive Director. If such persons are unable to resolve the dispute either party may request mediation by serving a notice for mediation ("Mediation Notice") on the other party and sending a copy to the Centre for Effective Dispute Resolution (CEDR) or to such alternative mediator as the parties may agree. Unless otherwise agreed between the parties, the mediator will be nominated by CEDR. The mediation will start not later than ten (10) Business Days after the date of the Mediation Notice, and the costs of such mediation shall be borne in such proportions as the mediator may determine to be fair and reasonable in all the circumstances or if the mediator makes no such determination by the parties in equal proportions.

15.2 No party may commence any court proceedings/arbitration in relation to any dispute arising out of this agreement until the dispute resolution process provided for in this clause ~~-3~~ has ended or the other party has failed to participate in the dispute resolution process, provided that the right to issue proceedings is not prejudiced by a delay.

16. ENTIRE AGREEMENT

16.1 This agreement (together with any documents referred to in it) constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to its subject matter.

16.2 Each party acknowledges that in entering into this agreement (and any documents referred to in it), it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement or those documents.

VARIATION

~~A purported variation of this agreement is not effective unless in writing and signed by or on behalf of both parties.~~

Commented [FH2]: Already covered by clause 11

INVALIDITY

~~If a provision of this agreement is held to be illegal or unenforceable, in whole or in part, under an enactment or rule of law, it shall to that extent be deemed not to form part of this agreement and the enforceability of the remainder of this agreement shall not be affected. The parties agree to negotiate in good faith to agree the terms of a mutually satisfactory provision to be substituted for the provision found to be illegal or unenforceable.~~

Commented [FH3]: Covered by clause 22 below

17. STATUS OF THIS AGREEMENT

17.1 Each party shall, to the extent that it is able to do so, exercise all its voting rights and

other powers in relation to the Company to procure that the provisions of this Agreement are properly and promptly observed and given full force and effect according to the spirit and intention of this Agreement.

17.2 If there is any ambiguity or discrepancy between the provisions of this agreement and the Articles or of the Delegations Matrix, then the provisions of this agreement shall prevail.

~~17.3 The parties shall, when necessary, exercise their powers of voting and any other rights and powers they have to amend, waive or suspend a conflicting provision in the Articles to the extent necessary to permit the Company and its Business to be administered as provided in this Agreement.~~

18. CONSENTS

18.1 Consents, notices, approvals or agreements to be given by the Council under this agreement shall be given in writing.

18.2 Where a consent and/or permission is required under this agreement from one party to the other that consent and/or permission should not be unreasonably withheld or delayed.

19. COSTS

19.1 Except as expressly provided in this Agreement, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement (and any documents referred to in it).

20. NO PARTNERSHIP OR AGENCY

Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership between the parties or constitute any party the agent of another party.

21. COMMUNICATIONS

21.1 Any notice or other communication under or in connection with this agreement shall be in writing and shall be delivered personally or sent by first-class post or by email as follows:

(i) If to the Council, to:

Address: Civic Centre, London Road, Morden, SM4 5DX

Email address: []

marked for the attention of the Chief Executive

(ii) if to the Company, to:

Address: Civic Centre, London Road, Morden, SM4 5DX

Email address: []

Marked for the attention of the Managing Director

or to such other person, address or email address as any party may specify by notice in writing to the other.

21.2 In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly given:

(i) if delivered personally, when left at the address referred to in clause 2014.1;

(ii) if sent by mail, two Business Days after posting it;

21.3 if sent by email, at the time of transmission,

provided always that a notice given in accordance with the above but received on a day which is not a Business Day or after business hours on a Business Day will only be deemed to be given on the next Business Day. In the event of issues with IT systems that prevent the email from being sent at the time of transmission notice will be deemed to be given on the next Business Day after the email has been received.

21.4 To prove service, it is sufficient to prove that:

(i) if delivered by hand, the notice was delivered to the correct address; or

(ii) if sent by post, the envelope containing the notice was properly addressed, paid for and posted; or

(ii) if sent by email, the notice was properly addressed in that the subject heading of the email must clearly state that the email is a notice being sent pursuant to this Agreement and reference the relevant clause; and sent to the email address of the recipient.

21.5 This clause 2014 does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

22. SEVERANCE

22.1 If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this agreement.

22.2 If one party gives notice to the other of the possibility that any provision or part-provision of this agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended commercial result of the original provision.

23. THIRD PARTY RIGHTS

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23.1 A person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

23.2 The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this agreement are not subject to the consent of any person.

24. COUNTERPARTS

24.1 This agreement may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

24.2 Transmission of an executed counterpart of this agreement (but for the avoidance of doubt not just a signature page) by email (in PDF, JPEG or other agreed format), shall take effect as delivery of an executed counterpart of this agreement. If email method of delivery is adopted, without prejudice to the validity of the agreement thus made, each party shall provide the others with the original of such counterpart as soon as reasonably possible thereafter.

24.3 No counterpart shall be effective until each party has executed at least one counterpart.

25. RIGHTS AND REMEDIES

25.1 The rights and remedies provided under this agreement are in addition to, and not exclusive of, any rights or remedies provided by law.

25.2 Without prejudice to any other rights or remedies that a party may have, each party acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of [this agreement] by that party. Accordingly, the other party shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this agreement.

26. GOVERNING LAW AND JURISDICTION

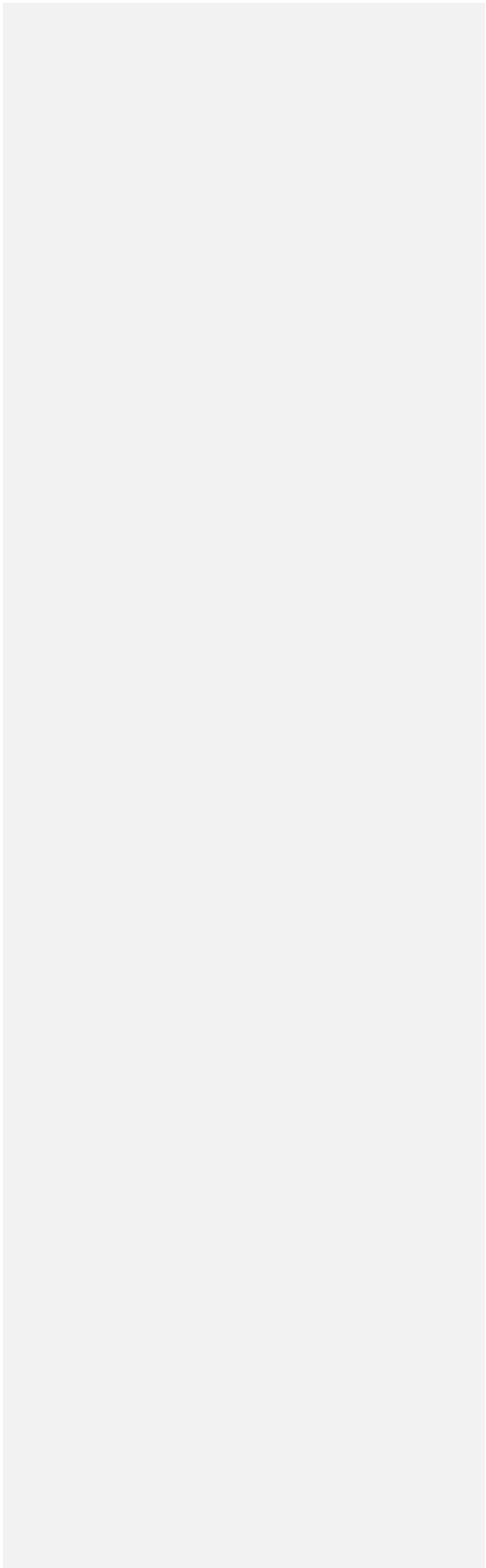
26.1 This agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of England and Wales.

26.2 The Parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any dispute or claim arising out of or in connection with this agreement or any of the documents to be executed pursuant to this agreement or their subject matter or formation (including non-contractual disputes or claims).

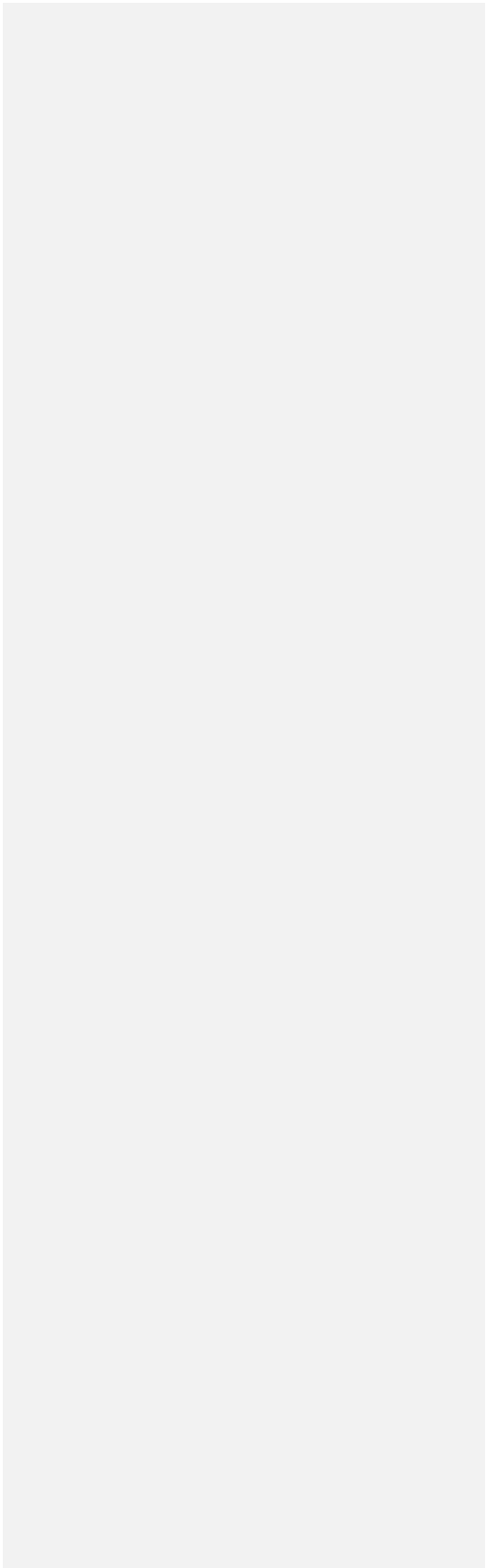
This Deed has been executed as a deed and delivered on the date stated at the beginning of this Deed

SIGNATURE PAGE

SCHEDULE 1
Delegations Matrix



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CHAS 2013 Ltd (company no: 08466203 (England and Wales)) (Company)

Delegations Matrix [Draft June 2124/4/24]

1. There are no matters 'reserved' for the London Borough of Merton ("the Council") explicitly listed in the articles of association for the Company ("the Articles"). Instead, the Articles make reference to this Delegations Matrix, which governs where matters will require a decision from the Council (as applicable) before they can be actioned (unless such matters have already been contemplated in a Business Plan approved under this Delegations Matrix).
2. This initial version of this Delegations Matrix is incorporated into the Shareholder Agreement made between the Council (as sole shareholder) and the Company.
3. This Delegations Matrix may be reviewed at an annual general meeting (or equivalent) of the Company, as part of which any proposed variations may be raised by the directors of the Company.
4. The board of the Company may, in its absolute discretion in accordance with the Articles, delegate any of the powers which are conferred on them under the Articles and this Delegation Matrix to such person or committee as they think fit.
5. The directors shall in all cases consider whether a matter for decision may require reference to the Council, notwithstanding the delegations below. This may be due to the reputational or other potential impacts on the Council as shareholder.

	ACTIVITY	COUNCIL	BOARD
	Corporate		
1	Altering the Articles or the rights attaching to any of the shares in the Company (except as provided in clause 16.2 of the SHA).	Approval	
2	The admission of a new Shareholder to the Company or the expulsion of any then existing Shareholder (other than in accordance with the Articles).	Approval	Recommendation
3	Altering the amount of the Company's issued share capital, granting any option or other interest (in the form of convertible securities or in any other form) over or in its share capital, redeeming or purchasing any of its own shares or effecting any other reorganisation of its share capital.	Approval	Recommendation
4	Issuing any loan capital in the Company or entering into any commitment with any person with respect to the issue of any loan capital and making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity.	Approval where not contemplated by the prevailing Business Plan <u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	Approval where contemplated by the prevailing Business Plan <u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>

Commented [FH1]: There is no clause 16.2 in the new draft of the SHA

	ACTIVITY	COUNCIL	BOARD
5	Applying for the listing or trading of any shares or debt securities on any stock exchange or market.	Approval	Recommendation
6	Altering the name of the Company, its registered office or the status of the Company.	Approval	Recommendation
7	Forming any Company subsidiary or associated undertaking, acquiring shares in any other company or entity (subscription or transfer) such that the Company becomes a Subsidiary, entering into joint ventures or partnerships (incorporated or not).	<p>Approval where not contemplated by the prevailing Business Plan</p> <p><u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u></p>	<p>Approval where contemplated by the prevailing Business Plan</p> <p><u>Approval where already specifically authorised as part of the agreement to the annual business plan</u></p>
8	Amalgamating or merging with any other company or business undertaking or acquiring or purchasing a company or other business.	<p>Approval where not contemplated by the prevailing Business Plan</p> <p><u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u></p>	<p>Approval where contemplated by the prevailing Business Plan</p> <p><u>Approval where already specifically authorised as part of the agreement to the annual business plan</u></p>
9	Alteration in the nature/scope of the Business, or closing down/commencing any new business where the same is not ancillary or otherwise incidental to the business of the Company.	<p>Approval where not contemplated by the prevailing Business Plan</p> <p><u>Approval unless already specifically authorised as part of the agreement to</u></p>	<p>Approval where contemplated by the prevailing Business Plan</p> <p><u>Approval where already specifically authorised as part of the agreement to</u></p>

	ACTIVITY	COUNCIL	BOARD
		<u>the annual business plan</u>	<u>the annual business plan</u>
10	Declaring or paying any distribution in respect of profits, assets or reserves of the Company or in any other way reducing the reserves of the Company.	Approval if outside the process set out in the Articles.	Approval if in accordance with process set out in the Articles.
11	<u>Appointment and dismissal of Directors</u>	<u>Council</u>	
	Borrowing and acquisition/disposal of assets		
12	Entering into (or agreeing to enter into) any borrowing arrangement on behalf of the company and giving any security in respect of such borrowing (including creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the Company or over any shares in the Company or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business).	Approval where not contemplated by the prevailing Business Plan <u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	Approval where contemplated by the prevailing Business Plan <u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>
13	Making any acquisition or disposal by the Company of any material asset(s) outside	Approval where not contemplated by the prevailing Business Plan	Approval where contemplated by the prevailing Business Plan

	ACTIVITY	COUNCIL	BOARD
	of the Business Plan.	<u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	<u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>
	Winding up		
14	Making any petition or passing any resolution to wind up the Company or making any application for an administration or winding up order or any order having similar effect in relation to the Company or giving notice of intention to appoint an administrator or file a notice of appointment of an administrator <u>including automatic strike out.</u>	Approval	
	Business Plan		
15	Adopting or amending the Business Plan in respect of each Financial Year.	Approval	Recommendation
	Audit and accounting		
16	Approval of statutory accounts and appointment of auditors		Approval

	ACTIVITY	COUNCIL	BOARD
17	Approval of appointment of auditors	Approval	
4718	Making or permitting to be made any material change in the accounting policies and principles adopted by the Company in the preparation of its audited and management accounts except as may be required to ensure compliance with relevant accounting standards under the Act or any other generally accepted accounting principles in the United Kingdom.	Approval	Recommendation
4819	Changing the financial year of the Company	Approval	Recommendation
Operations			
4920	Entering into any arrangement, contract or transaction above an overall value of £15000,000.00 (five hundred thousand <u>one Million</u> pounds) either in the singular or, where the same are related, in the aggregate.	Approval where not contemplated by the prevailing Business Plan <u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	Approval where contemplated by the prevailing Business Plan <u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>
2021	Other than in the normal course of business , granting any rights (by licence or otherwise) in or over any intellectual	Approval	Recommendation

Commented [FH2]:
Question for CHAS
What does CHAS mean by normal course of business?

	ACTIVITY	COUNCIL	BOARD
	property used by the Company.		
242	Amendments to contracts	<u>Approval if amendments to the contract will increase the value of the contract over £1,000,000.00 (one million pounds)</u>	Approve if material <u>Approval if amendments to the contract will increase the value of the contract under £1,000,000.00 (one million pounds)</u>
222	Terminating contracts	<u>Approval with regards contracts whose value is over £500,000.00 (five hundred thousand pounds)</u>	Approval where material <u>Approval with regards contracts whose value is under £500,000 (five hundred thousand pounds)</u>
232	Writing off debts	<u>Approval for debts over £250,000.00 (two hundred and fifty thousand pounds)</u>	Approval where above £[] <u>Approval for debts below £250,000.00 (two hundred and fifty thousand pounds)</u>

	ACTIVITY	COUNCIL	BOARD
	Recruitment and employment		
2425	[Approving the Pay Policy Statement or any changes to the Pay Policy Statement or establishing or amending any profit-sharing, bonus or other incentive scheme of any nature for any Director, officer or employee of, or consultant to, any Group Company.]	<u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	Approval <u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>
2526	[Establishing or amending any pension scheme or granting any pension rights to any Director, officer, employee, former Director, officer or employee (in each case) of any Group Company, or any member of any such person's family.]	<u>Approval unless already specifically authorised as part of the agreement to the annual business plan</u>	Approval <u>Approval where already specifically authorised as part of the agreement to the annual business plan</u>
2627	[Agreeing Exceptional Expenses. ¹]		Approval
	[Note: The Company's proposal for the matters dealt with in lines 23 -25 are the following three lines (26-28)]		
2728	Determine the remuneration package and terms and conditions of employment for	Approval	

Commented [FH3]: If CHAS is proposing to replace activity 25 to 27 (new numbering) then see amendments to the proposed replacement activities.

Commented [FH4]: See comment below re: Pay Policy statement

Commented [FH5]: See below activity 30

¹ Under the SHA this means payment of any exceptional or unusual expenses to any Director, officer or employee of, or consultant to, any Group Company, for example (without limitation), non-standard hotel accommodation and foreign travel.

	ACTIVITY	COUNCIL	BOARD
	any full-time executive director.		
<u>29</u>	<u>Appointment of Managing Director</u>	<u>Approval</u>	<u>Recommendation</u>
<u>283</u>	Establishing the policies for recruitment of employees and the pay and <u>conditions (including pensions)</u> of employment of employees of the Company.	<u>Approval where not contemplated by the prevailing Business Plan</u>	<u>Approval</u> <u>Approval where contemplated by the prevailing Business Plan</u>
<u>293</u>	Establishing the policy for the approval and payment of <u>e</u> Exceptional expenses.	Approval	Recommendation
Other Matters finished here			
<u>303</u>	Commencing any claim, proceedings or other litigation brought by or settling or defending any claim, proceedings or other litigation brought against the Delivery Vehicle, except in relation to debt collection in the ordinary course of the business of the Delivery Vehicle.		Approval where <u>material</u>
<u>313</u>	Making any agreement with any relevant authority for tax purposes in relation to the Company, its business, assets or undertakings or making a claim,		Approval where material

Commented [FH6]: Question to CHAS:
Are they proposing that the pay policy statement will be dispensed with? Because the council's expectation is that the pay policy statement would be in the Business Plan so enabling the Council comfort that pay etc is not excessive, as this may cause reputational issues for the Council. Please note references to pay policy statement has been reinserted in the proposed SHA at clauses 2 and 4

Commented [FH7]: Question to CHAS as to what they think is material?
See LBM insertion of clause 2.5 in the proposed SHA

	ACTIVITY	COUNCIL	BOARD
	disclaimer, election or consent .		
3232	Making any announcements or releases of whatever nature in relation to the Company's Business.	<u>Approval if in the reasonable opinion of CHAs there is likely to be a significant impact on the Council</u>	Approval <u>Approval where there is no impact on the Council</u>
3335	The making of any material charitable donation.	<u>Approval over £100,000.00 (one hundred thousand pounds)</u>	Approval <u>Approval under £100,000.00 (one hundred thousand pounds)</u>

END

The new RM that was suggested by LBM re: giving a guarantee, suretyship or indemnity to secure the liabilities of any person or assume the obligations of any person has not been included

Commented [FH8]: Question to CHAS
What do they consider material?
See LBM insertion of clause 6.3 in the proposed SHA

Commented [FH9]: Question to CHAS:
Why was this not included?

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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