

Committee: Cabinet

Date: 19 February 2024

Agenda item:

Wards: All

Subject: Budget 2024/25 and Medium Term Financial Strategy 2024-28

Lead officer: Asad Mushtaq, Executive Director of Finance & Digital

Lead member: Councillor Billy Christie, Cabinet Member for Finance and Corporate Services

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

Recommendations:

1. That Cabinet considers and agrees the response to the Overview and Scrutiny Commission;
2. That the Cabinet resolves that, having considered all of the information in this report and noted the positive assurance statement given by the Executive Director, Finance and Digital based on the proposed Council Tax strategy, the maximum Council Tax in 2024/25, equating to a Band D Council Tax of £____, which is an increase of below 5% be approved and recommended to Council for approval.
(This recommendation will be updated once the Wimbledon and Putney Commons Conservators levy for 2024/25 has been received.)
3. That the Cabinet considers all of the latest information and the comments from the scrutiny process, and makes recommendations to Council as appropriate
4. That Cabinet resolves that the Budget and Medium Term Financial Strategy 2024-28 including the General Fund Budget and Council Tax Strategy for 2024/25, and the Medium Term Financial Strategy (MTFS) for 2024-28 as submitted, along with the draft Equality Assessments (EAs), be approved and recommended to Council for approval subject to any proposed amendments agreed at this meeting;
5. That the Cabinet resolves that, having considered all of the latest information and the comments from the scrutiny process, the Capital Investment Programme (as detailed in Annex 3 to the Capital Strategy); the Treasury Management Strategy, including the detailed recommendations in that Section, incorporating the Prudential Indicators

and the Capital Strategy as submitted and reported upon be approved and recommended to Council for approval, subject to any proposed amendments agreed at this meeting;

6. That Cabinet notes that the GLA precept will not be agreed by the London Assembly until the 22 February 2024, but the provisional figure has been incorporated into the draft MTFS
 7. That Cabinet request officers to review the savings proposals agreed and where possible bring them forward to the earliest possible implementation date
 8. That Cabinet note that there may be minor amendments to figures and words in this report as a result of new information being received after the deadline for dispatch and that this will be amended for the report to Council in March.
 9. That Cabinet consider and approve the Risk Management Strategy.
 10. That Cabinet resolves that the Council's Strategy for the Flexible Use of Capital Receipts 2022/23, as detailed in page 28-29 of the Capital Strategy be approved and recommended to Council for approval subject to any proposed amendments agreed at this meeting.
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1. Purpose of report and Executive Summary

- 1.1 This report summarises the work that has been undertaken since April 2023 towards formulating the Budget and Medium Term Financial Strategy 2024-28 including the Budget for 2024/25, Medium Term Financial Strategy 2024-28, Treasury Management Strategy and Capital Strategy 2024-28. It describes the steps taken to ensure that business planning is integrated with financial planning. It sets out details of how the budget has been structured to ensure that a balanced budget is set for 2024/25 and progress towards a balanced budget over the medium term. A separate section is provided for Schools budgets.
- 1.2 The report sets out the draft Capital Programme 2024-28. It details the work that has been undertaken to produce a programme that is aligned with business planning requirements and also integrated with the revenue budget.
- 1.3 The Medium Term Financial Strategy (MTFS) is updated to reflect the Council's anticipated financial outlook over the period 2024-28.
- 1.4 The Cabinet is being invited to consider the various responses from scrutiny bodies to the draft budget proposals as set out in a separate report on the agenda for this meeting. The Overview and Scrutiny Commission and panels considered the budget savings and growth proposals agreed by Cabinet on 16 November 2023 and 15 January 2024.

2. Introduction

2.1 At this Cabinet meeting, Members are presented with a report that provides a comprehensive presentation of all issues relevant to the formulation of the Council's Budget and Medium Term Financial Strategy 2024-28.

2.2 The report includes details about the General Fund revenue budget and explains how this information has been used to produce a draft budget and Council Tax levy.

2.3 The Council's Budget 2024-28 consists of a number of key elements and the report is structured into three main sections for ease of reference :-

- Section 1: The Medium Term Financial Strategy including the General Fund Revenue Budget and Council Tax strategy;
- Section 2: The Capital Strategy and Treasury Management Policy Statement;
- Section 3: Schools budgets – funded by Dedicated Schools Grant (DSG)
- Section 4: Risk Management Strategy
- Section 5: Budget engagement

2.4 The Scrutiny Function

2.4.1 The Overview and Scrutiny Commission and Panels considered new growth and savings proposals and proposed amendments to previously agreed savings and the draft capital programme 2024-28 agreed by Cabinet on 16 November 2023 and 15 January 2024 during the January 2024 cycle of meetings. Draft Equalities Impact Assessments associated with new savings proposals were also included in the Member's Information Packs sent to all Members at the end of December 2023 and considered by Scrutiny panels and the Commission during the January 2024 cycle of meetings. On 15 January 2024, Cabinet considered and agreed additional growth proposals and also referred these to the Overview and Commission for consideration at its meeting on 31 January 2024.

During the January 2024 cycle of meetings, the available details relating to the MTFs, revenue and capital budgets and the Business Plan have been considered by the Scrutiny Panels on the following dates:-

Healthier Communities & Older People Overview & Scrutiny Panel	24 January 2024
Children and Young People Overview & Scrutiny Panel	25 January 2024
Sustainable Communities Overview & Scrutiny Panel	30 January 2024
Overview and Scrutiny Commission	31 January 2024

2.5 Feedback from Scrutiny Process

A summary of findings and recommendations from the Overview and Scrutiny Commission is provided in a comprehensive report on the scrutiny of the Budget and Medium Term financial Strategy 2024-28 as a separate report on the agenda for this meeting.

2.6 This report incorporates the outcome of the final Local Government Finance Settlement. Appendix 1 provides the Council Tax resolutions.

2.7 The meeting of the Council, to set the Council Tax and General Fund budget (revenue and capital) for 2024/25 and agree Medium Term Financial Strategy 2024-25 will be on 6 March 2024.

2.8 Delivery of the budget and MTFs 2024-28, will be monitored throughout the year in line with the corporate Performance Management Framework.

3. **Budget 2024/25 and Medium Term Financial strategy 2024-28**

3.1 Further information about the Budget 2024/25 and the Medium Term Financial Strategy 2024-28 is included in Section 1 of this report.

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

4.1 All relevant implications are included in the report with further details in the appendices.

5. **Legal and statutory implications**

5.1 The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

5.2 The Localism Act 2011 amended the legislation regarding the calculation of council tax. It also provides for a council tax referendum to be held if

an authority increases its relevant basis amount of council tax in excess of principles determined by the Secretary of State.

- 5.2.1 The Secretary of State has ruled that for most principal authorities, which includes Merton council, for 2024-25, the following referendum principles will apply :-
- For 2024/25, the relevant basic amount of council tax of an authority such as a London borough, is excessive if the authority's relevant basic amount of council tax for 2024/25 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2023-24.
- 5.3 In considering the budget for 2024/25, and the possible reduction or alteration of service provision, members must consider the Public Sector Equality Duty under s149 Equality Act 2010. The council must, when exercising its functions, have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited by the Equality Act and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' under the Act and those who do not share a protected characteristic. A 'protected characteristic' is defined in the Act as age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are also protected characteristics for the purposes of the duty to eliminate discrimination. Members must consider how the decision will contribute to meeting these duties in light of other relevant circumstances such as economic and practical considerations.
- 5.4 The specific proposed savings contained in the material before Council will be subject to separate decision making processes (either by Cabinet, Cabinet member or Officer). Some of the proposed savings will require a consultation process to be undertaken and the product of consultation (together with the equality analysis) must be conscientiously taken into account in finalising any decisions. If, as a result of the consultation process there are changes to proposed savings alternative arrangements will need to be made to deliver reductions in spend. The proposals contained in the budget report are not fixed or rigid decisions to impose specific reductions in spending.
- 5.5 The budget decision is not the final decision affecting the provision of an element of a service and individual saving proposals are not set in stone - a detailed assessment of the impact of savings proposals will be undertaken if required when specific policies have been formulated.
- 5.6 The Council's processes for the development and adoption of the budget are set out in the Budget and Policy Framework Procedure Rules contained in Part 4C of the Constitution.

6. Human Rights, Equalities and Community Cohesion Implications

- 6.1 In identifying spending reductions, services where at all feasible, have sought to minimise the impact of the reductions on traditionally disadvantaged groups. The proposed budget reflects the Council's spending priorities for the year and the Council's core commitment to equal opportunities in employment and service delivery. The Council has a corporate policy of endeavouring to redeploy staff affected by reorganisation and other staffing changes. Every effort is therefore made to redeploy any staff affected by spending reductions.
- 6.2 A number of meetings with Staff Side have taken place and they have been advised of the Council's savings proposals and consultation is ongoing and they will be further involved in any proposals affecting staff when they are to be implemented.
- 6.3 It is anticipated that the Budget will be set at a level which enables the Council to continue to be Human Rights compliant.
- 6.4 Equality and community issues are also addressed in savings proposals. Draft equalities assessments of savings proposals have been provided and these were discussed at Scrutiny meetings.

7. Risk Management and Health and Safety Implications

- 7.1 Each saving proposal has been assessed in terms of service impact and reputational impact and these have been included in reports to the Scrutiny Panels.
- 7.2 In setting the budget the level of risk has been an important factor in setting the assumptions on which the overall budget is based. The level of reserves and balances, as well as the level of contingencies available have been taken into account as well as an assessment of pressures identified as part of current year monitoring. Account has also been taken, as far as possible, of the likely impact of expected legislative and technical changes.
- 7.3 Risk management and health and safety implications were considered as part of the Capital Strategy.

8. Consultation undertaken or proposed

- 8.1 Reports have been made on progress of the Budget and Medium Term Financial Strategy to Cabinet on 16 November 2023, and 15 January 2024.

- 8.2 In addition, Scrutiny Panels and the Overview and Scrutiny Commission have scrutinised the proposed budget and Medium Term Financial Strategy .
- 8.3 There have been and will be further detailed consultations held by all service departments in relation to some of their proposals.
- 8.4 Engagement on the council's budget priorities is an important part of the budget setting process and essential in informing the development of the council's Medium Term Financial Strategy. During November and December 2023 we have encouraged residents, businesses and community organisations to have their say on what the priorities should be in the council's budget for the 2024/25 financial year via a short online survey or by attending one of the council's engagement events .
- 11.2 Detailed feedback is provided in Section 5 of this report.
- 11.3 In accordance with statute, consultation is taking place with business ratepayers and a meeting has been arranged for February 2024. An oral update will be provided at the meeting.
- 11.4 A Member's information pack has been prepared and was distributed to all councillors at the end of December 2023 so that it can be taken to all Scrutiny and Cabinet meetings from 24 January 2024 onwards and to Budget Council. As for recent years, this should be an improvement for both councillors and officers - more manageable for councillors and it will ensure that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also keep printing costs down and reduce the amount of printing that needs to take place immediately prior to Budget Council.
9. **Appendices – the following documents are to be published with this report and form part of the report**

SECTION 1: Budget 2024/25 and Medium Term Financial Strategy 2024-28

- Appendix 1: Draft Resolutions to Council *(These will be updated once the Wimbledon and Putney Commons Conservators levy for 2024/25 has been received.)*
- Appendix 2: Local Government Finance Settlement 2024-25
- Appendix 3: Collection Fund, Council Tax Base, NNDR1 and Funding Methodology
- Appendix 4: Other Corporate items in the MTFS
- Appendix 5: Analysis of the transition from Council in March 2023 to a balanced budget
- Appendix 6: Statement of Council Tax requirements and balances
- Appendix 7: Revised MTFS incorporating changes
- Appendix 8: Reserves
- Appendix 9: Budget summaries 2024/25
- Appendix 9a: Standard Subjective Analysis
- Appendix 10: Risk Analysis for the General Fund

**SECTION 2: Capital Strategy and Treasury Management Strategy
2024-28**

SECTION 3: Schools budget 2024/25

SECTION 4: Risk Management

SECTION 5: Budget Engagement

**Background Papers – the following documents have been relied on
in drawing up this report but do not form part of the report**

None

**SECTION 1: GENERAL FUND REVENUE BUDGET 2023/24, COUNCIL TAX
STRATEGY AND MEDIUM TERM FINANCIAL STRATEGY 2024-28**

1. Background to Financial Planning

- 1.1 The approach to Medium Term Financial Planning provides a great deal of flexibility in decision making and enables the impact of alternative options to be modeled. This has assisted with progress towards a balanced budget over the four year plan.
- 1.2 The MTFFS has been re-priced and rolled forward a year so that each year from 2024/25 to 2027/28 starts from the approved budget 2023/24 and is built up showing the cumulative effect of variations over the period. Council on 1 March 2023 agreed the Budget 2023/24 and MTFFS 2023-27. Whilst a balanced budget was set for 2023/24 there was a gap remaining in future years which needs to be addressed, as shown in the following table:-

Table 1: Budget Gap Council 1 March 2023

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
MTFS gap (cumulative)	0	0	2.296	3.836

- 1.3 Reports to Cabinet on 19 June 2023, 16 November 2023, 16 January 2023 have presented updated information to Members, setting out the financial implications as assumptions have been reviewed and decisions made.
- 1.4 The decisions made in respect of each element of the MTFFS impact on the overall financial position of the Authority. To balance the budget over 2024-28, an overall package of decisions of options and variables that need to be included in the budget have been modelled, enabling the impact of different scenarios to be seen. The details set out in this section summarise those that represent the most up to date information available.
- 1.5 Although there is some residual impact from the pandemic, the main issue in formulating the budget for 2024/25 and the development of the MTFFS 2024-28 continues to be the current cost of living crisis, high level of inflation and the increasing cost of social care and schools. These issues are going to continue to have implications across the MTFFS planning period and as far as possible the financial impact has been recognised in the budget reports to Cabinet.
- 1.6 Setting a Balanced Budget
- 1.6.1 Resource and expenditure projections have been continually updated throughout the year to inform Members and officers of the overall position for 2024-28. A four-year forward plan is presented, but it is still a legal

requirement that a balanced (i.e. fully funded) budget is achieved for 2024-25. There are a number of ways in which a balanced budget is achieved:

- Reducing expenditure/costs;
- Identifying new savings or additional income;
- Adjusting the level of Council Tax ;
- Using unallocated reserves as a temporary measure pending the implementation of the options above.

1.6.2 Budget savings proposals have been formulated within the overall constraints of the resource projections. The proposals have been approved in principle by the Cabinet and then considered by Overview and Scrutiny Panels as part of the scrutiny process. Scrutiny Panels met during January 2024 and their feedback on the Council’s spending proposals is set out in a separate report elsewhere on the agenda for this meeting.

1.6.3 The Medium Term Financial Strategy (MTFS) for the Council supports the achievement of the budget and any financial implications arising from the agreed plan are included in financial planning for 2024/25 and beyond. The MTFS brings together all of the key elements relating to the Council’s financial position which are reflected in the General Fund, and the Capital Programme.

1.6.4 The last detailed MTFS which was reported to Cabinet on 15 January 2024 showed that the budget gap was:-

Table 2: Budget Gap Cabinet 15 January 2024

Cumulative	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
MTFS Gap (Cabinet January '24)	0	7,686	7,651	12,327

1.6.5 As with previous years, the Medium Term Financial Strategy is a multi-year approach and this includes a review of total planned expenditure and income over the period 2024-28.

1.6.6 There have been further changes to some of the key budget variables as more information has become available and the details are set out in this report.

1.6.7 One of the key objectives is to balance the budget and there has been a major improvement in recent years in the ability to look over a long-term period and identify significant savings over more than one year.

1.6.8 The Medium Term Financial Strategy framework aims to enable strategic resource allocation and investment decisions to be made that allow for services to transform and change at different times in the future and which would otherwise be very difficult to plan under an annual planning framework. This improved long-term financial planning process is the best way to ensure that budgets are robust and sustainable.

2. **Local Government Finance Settlement 2024-28**

2.1 Local Government Finance Settlement

2.1.1 The financial projections in the report to Cabinet on 15 January 2024 were based on the information as announced in the provisional Local Government Finance Settlement on 18 December 2023. Information in this report has been updated as more information has become available. The Settlement was only for one year, 2024/25. The ongoing cost of living crisis and high level of inflation continues to present the government with significant challenges, and it is difficult to forecast future inflation levels and interest rates with certainty. This makes it extremely difficult for the Council to plan over the medium term.

2.1.2 The Final Local Government Finance Settlement allocations were published on _ February 2024 and details in this report have been updated for this.

2.1.5 Council Tax Referendum Threshold

The Final Settlement confirmed that the referendum threshold for principal local authorities such as Merton is as follows:-

- For 2024-25, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2024-25 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2023-24

2.1.5 Latest details on the Local Government Settlement are included in Appendix 2 and have been incorporated into Merton's MTFS where applicable.

2.2 Settlement Funding Assessment and Business Rates

2.2.1 Merton's Settlement Funding Assessment allocation did not change in the Final Settlement from that reported to Cabinet on 15 January 2024 to which the following information on the Council's Settlement Funding Assessment (Revenue Support Grant + Retained Business Rates) was reported

Table 3: Settlement Funding Assessment 2024-25

- a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 5.2% nationally and by 5.3% in London. The details for Merton are:-

MERTON	2023-24 £m	2024-25 £m	Change £m	Change %
Settlement Funding Assessment	43.415	45.727	2.312	5.3
of which:				
Revenue Support Grant (RSG)	6.108	6.513		
Baseline Funding Level (BFL)	37.307	39.214		
(Tariff)/Top-Up (Included in BFL)	43.415	45.727		
	6.679	6.997		

- b) Merton's Core Spending Power has increased by £1.796m from the provisional figures announced in December 2023

Table 4: Merton's Core Spending Power 2020-21 to 2024-25

	Final	Provisional	Final	Change: Provisional 2024/25 to Final 2024/25	Annual Change (23-24 to 24-25)
	2023/24	2024/25	2024/25		
	£m	£m	£m	£m	%
Council Tax	113.055	119.779	119.779	0	5.9%
SFA	43.415	45.727	45.727	0	5.3%
S.31 grant Compensation for business rates	6.355	7.238	7.238	0	13.9%
Improved Better Care Fund	5.01	5.01	5.010	0	0.0%
New Homes Bonus	0.732	0.152	0.152	0	-79.2%
Social Care Grant	10.43	12.189	13.747	1.558	31.8%
ASC Market Sustainability and Improvement Fund	1.751	3.272	3.272	0	86.9%
ASC Discharge Fund	0.702	1.171	1.171	0	66.8%
Services Grant	1.454	0.229	0.251	0.022	-84.3%
Grants rolled in	1.137	0	0	0	-100.0%
Funding Guarantee	0	0	0.216	0.216	-
Core Spending Power	184.042	194.766	196.563	1.796	6.8%

2.2.2 Further details on the grants and New Homes Bonus are included in Appendix 2.

2.2.3 The government has announced that there will be a Spring Budget on 6 March 2024.

3. Review of Corporate and Technical Provisions

3.1 Previous reports to Cabinet have set out the details and assumptions on which the budget has been formulated. The latest information is set out in the following paragraphs.

3.2 Review of Technical and Corporate Provisions

3.2.1 Technical and corporate adjustments incorporated in the MTFS have been reported to Cabinet throughout the budgeting process for 2024-25.

3.2.2 The key assumptions included in the MTFS have been continually reviewed and updated as the budget process has developed. It should be noted that any one-off adjustments will need to be addressed in future years. The latest information is set out in the following paragraphs :-

3.3 Inflation

3.3.1 Predicting the level of inflation over a four year period with accuracy is not easy, particularly in the current economic climate and given the size of the Council's budget can lead to large variances if the actual inflation levels vary from the assumptions.

3.3.2 Pay

2023-24: As reported to Cabinet in November 2023, the 2023/24 pay award has been agreed. The award will increase non-schools costs by c.6% and schools (non-teaching) costs by c. 8.2%. The budget agreed by council in March 2023 included provision of 3% and the budget and MTFS has been adjusted for the increase.

Table 5: Impact of 2023/24 pay award

	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Additional Impact of 23/24 pay award	2,801	2,801	2,801	2,801

2024/25 and future years:

In respect of pay inflation over the MTFS 2024-28 the provision included in the MTFS agreed by Cabinet in November for the 2024/25 pay award is 4% with 2% for subsequent years.

Table 6: Pay award inflation provision 2024/25

(Cumulative)	2024/25	2025/26	2026/27	2027/28
Pay inflation (%)	4.0%	2.0%	2.0%	2.0%
Revised Estimate (cumulative £000)	4,231	6,347	8,463	10,579

National Living Wage/London Living Wage

As announced in the Autumn Statement published in November 2023, from 1 April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour with the age threshold lowered from 23 to 21 years old.

It is recognised that the inflation rate is currently more than 4% so if the 2024/25 award exceeds 4%, each 1% will cost c.£1.1m.

Further details on the pay negotiations for 2024/25 and beyond, and the impact on the MTFS will be reported when they are known.

London Living Wage

The MTFS includes the following provision for the estimated impact of the London Living Wage (LLW) on council contracts when they come up for renewal:-

Table 7: Provision for additional cost of LLW on major contracts

(Cumulative)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Additional cost of LLW on major contracts based on contract renewal date	1,824	1,824	1,824	1,824

3.3.3 Prices

The latest estimates for price inflation included in the MTFS are included in the table below and no changes are proposed at the current time:-

Table 8: Price inflation

(Cumulative)	2024/25	2025/26	2026/27	2027/28
Price inflation (%)	3%	1.5%	1.5%	1.5%

The Consumer Prices Index (CPI) rose by 4.0% in the 12 months to December 2023, up from 3.9% in November, and the first time the rate has increased since February 2023. On a monthly basis, CPI rose by 0.4% in December 2023, the same rate as in December 2022.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.2% in the 12 months to December 2023, the same rate as in November. On a monthly basis, CPIH rose by 0.4% in December 2023, the same rate as in December 2022.

The largest upward contribution to the monthly change in both CPIH and CPI annual rates came from alcohol and tobacco while the largest downward contribution came from food and non-alcoholic beverages.

Core CPI (excluding energy, food, alcohol and tobacco) rose by 5.1% in the 12 months to December 2023, the same rate as in November; the

CPI goods annual rate slowed from 2.0% to 1.9%, while the CPI services annual rate increased from 6.3% to 6.4%

Core CPIH (excluding energy, food, alcohol and tobacco) rose by 5.2% in the 12 months to December 2023, the same rate as in November; the CPIH goods annual rate slowed from 2.0% to 1.9%, while the CPIH services annual rate remained at 6.0%.

The RPI rate for December 2023 was 5.2%, which is down from 5.3% in November 2023.

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 9: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (January 2024)			
	Lowest %	Highest %	Average %
2023 (Quarter 4)			
CPI	2.6	5.1	4.2
RPI	5.0	10.0	5.9
LFS Unemployment Rate	3.5	4.5	4.3
2024 (Quarter 4)			
CPI	0.8	3.9	2.4
RPI	0.7	6.1	3.3
LFS Unemployment Rate	2.8	5.3	4.6

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 2023 to 2026 are summarised in the following table:-

Table 10: Forecasts for the UK Economy 2023 - 2026

Source: HM Treasury - Forecasts for the UK Economy (November 2023)				
	2023	2024	2025	2026
	%	%	%	%
CPI	7.4	3.0	1.9	2.0
RPI	10.2	4.4	2.2	2.6
LFS Unemployment Rate	4.2	4.6	4.7	4.8

3.3.4 Provision for Excess Inflation:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the budgeted inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand. The provision was increased significantly in the budget agreed by the Council in March 2023 because of the cost of living crisis and persistently high level of inflation.

The provision has proved essential in supporting service directorate budgets during the current financial year 2023/24 and given the enormous pressures that services remain under, it is proposed to replenish the budget to provide cover for this.

The proposed provision in the MTFS will be as follows :-

Table 11: Provision for Excess Inflation

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Budget in MTFS 2023-27	3,808	3,808	3,808	3,808
Allocated to services in 2023/24	(3,735)	(3,735)	(3,735)	(3,735)
Replenish budget	3,960	3,960	3,960	3,960
Proposed Budget	4,033	4,033	4,033	4,033

The cash limiting strategy is not without risks and if the inflation rate fails to return to the Government's 2% target levels of inflation it will lead to further pressure on service budgets.

Work is currently ongoing with Directorates to assess the impact, service by service of the prevailing levels of inflation. This will be fed into future MTFS updates.

Inflation is still a major risk and it is possible that further pressures will emerge during the year for both pay and general price inflation.

3.4 Collection Fund

3.4.1 The Collection Fund is a statutory fund separate from the General Fund. It accounts for income from Council Tax and from NNDR (Business Rates).

3.4.2 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly. The draft accounts for 2022/23 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2023:-

Table 12: Collection Fund Surplus/Deficit as at 31 March 2023

	Surplus/ (deficit) as at 31/03/23 Outturn	Surplus/ (deficit) as at 31/03/23 Outturn	Total surplus/ (deficit) as at 31/03/23
	Council Tax £000	NNDR £000	£000
Central Government	N/A	21	21
GLA	397	27	424
Merton	1,296	23	1,319
Total	1,693	71	1,764

3.4.3 A review of the Collection Fund, related bad debt provisions, write offs, appeals and collection rates in 2023/24 and anticipated collection rates in 2024/25 has been undertaken. With respect to Business Rates, the NNDR1 return has been submitted which analyses the estimated Business Rates for 2024/25, estimated surplus/deficit as at 31st March 2024 and estimated Section 31 Grant for 2024/25, and the allocations between Merton, Central Government, and the GLA. For 2023/24 and 2024/25 Business Rate Retention, the shares will be 33% central government , 37% GLA and 30% Merton.

3.4.4 As a result of the further analysis, the estimated surplus/deficit on the Collection Fund as at 31st March 2024 is as follows:-

Table 13: Estimated Collection Fund Surplus/Deficit at 31 March 2024

	Surplus/ (deficit) as at 31/03/24 Estimate	Surplus/ (deficit) as at 31/03/24 Estimate	Total surplus/ (deficit) as at 31/03/24
	Council Tax £000	NNDR £000	£000
Central Government	N/A	1,704	1,704
GLA	505	1,911	2,416
Merton	1,692	1,549	3,241
Total	2,197	5,164	7,361

3.4.5 Collection Fund Deficits 2023/24 – Business Rates and Council Tax
This report includes the latest forecasts of the surplus/deficits for the Collection Fund 2023/24 for council tax and business rates. These will be the final forecasts for 2023/24 to be included within the council's Council Tax requirement 2024/25 and MTFS 2024-28.

Council Tax:

Based on a review in January 2024 of the bad debt provision and amounts to be written off during 2023/24, it is estimated that there will be

a forecast surplus/deficit of £2.197m arising from Council Tax as at 31 March 2024.

Table 14: Estimated Council Tax Surplus in 2023/24 payable in 2024/25

Net Surplus apportionment for 2024/25	GLA £	LBM £	TOTAL £
Total share of the estimated surplus for 2023/24 to be paid in 2024/25	505	1,692	2,197

Business Rates

The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2024/25 is included in Appendix 3.

This year is the first one after the end of the three year Collection Fund deficit phasing introduced in response to the exceptional circumstances resulting from the COVID-19 pandemic.

Table 15: Estimated Business Rates Surplus in 2023/24 payable in 2024/25

Net Surplus apportionment for 2024/25	Government £000	Merton £000	GLA £000	Total £000
Total share of the estimated surplus for 2023/24 to be paid in 2024/25	1,712	1,556	1,920	5,188

3.4.7 Freedom Passes

Freedom Passes are administered by London Councils on behalf of London boroughs. The latest estimates for each London borough were reported to London Councils' Transport and Environmental Committee on 7 December 2023 and Merton's figures are summarised in the following tables.

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

When forecasting demand, London Councils officers have attempted to

establish a baseline, as well as lower range higher range scenarios. The latest estimates from London Councils are:-

Table 16: Freedom Pass forecast 2024-27

	2024/25 £m	2025/26 £m	2026/27 £m
Baseline	7.764	8.703	9.936
Lower range	7.764	8.968	10.457
Higher range	7.764	9.233	10.978

The table below compares the original budget provision agreed by council in March 2023 for Freedom Passes with the latest worst case estimate:-

Table 17: Freedom Pass forecast 2024-28 change in provision

	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m	MTFS 2027/28 £m
MTFS (Council March 2023)	8.669	10.843	13.017	15.191
Latest forecast (Higher range for 2025-27)	7.764	9.233	10.978	12.076
Change	(0.905)	(1.610)	(2.039)	(3.115)

3.5 DSG DEFICIT

3.5.1 The High Needs budget is the element of the DSG (Dedicated Schools Grant) for children with SEND and for Alternative Provision. From 2018/19 Merton Council started having a deficit on this budget and by the end of 2020/21 it was £24.981 million.

3.5.2 The DfE introduced the High Needs Safety Valve (SV) programme for high deficit LAs. Merton signed in March 2022 to join the programme in 2021/22 financial year (there are currently 34 LAs (10 in London) in the SV programme, 5 from 2020/21, 9 in 21/22 and 20 in 22/23)

3.5.3 The principle of Merton's agreement with the DfE was that by 2026/27 we could undertake a series of measures to meet an in-year balance, but without further financing we would have a cumulative deficit of £56 million by that time. Merton agreed to meet £28 million from reserves in return for £28.8 million additional grant from DfE over the financial years 21/22 to 26/27.

3.5.4 Our draft SV return due on 26 January 2024 (final deadline) shows we are substantially meeting all the conditions:

- The rate of EHCPs has slowed considerably
- We have delivered extra specialist school places

- We have put together a programme of activities to promote inclusion
- We have put in place more vigorous challenge of Independent school fees

3.5.5 Despite good progress against the plan, financially we are significantly behind to 2023/24 which shows the future challenges ahead. EHCPs are still going up in Merton although at a lower rate than nationally, and referrals are also up.

3.5.6 Merton's High Needs block increase from 2023/24 to 2024/25 is just 2.06%, which is well below our assumption on it at least keeping up with the general inflation rate, currently 4% but with the inflation rate being at around 10% for most of 2023 which was never accounted for in DfE grant allocations. The impact of the teachers' pay settlement and national insurance contributions, which drives the cost of high needs placements, is above the current general inflation level.

3.5.7 Based on the latest forecast movement in the DSG Deficit in the unusable reserve is summarised as follows:-

Table 18: DSG Deficit Unusable Reserve over the Safety Valve Agreement Period

DSG Unusable Reserve	Outturn 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
B/F DSG Deficit	26.933	34.465	41.168	47.878	52.268
In year deficit before Safety Valve & local contributions	15.232	10.328	10.335	8.015	4.771
Safety Valve Programme contribution	(6.700)	(2.625)	(2.625)	(2.625)	(2.625)
Local contribution	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)
DSG Deficit c/f	34.465	41.168	47.878	52.268	53.414

3.5.8 Based on these forecasts, Merton would need to provide an additional £18.949m of its own resources in 2023/24 to 2026/27. If the council continues its current practice of providing sufficient resources to match the DSG deficit (net of Safety Valve grant), by 2026/27 Merton would have set aside £53.414 million in its reserves (in addition to the £1 million per year from social care budgets). The council is also no longer showing an in-year balanced budget in 2026/27, counter to the SV agreement

3.5.9 To date, the council has earmarked reserves to match the DSG deficit of £34.465m as at 31 March 2023. If the Council continues to provide resources to offset the DSG deficit reserve it will require:-

Table 19: Resources required to offset DSG Deficit

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Resources required to offset DSG Deficit	6.710	4.390	1.146	3.000

Given the fact that Merton's 2024/25 High Needs Block grant allocation uplift was only 2% there is a case to be made that the DfE should contribute more towards the ongoing increased costs.

3.6 Contingency

3.6.1 The latest MTFS includes provision of £4m in 2024-28 as a contingency to meet unforeseen cost and demand pressures.

3.7 Bad Debt Provision

3.7.1 The bad debt provision is calculated on the basis of an examination of debts within the council's financial systems to assess the probability of their collection. Given the ongoing effects of inflationary pressures at the current time the level of provision will be kept under review but over the MTFS period the current provision for bad debts is

Table 20: Provision for Bad Debts

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Bad Debt provision	500	500	500	500

3.8 Summary of Corporate and Technical Adjustments

3.8.1 The financial implications of the corporate and technical adjustments discussed in this report are summarised in Appendix 4.

4. **Departmental Savings Proposals 2024-28**

4.1 Although a balanced budget for 2024/25 was the position in the MTFS agreed by council in March 2023, it was clear the due to the cost of living crisis, high levels of inflation, increasing demand for social care from both children's and adult services, remaining issues caused by the pandemic, and other pressures in services that additional budgetary growth would be required leading to the need for some directorate savings.

4.2 Savings proposals were considered and agreed by Cabinet in November 2023 and referred to scrutiny panel and the Commission in November 2023 as follows:-

Table 21: Savings Proposals – November 2023 Cabinet

Priority Savings Proposals	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Innovation and Change	36	565	0	0	601
Finance and Digital	380	0	0	0	380
Housing and Sustainable Development	377	(40)	(60)	0	277
Environment, Civic Pride and Climate	310	30	0	0	340
Children, Lifelong Learning, and Families	60	0	0	0	60
Adult Social Care, Integrated Care, and Public Health	538	257	370	387	1,552
Total Savings 2024-28	1,701	812	310	387	3,210
Cumulative Total	1,701	2,513	2,823	3,210	

4.3 Fees and Charges

In additions to directorates savings, some additional income generation from fees and charges proposals were considered and agreed by Cabinet in November 2023 and referred to the scrutiny panels and Commission in November as summarised in the following table:-

Table 22: Fees and Charges Proposals – November 2023 Cabinet

Fees and Charges Review - Additional Income	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Innovation and Change	0	0	0	0	0
Finance and Digital	0	0	0	0	0
Housing and Sustainable Development	185	0	0	0	185
Environment, Civic Pride and Climate	223	(23)	0	0	200
Children, Lifelong Learning, and Families	0	0	0	0	0
Adult Social Care, Integrated Care, and Public Health	50	150	0	0	200
Total Savings 2024-28	458	127	0	0	585
Cumulative Total	458	585	585	585	

4.4 Proposed Amendments to Previously Agreed Savings

Cabinet in January 2024 agreed to the removal of Saving ECPC 2425-S02, following feedback from scrutiny panels and feedback from the budget engagement , as well as the opportunity afforded through a review of MTFS assumptions:-

Table 23: Proposed Amendments to Previously Agreed Savings

(Cumulative)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Highways verge cutting - change from an outcome-based requirement to a cyclical programme (Saving ECPC 2425-S02)	60	60	60	60

6. Departmental Growth Proposals 2024-28

6.1 As previously mentioned, service directorate's budgets have been under pressure during the current financial year, 2023/24, and having reviewed their service projections against current budgets identified some growth requirements which were needed in order to meet service demands. Cabinet considered and agreed the growth proposals at its meetings in November 2023 and January 2024 and referred them to Overview and Scrutiny Panels for comment in the November 2023 and January 2024 cycles of meetings.

6.2 Details of the November 2023 growth proposals were included in the Member's Information pack and are summarised in the following table:-

Table 24: Growth Proposals 2024-28 (November 2023 Cabinet)

Growth - Priority Proposals Cabinet 16 November 2023	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Innovation and Change	560	178	(320)	0	418
Finance and Digital	420	33	0	0	453
Housing and Sustainable Development	301	0	0	0	301
Environment, Civic Pride and Climate	1,193	1,940	(153)	(100)	2,880
Children, Lifelong Learning, and Families	105	(40)	(65)	0	0
Adult Social Care, Integrated Care, and Public Health	0	0	0	0	0
Organisational Pay Review	260	45	43	38	386
Total Growth 2024-28	2,839	2,156	(495)	(62)	4,438
Cumulative Total	2,839	4,995	4,500	4,438	

6.3 Following a further review of the MTFS in December 2023 and January 2024 some additional scope enabled additional growth proposals to be considered and agreed by Cabinet and referred to scrutiny panels and the Commission in January 2024 as follows:-

Table 25: Growth Proposals 2024-28 (January 2024 Cabinet)

Growth - Cabinet 15 January 2024	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Innovation and Change	71	0	0	0	71
Finance and Digital	250	0	0	0	250
Housing and Sustainable Development	505	0	0	0	505
Environment, Civic Pride and Climate	1,501	0	0	0	1,501
Children, Lifelong Learning, and Families	0	0	0	0	0
Adult Social Care, Integrated Care, and Public Health	0	0	0	0	0
Total Growth 2024-28	2,327	0	0	0	2,327
Cumulative Total	2,327	2,327	2,327	2,327	

6.4 The total growth agreed by Cabinet for the MTFS 2024-28 is as follows:-

Table 26: All Growth Proposals 2024-28

Growth - Priority Proposals Cabinet November + Cabinet January	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Innovation and Change	631	178	(320)	0	489
Finance and Digital	670	33	0	0	703
Housing and Sustainable Development	806	0	0	0	806
Environment, Civic Pride and Climate	2,694	1,940	(153)	(100)	4,381
Children, Lifelong Learning, and Families	105	(40)	(65)	0	0
Adult Social Care, Integrated Care, and Public Health	0	0	0	0	0
Organisational Pay Review	260	45	43	38	386
Total Growth 2024-28	5,166	2,156	(495)	(62)	6,765
Cumulative Total	5,166	7,322	6,827	6,765	

7. Feedback from the Scrutiny Process:-

7.1 Comments from the Overview and Scrutiny Commission on 31 January 2024 are provided in a separate report on the agenda for this meeting.

7.2 Financial Implications of Changes arising from response to Scrutiny

7.2.1 The draft MTFS shown in Appendix 7 includes the impact of the savings and growth proposals recommended. If Cabinet decide to accept any changes to the savings and/or growth, the MTFS will be amended to reflect this.

8. Budgetary Control 2023/24

- 8.1 The revenue budgetary control information below summarises the corporate position using the latest available information as at the third quarter (31 December 2023) as shown in a separate report on the agenda for this meeting.
- 8.2 There may be issues identified from monthly monitoring that have on-going financial implications which need to be addressed in setting the budget for 2024-28.
- 8.3 After three-quarters of the financial year (to 31 December 2023), the year-end forecast is a net £1.2m unfavourable variance compared to the current budget.

Table 27: Budget Monitoring Summary Quarter 3 2023/24

	Current Budget 2023/24 £m	Full Year Forecast (Qtr.3/Dec.) £m	Forecast Variance at year end (Qtr.3/Dec.) £m
Finance and Digital	18.7	18.5	(0.2)
Innovation and Change	13.1	13.1	0.0
Children, Lifelong Learning, and Families	68.1	72.2	4.1
Adult Social Care, Integrated Care, Public Health	69.1	71.6	2.5
Environment, Civic Pride and Climate	21.8	24.6	2.8
Housing and Sustainable Development	9.8	11.1	1.3
NET SERVICE EXPENDITURE	200.5	211.1	10.5
Corporate	(18.5)	(27.9)	(9.4)
Total Expenditure	182.0	183.2	1.2
Funding	(182.0)	(182.0)	0
Net Expenditure	0	1.2	1.2

Based on December 2023 monitoring, an overall unfavourable variance is forecast, with the following service pressures (greater than £0.5m unfavourable variance) being flagged:-

- a) Housing and Sustainable Development:
Building and Development Control, Housing – temporary accommodation, homelessness
- b) Environment, Civic Pride and Climate:
Parking Services income
- c) Children, Lifelong Learning, and Families
Children's Social Care
- d) Adult Social Care, Integrated Care, and Public Health
Adult Social Care Placements

9. Capital Financing and Treasury Management

Treasury Management, Capital Financing and Investment Income:

- 9.1 Details are included in Section 2 of this report. Capital financing costs are derived from the draft capital programme which is included in the Capital Strategy and estimated revenue funding is built into the MTFs for the level of borrowing that is expected.
- 9.2 Details relating to how the capital programme has changed from that approved by Council in March 2023 to the capital programme for 2024-28 are discussed in the Capital Strategy part of this report and related appendices. The capital programme has continued to be subject to major review as part of monthly monitoring and the process of developing the Capital Strategy and Programme for 2024-28.
- 9.3 In addition to reviewing the capital programme, focus has also been maintained on the treasury management aspects of funding the programme, to improve forecasts of available funding and to minimise as far as possible the costs of funding capital. This has included improved cash flow forecasting to enable the programme to be funded from capital receipts and internal resources for as long as possible to take advantage of current low levels of interest. Work is also continuing to ensure that grants and contributions are utilised effectively and this work will continue into the closing of accounts process for 2023/24 to ensure that the revenue impact of the capital programme is minimised in 2024/25 and beyond.

Revenue Implications of Current Capital Programme

It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term.

- 9.4 There have been limited additions to the capital programme due to the current financial challenges and Budget Managers have been asked to further review current schemes in the programme to either reduce, defer or delete them. Any resulting revisions to the programme will be reported to Cabinet on an ongoing basis, along with any changes required. The current capital provision and associated revenue implications of the approved capital programme, based on November 2023 monitoring information and maximum use of capital receipts were reported to Cabinet in January 2024.

Since January 2024, the capital programme has continued to be reviewed and based on the latest December 2023 monitoring information the current position is:-

Table 28: Capital Programme and Revenue Implications 2024-28

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Capital Programme (after slippage)	33,987	33,375	32,082	31,380
Revenue Implications	7,501	8,329	9,254	10,373

The potential change in the capital programme since Council in March 2023 is summarised in the following table:-

Table 29: Change in Capital Programme and Revenue impact

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Capital Programme:				
- Council March 2023	44,541	53,975	42,374	14,087
- Revised Position with Slippage	33,987	33,375	32,082	31,380
Change	(10,554)	(20,600)	(10,292)	17,293
Revenue impact				
- Council March 2023	11,217	11,078	12,958	18,028
- Revised	7,501	8,329	9,254	10,373
Change	(3,716)	(2,749)	(3,704)	(7,655)

Further work is currently ongoing to review and challenge the assumptions these figures are based on.

- 9.5 The analysis of the budget for capital financing costs and investment income is set out in the following table:-

Table 30: Details of Budgets for capital financing costs

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
MRP(net of contributions)	4,349	5,177	6,102	7,240
Interest	3,152	3,152	3,152	3,133
Capital financing costs	7,501	8,329	9,254	10,373

9.6 Investment Income

- 9.6.1 The Council receives investment income on general investment and cash balances. The level of income has increased over the past year as interest rates have increased

Table 31: Investment income summary 2024-28

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Interest – Council March 2023	5,580	5,559	5,548	5,548
Latest	8,280	8,259	8,159	8,148
Investment income- change	2,700	2,700	2,611	2,600

10. GENERAL FUND BALANCES AND RESERVES

- 10.1 In determining an appropriate level of general fund balances previously, an analysis of the overall expenditure of the authority had been prepared. An updated version of this analysis has been prepared and is attached as Appendix 10. The overall level of balances is summarised below and compares with current GF balances of £14m as shown in the final accounts for 2022/23. Given the minimum level of risk is indicated to be £13.8m, there is no change proposed to the current GF balance.

Table 32: Indicative range of balances

	Min	Medium	Max
	£m	£m	£m
Level of balances	14	28	44

- 10.2 An alternative approach would be to look at a percentage based on the net spending of the authority. From the Audit Commission’s report “Striking a Balance”, most Chief Officers regarded an amount of between 3 and 5 per cent as a prudent level and the minimum the auditors would consider prudent. There are also some other areas of risk and unknowns in relation to the localisation of business rates and how this impact will flow through, in particular in relation to appeals. There is now an amount calculated for Merton called the safety net, below which income must fall before Merton becomes entitled to funding from central government. This approach is set out below, using an amount of 5 per cent for net spending, and 7.5% for safety net with amounts for DSG and business rates appeals.

Table 33: Indicative level of balances

	£m
Net spending	10.1
Safety Net	2.7
DSG	0.7
Appeals	1.2
Level of balances	14.7

- 10.3 Of the 17 out of 20 Outer London boroughs that have published draft Statements of Accounts as at February 2024, the average level of

General Fund balances for outer London boroughs for 2022/23 was £16.9m, with a low of £0.8m and a high of £60.4m.

- 10.4 A review of Merton’s reserves has been undertaken and details are shown in Appendix 8. The estimated level of General Fund revenue reserves changes from £130.2m as at 31 March 2023 to £130.9m by 31 March 2028. If the reserves set aside as cover for the DSG deficit are excluded the estimated reserves changes from £95.7m as at 31 March 2023 to £74.5m at 31 March 2028.
- 10.5 The average level of earmarked reserves (excluding schools and HRA) for outer London boroughs for 2022/23 was £128.6m, with a low of £17.142m and a high of £421.7m. Merton, with £108.2m (excluding schools) is ranked 5th highest out of the 17 outer London boroughs that have published draft accounts.

11. Business Rates Funding 2024/25

- 11.1 The figures for Business Rates included in the Settlement Funding Assessment as part of the Local Government Settlement 2024/25 are the Government’s estimate based on forecasts of annual uprates since the introduction of Business Rates Retention in 2013/14. The figures in the MTFs are more accurate, being based on local information on the latest forecast of Business Rates included in Merton’s NNDR1 form which is a statutory return that local authorities are required to submit to the Government by 31 January each year.

Table 34: Merton Settlement Funding Assessment 2024/25

	Local Government Finance Settlement 2024-25
MERTON	£m
Revenue Support Grant	6.513
Baseline Funding Level (NNDR)	39.214
Settlement Funding Assessment	45.727

- 11.2 Baseline Funding Level is the government’s assessment of each authority’s resources need. It is based on the position as at 2013/14 and this has been updated for inflation etc. The government pay a Top-Up grant to those authorities whose business rates projection is below the Baseline Funding Level and those authorities whose business rates projection exceeds their Baseline.
- 11.3 Merton is a Top-Up authority and for 2024/25 the Local Government Finance Settlement 2024/25 included Top-Up Grant of £6.997m.

Table 35: Change in Baseline Business Rates Funding 2024-25

	Local Government Finance Settlement 2024-25	NNDR1 2024-25	Difference
	£m	£m	£m
Business Rates	32.217	29.683	2.534
Top-Up	6.997	6.997	0
Baseline Funding	39.214	36.680	2.534

In addition, the government has decided to support businesses and announced in the Local Government Finance Settlement 2024-25 that it will be freezing the small business multiplier and extending the Retail, Hospitality and Leisure relief for 2024-25. It will compensate local authorities for loss of business rate income with Section 31 grant.

The Government will continue to operate a safety net threshold as part of Business Rates Retention. Safety net payments will ensure that a local authority's income does not drop below more than a set percentage of its baseline funding level. The safety net threshold is 7.5%.

12.1 Council Tax Strategy

12.1 The Localism Act 2011 amended the legislation regarding the calculation of council tax. It also provides for a council tax referendum to be held if an authority increases its relevant basis amount of council tax in excess of principles determined by the Secretary of State.

12.2 Council Tax Referendum Principles

The Government proposes the following package of referendum principles for 2024-25 for authorities like Merton:

- a core council tax referendum principle of up to 3% for shire counties, unitary authorities, London boroughs, the GLA general precept, and fire authorities
- an Adult Social Care (ASC) precept of 2% on top of the core principle for local authorities with responsibility for adult social care.

12.3 For Merton, a Council Tax increase of 5% (3% core + 2% Adult Social Care) would be regarded as excessive but, for example, a core principle of 2.999% plus Adult Social Care precept of 2% (i.e. 4.999%) would be in accordance with the thresholds set.

13. Council Tax Base

13.1 Cabinet on 15 January 2024 agreed the Council Tax Base calculation for 2024/25. Details of the calculation are included as Appendix 3.

13.2 For 2024/25 the Council Tax Base has been calculated as:-

Table 36: Council Tax Base 2024/25

Council Tax Base 2024/25	78,257.8
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13.3 A separate council tax base calculation has been produced for the properties covered by the Wimbledon and Putney Common Conservators (WPCC) area. For 2024/25 the Council Tax Base for Wimbledon and Putney Commons Conservators has been calculated as:-

Table 37: WPCC Council Tax Base 2024/25

WPCC Council Tax Base 2024/25	11,782.4
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14 Greater London Authority Precept and Other Levies

14.1 The Greater London Authority (GLA) sets a budget for itself and each of the four functional bodies: Transport for London, the London Development Agency, the Metropolitan Police Authority, and the London Fire and Emergency Planning Authority. These budgets together form the consolidated budget.

14.2 The Mayor of London published his draft consolidated budget and provisional council tax precept for 2024-25 on 19 December 2023 for consultation. The consultation on the budget proposals ended on 10 January 2024.

14.3 The proposed 2024/25 Band D precept for council taxpayers in the 32 London boroughs is £471.40 – a £37.26 or 8.6% increase compared to 2023/24. This increase comprises £20 for TfL, £13 for the Met Police and £4.26 for the London Fire Brigade. This is in line with the maximum increase permitted under the GLA's referendum limit – which is a monetary one – confirmed in the provisional settlement on 18 December 2023. The provisional precept for council taxpayers in the City of London is £166.27 (an increase of £24.26 which excludes the £13 relating to the Met Police).

14.4 On 17 January 2024 the Mayor published his revised draft revenue budget and capital spending plan for 2024-25. This was considered by the London Assembly at its meeting on 25 January 2024.

- 14.6 As previously announced, the Mayor is proposing a Band D council tax of £471.40 for 2024-25 in the 32 London boroughs which form part of the Metropolitan Police District. These proposals are consistent with the maximum rises permitted under the specific government referendum principles for the GLA.
- 14.7 Both these amounts include the £20 bespoke additional flexibility which the government is again granting the Mayor to fund transport services in London.
- 14.8 This proposed precept will not be formally approved until the final draft budget plenary meeting of the London Assembly on 22 February 2024. The Statutory deadline for major precepting authorities (including the GLA) to notify their billing authorities of their final Band D precept and council tax requirement(s) for 2024-25 is 28 February 2024.

15. Other Levies

- 15.1 The Council is required by statute to pay certain levies to the organisations listed below. Not all of the levies for 2023/24 have been confirmed and the latest position is as set out in the following table:-

Table 38: Other Levies

	2023/24 £000	2024/25 £000	2024/25 Change %
London Pension Fund Authority	254	TBA	
Lee Valley Regional Park	197	TBA	
Environment Agency	184	186	1.4%

15.2 Wimbledon and Putney Commons Conservators (WPCC)

- 15.2.1 A separate precept is levied in respect of those residents of properties bordering the Wimbledon and Putney Commons. The amount is calculated on the basis of the amount levied by the Commons Conservators and the Band D Council Tax in respect of the WPCC precept in 2024/25 will be £TBA, an increase of £TBA (TBA%) from the 2023/24 levy of £422,948.

Table 39: Wimbledon and Putney Commons Conservators Precept

	2023/24 £000	2024/25 £000	Change %
Wimbledon & Putney Commons Conservators	423	TBA	TBA%

- 15.2.2 The average Band D cost to a council taxpayer in the WPCC area has changed from £35.96 in 2023/24 to £TBA (TBA%) in 2024/25.
- 15.2.3 Any increase in the WPCC precept in excess of the referendum limit of 5% will impact on the level of council tax increase that the Council can make without triggering a local referendum.

15.2.4 Based on the WPCC increase from £35.96 to £__ (__) Merton will have to reduce its Council Tax Requirement by c. £_____ to avoid exceeding the Referendum Principles.

NB: The WPCC precept will not be announced until 12 February 2024.

16. CONCLUSIONS

16.1 It is a statutory requirement that the council sets a balanced budget in 2024/25. In accordance with sections 52ZY and 68 of the Local Government Finance Act 1992 ('the 1992 Act'), section 139A of the Local Government Finance Act 1988, and section 230 of the Local Government Act 1972 authorities are required to supply information required to measure whether any proposed Council Tax increase is in excess of the principles laid down requiring a local referendum.

16.2 The Government return is the Council Tax Requirement form CTR1 and authorities are required to complete and submit this to the Ministry of Housing, Communities and Local Government within 7 days of approving their Council Tax requirements.

16.3 The Medium Term Financial Strategy assumes that all of the corporate provisions and proposals for growth and savings, in 2024/25 discussed in this report are agreed and if this is the case, the following financial position is achieved:-

Table 40: Average Band D Council Tax

Average Council Tax Calculation at Band D	2023/24 £m	2024/25 £m
Budget Requirement	182.545	TBA
Settlement funding Assessment inc. Section 31 Grant	(45.344)	(50.431)
New Homes Bonus	(0.732)	(0.152)
PFI Grant	(4.797)	(4.797)
Adult Social Care Improved BCF	(5.010)	(5.010)
Social Care Grant	(10.430)	(13.747)
Collection Fund – (Surplus)/Deficit	0.673	(3.241)
ASC Market Sustainability and Improvement Fund	(1.751)	(3.272)
ASC Discharge Fund	(0.702)	(1.171)
Services Grant	(1.397)	(0.229)
Funding Guarantee	0	(0.239)
Council Tax Requirement	113.055	TBA
Council Tax Base	77,694.3	78,257.8
Average Council Tax*	1,455.13	TBA

NB The calculation of the average council tax is subject to Government verification via the submission of a return – Council Tax Requirement Form CTR1.

NB: Unable to finalise until WPCC levy is confirmed.

16.5 The calculation of Band D council tax for properties outside the Wimbledon and Putney Commons Conservators area is as follows:

Table 41: Council Tax calculation

Council Tax Calculation at Band D	2023/24 £m	2024/25 £m
Budget Requirement	182.545	TBA
WPCC	(0.423)	TBA
Settlement funding Assessment inc. Section 31 Grant	(45.344)	(50.431)
New Homes Bonus	(0.732)	(0.152)
PFI Grant	(4.797)	(4.797)
Adult Social Care Improved BCF	(5.010)	(5.010)
Social Care Grant	(10.430)	(13.747)
Collection Fund – (Surplus)/Deficit	0.673	(3.241)
ASC Market Sustainability and Improvement Fund	0	(3.272)
ASC Discharge Fund	(1.751)	(1.171)
Services Grant	(0.702)	(0.229)
Funding Guarantee	(1.397)	(0.239)
Balance to be met from Council Tax	112.632	TBA
Council Tax Base	77,694.3	78,257.8
Council Tax (Band D)	1,449.68	TBA

NB: Unable to finalise until WPCC levy is confirmed.

16.6 The implications for the level of Council Tax on a Band D property, including the GLA precept are set out as follows:-

Table 42: Band D Council Tax

Council Tax at Band D	2023/24 £	2024/25 £	% change from 2023/24
Merton (exc. WPCC)	1,449.68	TBA	TBA%
GLA Precept (Provisional)	434.14	471.40	8.6%
Implied Council Tax at Band D	1,883.82	TBA	5.8%

16.7 A summary Statement of Council Tax requirements and balances based on the proposals set out in this report is attached as Appendix 6, and a revised MTFs summary incorporating the proposed changes set out in this report is provided at Appendix 7.

17. Risk Management

- 17.1 The management of risk is strategically driven by the Corporate Risk Management Group. This is the central hub of a number of council mechanisms for risk management including a Corporate Key Strategic Risk Register, departmental risk registers and project risk registers. The group collates on a quarterly basis the headline departmental risks and planned mitigation activity from each department, project and partnership, to be put forward for discussion at CMT. Reports on risk are made through the Standards and General Purposes Committee to Cabinet and Council.
- 17.2 Currently c.£6.5m of savings are being progressed for 2023-24 coupled with a further c. £3.8m of new savings identified for 2024-28. Current practice is to monitor delivery of savings as part of budget monitoring, it is envisaged that given the size of the savings target over the next three years, additional mechanisms may need to be established to monitor more transformational and longer term projects being brought forward.

18. Summary

- 18.1 Taking into account the changes that have taken place since the Cabinet meeting in January, before taking into account any changes that Cabinet are minded to make following the feedback from Scrutiny, the budget gap in the MTFS has changed to the following:-

Table 43: Cumulative MTFS Gap 2024-28

	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Cumulative Gap exc. Savings	2,159	13,965	15,877	19,647
Savings	(2,159)	(3,098)	(3,408)	(3,795)
Gap Net of Savings	0	10,867	12,469	15,852

19 Future Years

- 19.1 As indicated in the updated MTFS there is a gap between the forecast level of resources and budget requirements for later years which will need to be addressed if balanced budgets are to be set for those years. The updated MTFS is set out in Appendix 7.
- 19.2 The budget process for 2025/26 will commence in the new financial year and some of the options available to the Council to eliminate the budget gaps include:-
- Savings – reduction/deletion of services
 - Savings – efficiencies including procurement
 - Income – increase in fees and charges/new sources of income/commercialisation

- Council Tax increase
- Use of balances
- Options arising from the Investment Strategy

20. Positive Assurance Statement

20.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer of an authority to report on:

- (a) the robustness of the estimates made for the purposes of the calculations, and
- (b) the adequacy of the proposed financial reserves.

In doing so, the Executive Director, Finance and Digital, has had particular regard to the guidance offered by the Chartered Institute of Public Finance and Accountancy and the views of the Council's external auditor. Financial resilience and demonstrating that the Council is a going concern have been important considerations in developing the budget for 2024/25 and MTFS 2024-28.

20.2 The financial climate that local authorities are operating in is challenging. The Office of Budget Responsibility have stated that "Since 2010-11, local authority spending has fallen from 7.4 to 5.0 per cent of GDP, and it falls further in our forecast to 4.6 per cent of GDP in 2028-29. Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue." Economic and Fiscal Outlook – November 2023 (Office for Budget Responsibility, 2023).

20.3 Forward projections on funding, pay, inflation and pay are challenging in this current environment, with macro economic and geopolitical impacts having the potential to cause significant volatility to assumptions. Local government funding settlements have failed to keep up with these pressures and the continual one-year settlements make it extremely difficult to plan over the medium to longer term which is particularly essential in today's volatile economic conditions.

20.4 Merton, along with most other local authorities, is experiencing unprecedented and increasing pressures in demand led services such as adults and children's social care and homelessness. However, action to combat these pressures has been taken to mitigate the impact and included in the MTFS.

20.5 Key assumptions made, taking into account expert forecasts and internal assessments are shown as below:-

Table 44: Key Assumptions

	2024/25	2025/26	2026/27	2027/28
Pay inflation (%)	4.0%	2.0%	2.0%	2.0%
Price inflation (%)	3.0%	1.5%	1.5%	1.5%
Council Tax increase - General	2.99%	2.0%	2.0%	2.0%
Council Tax increase – ASC precept	2.0%	0%	0%	0%

20.6 Income to the Council has also been challenged through the wider economic pressures and slow recovery post-covid. The Council will now publish a register of all fees and charges annually with a review of changes into the next financial year. Where some of those challenged income areas have now become structural they are subject to growth bids in this MTFS.

20.7 The Council must have regard to the major risks to its financial position and in particular:

- Maintaining effective management and delivery of services at a time of escalating price inflation
- That the Council continues to monitor progress towards clearing the DSG deficit by 2026/27 and liaises with the DfE to ensure that future funding adequately reflects inflationary pressures so that DSG services are managed within budget in the future .
- The current economic position including the cost of living crisis and high levels of pay and prices inflation
- Whether budget setting and monitoring processes are robust and effective
- Demand pressures on the budget
- Delivering against the Council's priorities
- Identifying and achieving cost and income improvements
- Risks to Government funding levels, particularly in light of the delayed Fair Funding Review and possible revisions to Business Rates Retention
- Risks to other income streams including Business Rates Retention and proposed reset
- The ongoing impact of changing working practices and impact on income generation since the pandemic

20.8 Since 2010 local government finance issues have been dominated by cuts in government funding and pressure to keep council tax increases down with a recent change in emphasis to allow council tax increases to help alleviate service pressures, particularly in adult social care. This year's Financial Settlement includes a Council Tax referendum threshold for 2024-25 of 5% (comprising up to 2% for expenditure on adult social care and 3% for other expenditure).

- 20.9 It is pleasing to note that the MTFS has been balanced for 2024/25 despite the ongoing cost of living crisis, high level of inflation and increasing demands for services, particularly social care.
- 20.10 The sale of CHAS and the investment of the proceeds has clearly improved the Council's financial sustainability going forward from the interest that will be earned from the investment returns. In addition, there will be an additional benefit to Merton as some of the proceeds are applied to legacy capital projects.
- 20.11 The Council has sufficient reserves over the life of the MTFS having eliminated any dependency on them to balance the budget. In fact, the level of reserves the Council currently has will facilitate a degree of one-off investment opportunity to be realised provided they avoid an ongoing revenue impact. The Council's reserves and their usage is linked to both the capital and revenue budget. A list of the current reserves held by the Council is attached at Appendix 8. Furthermore, the levels of reserves are sufficient to provide mitigation for the risks the council faces over the medium-term.
- 20.12 Chief Officers have reviewed their budgets in line with departmental finance officers and are confident that the budgets set for their services are robust and with the corporate contingency will meet the strategic objectives and performance targets set out in the Business Plan.
- 20.13 In summary, it is the view of the Chief Financial Officer (being the Executive Director, Finance and Digital) that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are adequate.

DRAFT RESOLUTIONS – ILLUSTRATION FORMAT

These recommendations will be updated once the Wimbledon and Putney Commons Conservators levy for 2024/25 has been received.

Revenue Report:

1. Members consider the views of the Overview and Scrutiny Commission set out in a separate report on the agenda (Item _), and approve the proposed budget for 2024/25 set out in Section 1 of the revenue report, together with the proposed Council Tax levy in 2024/25.
2. That it be noted that at its meeting on 15 January 2024 the Council calculated its **Council Tax Base for the year as 78,257.8** in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012(SI 2012: 2914).
3. That it be noted that the Council calculated the **Wimbledon and Putney Commons Conservators (WPCC) Tax Base for the year as 11,782.4** in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.
4. That the Council agrees 4(a) - 4(i) below, which are calculated in accordance with Section 31A to 49B of the Localism Act 2011, amending Section 32 of the Local Government Finance Act 1992.
 - a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act

	£m
Gross Revenue Expenditure of Service Committees	
Corporate Provisions	
Amounts Payable to the Levying Bodies	
Contribution to/(from) Financial Reserves	
Gross Expenditure	

- b) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act

	£m
Gross Income	

- c) being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31(4) of the Act, as its Council Tax Requirement for the year

	£m
Council Tax Requirement for the Council's own purposes for 2024/25 (including special expenses re WPCC)	

- d) being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of revenue support grant, and baseline funding (NNDR) to constitute the Council's Settlement Funding Assessment

	£m
Revenue Support Grant including Transition Grant	6.513
Baseline funding NNDR inc. top-up Grant	39.214
Settlement Funding Assessment	45.727

- e) being the amount at 4(c) above, divided by the amount for Council Tax Base at 2 above, calculated by the Council above, in accordance with Section 31B of the Act as the basic amount of its Council Tax for the year (including special items (WPCC)).

	£
Merton's General Band D Council Tax Levy (including properties within Wimbledon and Putney Commons Conservators area)	

- f) being the aggregate amount of all special items referred to in Section 34(1) of the Act

	£
Wimbledon and Putney Commons Conservators Special Levy	

- g) being the amount at 4(e) above, less the result given by dividing the amount at 4(f) above by the amount of the Council Tax Base at 2 above in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items (WPCC special levy) relates.

	£
Merton's General Band D Council Tax Levy (excluding WPCC)	

- h) being the amounts given by adding to the amount at 4(g) above, the amounts of the special item or items relating to dwellings in the area of Wimbledon and Putney Commons Conservators (WPCC) mentioned above at 4(f) divided by the amount at 3 above, calculated in

accordance with Section 34(1) of the Act, as the basic amounts of its Council Tax for the year for dwellings in the area of WPCC.

	£
Wimbledon and Putney Commons Conservators Band D	

- i) being the amounts given by multiplying the amounts at 4(g) and 4(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 30 and 36 of the Local Government Finance Act 1992, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Part of the Councils Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Parts inc. WPCC								

5. To note that the Greater London Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below, and that the Council agrees the Council Tax levy for 2024/25 by taking the aggregate of 4(i) above and the Greater London Authority precept.

Precepting Authority	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
	£314.27	£366.64	£419.02	£471.40	£576.16	£680.91	£785.67	£942.80

For information purposes this would result in the following Council Tax Levy for Merton residents:-

Part of the Council's Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Parts inc. WPCC								

FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

Background

The Chancellor of the Exchequer published an Autumn Statement 2024/25 on 22 November 2023. The Office for Budget Responsibility (OBR) also published its November 2023 Economic and Fiscal Outlook on the same day. The figures included in these documents underlie the allocations to local authorities announced in the Provisional Local Government Finance Settlement 2024/25 on 18 December 2023, updated for the Final Local Government Finance Settlement 2024/25 published on 5 February 2024. Details on the Final Local Government Finance Settlement 2024/25 are provided in this Appendix.

Overview of the Final Local Government Settlement 2024/25

Details of the Final Local Government Settlement were published on 5 February 2024.

This is a summary of the main details included in the Final Settlement, with particular emphasis on the implications for Merton.

1. Final Local Government Settlement

1.1 Settlement Funding Assessment (SFA)

This section sets out the main details included in the Final Settlement and assesses the implications for Merton's finances as set out in the Medium Term Financial Strategy (MTFS).

The Settlement outlined core funding allocations (Settlement Funding Assessment)

The Settlement Funding Assessment is the total of Revenue Support Grant (RSG) and Baseline Funding (BF) from Business Rates. There has been an increase of 5.2% in SFA nationally in 2024/25. Details of changes in SFA for England, London boroughs and in Merton are summarised in the following table:-

	2020/21 Final £m	2021/22 Final £m	2022/23 Final £m	2023/24 Final £m	2024/25 Final £m
Merton (£m)	41.120	41.148	41.311	43.415	45.727
Annual % Change		0.1%	0.4%	5.1%	5.3%
Cumulative % change		0.1%	0.5%	5.6%	11.2%
England (£m)	16,208.5	16,206.7	16,348.2	17,144.8	18,040.1
Annual % Change		0.0%	0.9%	4.9%	5.2%
Cumulative % change		0.0%	0.9%	5.8%	11.3%
London Boroughs (£m)	2,757.7	2,760.7	2,777.7	2,931.6	3,086.5
Annual % Change		0.1%	0.6%	5.5%	5.3%
Cumulative % change		0.1%	0.7%	6.3%	11.9%

The Final Settlement follows the consultation on the provisional Settlement, which closed on 15 January. On 24 January, the government announced additional funding of c. £600m, including £500m of new funding for councils with responsibility for adult and children's social care via social care grant.

The main details are:-

- a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 5.2% nationally and by 5.3% in London. There was no change in the Final Settlement to the provisional Settlement figures. The details for Merton are:-

MERTON	2023-24 £m	2024-25 £m	Change £m	Change %
Settlement Funding Assessment	43.415	45.727	2.312	5.3
of which:				
Revenue Support Grant (RSG)	6.108	6.513		
Baseline Funding Level (BFL)	37.307	39.214		
	43.415	45.727		
(Tariff)/Top-Up (Included in BFL)	6.679	6.997		

1.2 Core Spending Power

Core Spending Power is the Government's measure of the resources available to local authorities to fund service delivery.

Core Spending Power in 2024-25 is made up of:

- Settlement Funding Assessment
- Estimated Council Tax Requirement excluding Parish Precepts
- Compensation via Section 31 grant for under-indexing the business rates multiplier
- Additional Council Tax revenue from referendum principle for social care
- Potential additional Council Tax revenue from referendum principle for all districts.
- Improved Better Care Fund inc. Winter Pressures Grant
- New Homes Bonus;
- Rural Services Delivery Grant
- Social Care Grant rolling in previous allocations of the Independent Living fund
- Funding Guarantee grant - it ensures all local authorities receive a minimum 4% Core Spending Power increase from 2023-24
- Adult Social Care Market Sustainability and Improvement Fund
- Adult Social Care Discharge Fund
- Services Grant to support all services delivered by councils

As Core Spending Power includes a number of assumptions, this is unlikely to be an accurate reflection of the actual resources available to local authorities. In particular it assumes:-

- All authorities that are eligible raise the social care precept to its maximum of 2% in 2024-25
- All authorities increase overall council tax by the maximum amount (5% in 2024-25, comprising 3% general and 2% ASC council tax)
- Tax base increases in 2024-25 at the same average rate for each authority as between 2019-20 to 2023-24
- New Homes Bonus allocations are based on a share of total national NHB of £291m.

In England the level of assumed spending power will increase by £4.5 bn (7.5%) in 2024-25 . In London boroughs the assumed increase is £644.7m (7.3%) in 2024-25

Core Spending Power	2020/21 Final £m	2021/22 Final £m	2022/23 Final £m	2023/24 Final £m	2024/25 Final £m	2024/25 Change %
England	49,337.0	50,718.3	54,647.4	60,196.7	64,705.3	7.5
London Boroughs	7,257.4	7,440.7	7,977.7	8,805.5	9,450.2	7.3
Merton	150.8	153.7	165.7	184.0	196.6	6.8

A summary of Merton's assumed Core Spending Power from 2020/21 to 2024/25 is included in the following table:-

Detailed Breakdown of Core Spending Power – Merton

	Final	Provisional	Final	Change: Provisional 2024/25 to Final 2024/25	Annual Change (23-24 to 24-25)
	2023/24	2024/25	2024/25		
	£m	£m	£m	£m	%
Council Tax	113.055	119.779	119.779	0	5.9%
SFA	43.415	45.727	45.727	0	5.3%
S.31 grant Compensation for business rates	6.355	7.238	7.238	0	13.9%
Improved Better Care Fund	5.01	5.01	5.010	0	0.0%
New Homes Bonus	0.732	0.152	0.152	0	-79.2%
Social Care Grant	10.43	12.189	13.747	1.558	31.8%
ASC Market Sustainability and Improvement Fund	1.751	3.272	3.272	0	86.9%
ASC Discharge Fund	0.702	1.171	1.171	0	66.8%
Services Grant	1.454	0.229	0.251	0.022	-84.3%
Grants rolled in	1.137	0	0	0	-100.0%
Funding Guarantee	0	0	0.216	0.216	-
Core Spending Power	184.042	194.766	196.563	1.796	6.8%

1.3 Settlement Funding Assessment

One of the main changes to distributing core settlement resources in 2024-25 includes:

- Business Rates Retention: The small business rate multiplier will be frozen for 2024-25 at 49.9p while the standard multiplier will increase to 54.6p. Local authorities will be compensated for the shortfall in income for under indexation of the multiplier for the small business rate multiplier via the under-indexation section 31 grant.
- Revenue Support Grant: RSG will be increased in line with September CPI inflation (6.7%).
- Negative RSG: The Government will continue to eliminate negative RSG in 2024-25 (via adjustments to tariffs and top-ups rather than a separate grant).

1.4 Council tax referendum principles for principal local authorities

In terms of controlling the level of council tax increases that local authorities can set in 2024-25, without the need for a local referendum, the Government has decided that the core principles to be applied to authorities with social care responsibilities including London boroughs such as Merton are:-

- For 2024-25, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2024-25 is 5% comprising 2% for expenditure on adult social care and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2023-24.

Police and Crime Commissioners (PCCs) including the GLA charge for the Metropolitan Police will be allowed increases of £13.

1.5 GLA Council Tax Precept

The Mayor of London published his draft consolidated budget, capital spending plan and proposed council tax precept for 2024-25 on 19 December 2023 for consultation. The consultation on the budget proposals closes on Wednesday 10 January 2024.

The proposed 2024/25 Band D precept for council taxpayers in the 32 London boroughs is £471.40 – a £37.26 or 8.6% increase compared to 2023/24. This increase comprises £20 for TfL, £13 for the Met Police and £4.26 for the London Fire Brigade. This is in line with the maximum increase permitted under the GLA's referendum limit – which is a monetary one – confirmed in the provisional settlement on 18 December 2023. The provisional precept for council taxpayers in the City of London is £166.27 (an increase of £24.26 which excludes the £13 relating to the Met Police).

1.6 Business Rates

1.6.1 Business Rates Retention Compensation for under-indexing the business rates multiplier

The compensation for under-indexing of the business rates multiplier will increase nationally by £377m (17.1%) to £2.6bn in 2024-25, mainly due to the Government freezing the small business multiplier and extending the Retail, Hospitality and Leisure relief for 2024-25. For London boroughs, this grant will increase by £59m (up 15.2%) to £450m.

1.6.2 Business rates multipliers

The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen.

1.6.3 Business rates pool

London Councils' Leaders' Committee agreed in September 2023 not to reconstitute the pan-London business rates pool for 2024-25 as it was unlikely to provide any financial benefit.

1.6.4 NNDR1

Although the Local Government Finance Settlement includes amounts for business rates and compensation for the under-indexing of the multiplier, these are based on the government's assumptions and may differ greatly from Merton's actual business rates profile.

The figures used in the Council's budget for 2024/25 are based on the latest business rates information available for Merton as included in the government's NNDR1 Return which, as for all local authorities, has to be submitted by 31 January 2024.

The NNDR1 form for 2024/25 has now been returned from Government and a copy is included in Appendix 3.

1.7 Social Care Funding

1.7.1 Improved Better Care Fund

The Improved Better Care Fund (iBCF) will continue at the same level as in 2023/24 (£2.1bn), with London Boroughs receiving £346m (16.3%). The grant will continue to be required to be pooled as part of the Better Care Fund.

The MTFs assumes that this level of funding continues over the four year period. This is summarised in the following table:-

Adult Social Care (iBCF)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Improved Better Care Fund	5.010	5.010	5.010	5.010

1.7.2 Adult Social Care Discharge Grant

The Discharge Fund (originally introduced in the 2022 Autumn Statement) has been increased by £200m to £500m nationally. London will receive £81m. This is a new grant totalling £300m nationally and part of the £600m new funding announced in the Autumn statement 2022. The Discharge Funding grant is provided to upper tier authorities to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible. The Discharge Funding must be pooled as part of the Better Care Fund.

Merton's grant is:-

	2023/24 £000	2024/25 £000
Adult Social Care Discharge Fund	702	1,171

1.7.3 Adult Social Care Market Sustainability and Improvement Fund

A total of £1.1b will be distributed for adult social care through the Market Sustainability and Improvement Fund, which includes £162m of Fair Cost of Care funding. It also includes £205m Market Sustainability and Improvement Fund - Workforce Funding, which was a two-year fund announced in July 2023, and will be rolled into the existing Market Sustainability and Improvement Fund. This is a £488m increase, and London will receive £162.6m from the Market Sustainability and Improvement Fund. As with the additional iBCF funding, there will be reporting requirements placed this grant.

	2023/24 £000	2024/25 £000
ASC Market Sustainability and Improvement Fund	1,751	3,272

1.7.4 Social Care Grant

The Social Care Grant is a grant provided to upper tier authorities for social care expenditure, on both adult and children's social care.

Social Care Grant will total £5.044bn in 2024-25: an increase of £1.192bn (31%)

Social Care Grant is to be shared between Children's and Adults Social Care services on a basis determined at the discretion of each local authority.

The following table summarises the allocations to Children's and Adult's services in Merton in 2023/24 and the 2024/25 position to date:

Social Care Grant (cumulative)	2023/24	2024/25
	£000	£000
Children's allocation (in Base budget)	4,635	4,635
Adult's allocation (in Base budget)	1,647	1,647
Children's FYE previous growth	390	390
Children's new growth	545	545
Children's 2023/24	600	600
Adult's 2023/24	2,312	2,312
Replacement funding for Independent Living Fund	301	301
Children's Social Care – Placements pressures	-	662
ASC placements pressures due to LLW & NLW		490
Allocation to be determined		2,165
Social Care Grant	10,430	13,747

1.8 Special and specific grants

The distribution of a number of grants was confirmed in the Final Settlement. Within core spending power these include:-

- New Homes Bonus
- Services Grant
- Funding Guarantee
- Rural Services Delivery Grant (not applicable to London)

1.8.1 New Homes Bonus

The New Homes Bonus was introduced in 2011 and is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

The Government is proposing to roll over last year's policy on New Homes Bonus for a new round of payments in 2024-25, which will attract no new legacy payments as in 2023-24. The 2024-25 allocation totals £291m, funded through a top slice of Revenue Support Grant. The calculation methodology remains unchanged, with authorities needing to achieve tax base growth of greater than 0.4 per cent before they receive any New Homes Bonus funding.

Provisional New Homes Bonus allocations total £291m nationally (no change from 2023-24) and London borough provisional allocations total £50m.

Merton's allocation as announced in the Final settlement is:-

	2023-24 £m	2024-25 £m
New homes bonus		
Merton	0.732	0.152

1.8.2 Services Grant

This is intended to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. This was intended to be a one-off grant in 2022-23 and nationally has reduced from £822m in 2022-23 to £464m in 2023-24 and down further to £77m for 2024-25 in the provisional Settlement. This was increased by £10m in the Final Settlement and Merton's allocation was increased by £22,000. The grant will not be ring-fenced and conditions on reporting requirements will not be attached

Merton's allocation as announced in the Final settlement is:-

	2023-24 £m	2024-25 £m
Services Grant		
Merton	1.397	0.251

1.8.3 Funding Guarantee

This guarantee will ensure that all councils will see at least a 4% increase in their core spending power, adjusted for actual council tax take-up and base growth and their actual increase in CSP before any increases to council tax levels.

As a result, the Final Settlement announced that Merton will receive £216,000 in 2024/25:-

	2023-24 £m	2024-25 £m
Funding Guarantee Grant		
Merton	0	0.216

1.9 Finance Reforms

The Government postponed any plans to reform its assessment of need and resources or to reset the business rates retention scheme until the next parliament (i.e. 2025-26 at the earliest).

Additionally, the Government has launched a data collection exercise seeking to consult on the potential of using financial levers in future settlements to disincentivise the practice of implementing a four-day working week.

2. Schools funding

2.1 The allocations for the Dedicated Schools Grant (DSG) have been published for financial year 2024-25. The DSG continues to be funded via four blocks as previously: the schools block, the central schools block (CSSB), the high needs block and the early years block.

2.2 The DSG allocations for 2024 to 2025 are made up of:

1. the schools block is based on the primary units of funding (PUF), and secondary units of funding (SUF), and premises funding announced in October 2023 and growth funding
2. the central school services block (CSSB) is based on the units of funding and total historic commitments funding announced in July 2023
3. the high needs block is based on the allocations announced in July 2023 with the basic entitlement element of the national funding formula (NFF) updated for the number of pupils in the October 2023 school census
4. the early years block is based on the early years funding rates published in November 2023 and made up of items 5 to 12 below
5. funding for the universal 15 hours entitlement for all 3 and 4-year-olds
6. funding for the additional 15 hours for 3 and 4-year-old children of eligible working parents
7. funding for the 15 hours entitlement for disadvantaged 2-year-olds
8. funding for the 15 hours entitlement for 2-year-old children of eligible working parents
9. funding for the 15 hours entitlement for 9-month-old up to 2-year-old children of eligible working parents
10. funding for the early years pupil premium (EYPP) for 3 and 4-year-olds, 2-year-olds and under 2s
11. funding for the disability access fund (DAF) for 3 and 4-year-olds, 2-year-olds and under 2s
12. supplementary funding for maintained nursery schools (MNS) for 3 and 4-year-olds

Dedicated schools grant (DSG): 2024 to 2025 allocations local authority summary	2024 to 2025 DSG allocations, before recoupment and deductions for national non-domestic rates, and for direct funding of high needs places by Education and Skills Funding Agency (ESFA)				
	Schools block (£s)	Central school services block (£s)	High needs block (£s)	Early years block (£s)	Total DSG allocation (£s)
315 Merton	156,218,099	1,146,726	50,208,828	24,168,693	231,742,346

Dedicated schools grant (DSG): 2024 to 2025 allocations local authority summary	2024 to 2025 DSG allocations, after deductions for national non-domestic rates, and direct funding of high needs places by ESFA				
	Schools block (£s)	Central school services block allocation (£s)	High needs block allocation (£s)	Early years block (£s)	Total DSG allocation (£s)
315 Merton	155,994,834	1,146,726	49,988,828	24,168,693	231,299,081

2.3 A more detailed analysis of Schools Funding is provided in Section 3.

THE COLLECTION FUND, COUNCIL TAX BASE AND BUSINESS RATES

1. Introduction

- 1.1 This appendix summarises three key areas which are fundamental to the Council's revenue resource generation. It sets out the procedures and calculations that underpin each of them.

2. Collection Fund

- 2.1 The Collection Fund is a statutory fund separate from the General Fund. It accounts for income from Council Tax, including those properties within the Wimbledon and Putney Commons Conservators area. The bodies on whose behalf the council tax income has been raised are the Council and the Greater London Authority (which includes the services of the Metropolitan Police and the London Fire and Emergency Planning Authority (LFEPA)). The Council's demand on the Collection Fund is by its General Fund. The Greater London Authority's demand is expressed as a precept.
- 2.2 Under the localised arrangements for council tax support, the Collection Fund entries for council tax remain unchanged, and council tax discounts reduce the council tax base and the amount of collectable council tax income.
- 2.3 The Collection Fund also accounts for National Non-Domestic Rates and there have been significant changes to the treatment of NNDR due to the changes to local government funding arising from business rates retention and the Local Government Finance Act 2012 (Section 3, part 2).
- 2.5 The Collection Fund will account for receipts from business ratepayers, together with payments:
- to central government in respect of the central share. This will be 33% in 2024/25
 - to/from central government in respect of transitional protection payments where applicable
 - to relevant precepting authorities in respect of their share of rating income, in Merton's case this is central government and the GLA (37%).
- 2.6 While there remains a single Collection Fund, local authorities now have to be able to separate the elements relating to council tax and non-domestic . rates and calculate separate surpluses or deficits on each.
- 2.7 A billing authority needs to ensure that its collection fund has sufficient resources to meet the demands on it at all times. To the extent that there is insufficient in the collection fund to meet those demands at any time, the billing authority has temporarily to "borrow" from its general fund.

- 2.8 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly.
- 2.9 The audited accounts for 2022/23 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2023:-

	Surplus/ (deficit) as at 31/03/23 Outturn	Surplus/ (deficit) as at 31/03/23 Outturn	Total surplus/ (deficit) as at 31/03/23
	Council Tax £000	NNDR £000	£000
Central Government	N/A	21	21
GLA	397	27	424
Merton	1,296	23	1,319
Total	1,693	71	1,764

2.10 Surplus/Deficit as at 31 March 2024

An initial estimate of the surplus/deficit on the Collection Fund as at 31 March 2024 due to council tax and business rates is undertaken for budgeting purposes and this will be updated following the closure of accounts procedures for 2023/24.

A review of the Collection Fund, related bad debt provisions, write offs, appeals and collection rates in 2023/24 and anticipated collection rates in 2024/25 has been undertaken.

a) Council Tax

Based on a review in January 2024 of the bad debt provision and amounts to be written off during 2023/24, it is estimated that there will be a forecast surplus of £2.197m arising from Council Tax as at 31 March 2024.

There are two elements which make up the balance as at 31 March 2024. These are set out in the following table:-

Council Tax Estimated Net Surplus apportionment for 2023/24	GLA £	LBM £	TOTAL £
Total share of the estimated surplus for 2023-24 to be paid in 2024/25	504,777	1,691,888	2,196,665

b) Business Rates

The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2024/25 is included with this Appendix.

Business Rates Estimated Net Surplus apportionment for 2023/24	Government £	Merton £	GLA £	Total £
Total share of the estimated surplus for 2023-24 to be paid in 2024/25	1,704,167	1,549,243	1,910,733	5,164,142

Summary

As a result of the further analysis, the estimated surplus/deficit on the Collection Fund as at 31st March 2024 is as follows:-

Estimated Collection Fund Surplus/Deficit at 31 March 2024

	Surplus/ (deficit) as at 31/03/24 Estimate	Surplus/ (deficit) as at 31/03/24 Estimate	Total sur- plus/ (deficit) as at 31/03/24
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	1,704	1,704
GLA	505	1,911	2,416
Merton	1,692	1,549	3,241
Total	2,197	5,164	7,361

3. Council Tax Base 2024/25

- 3.1 The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent).
- 3.2 Since 2013/14 the Council Tax Base calculation has been affected by the introduction of the new local council tax support scheme and technical reforms to council tax. On 30 November 2012, new regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) came into force. These regulations ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.
- 3.3 Under the regulations, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year.
- 3.4 The relevant amounts are calculated as
- number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year,

- adjusted for the number of discounts, and reductions for disability, that apply to those Dwellings
- 3.5 All authorities notify the MLUHC of their unadjusted Council Tax Base using a CTB Form using valuation list information as at 11 September 2023.
- 3.6 The CTB form (October 2023) includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.
- 3.7 There is a separate council tax base for those properties within the area covered by Wimbledon and Putney Commons Conservators. The Conservators use this, together with the Council Tax bases from RB Kingston, and Wandsworth to calculate the levy which is charged each year.
- 3.8 Assumptions in the MTFS for calculating the 2024/25 Council Tax Base
- 3.8.1 In producing a forecast of council tax yield in future years, there are two key variables to be considered:-
- the year on year change in Council Tax Base
 - the council tax collection rate
- 3.8.2 The draft MTFS reported to Cabinet assumes that the Council Tax Base increases by 0.5% per year and that the collection rate is 98.75% in each of the years.

4. UNADJUSTED COUNCIL TAX BASE 2024/25

4.1 Information from the October 2023 Council Tax Base Return

- 4.1.1 The Council makes two CTB returns, one for the whole area of the borough and the other for the area covered by the Wimbledon and Putney Common Conservators for which an additional levy is applied.
- 4.1.2 From the CTB Returns, prior to incorporating an assumed collection rate, the unadjusted council tax bases are

Unadjusted Council Tax Base	2024/25
Merton – General	79,248.3
Wimbledon & Putney Common Conservators	11,931.5

5. ASSUMPTIONS IN THE MTFS

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

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

5.2 The MTFS approved by Council in March 2023 assumes that the Council Tax Base increases by 0.5% per year and that the collection rate will be 98.75% in 2024/25 and in future years.

5.3 Based on these assumptions the revised estimated Council Tax Base used in the MTFS 2024-28 is as set out in the following table:-

Council Tax Base - Revised Calculation 2024/25 to 2027/28	2024/25	2025/26	2026/27	2027/28
Council Tax Base	79,248.3	79,248.3	79,644.5	80,042.7
Assumed Annual increase	-	396.2	398.2	400.2
Estimated Council Tax Base before collection rate adjustment	79,248.3	79,644.5	80,042.7	80,442.9
Collection Rate	98.75%	98.75%	98.75%	98.75%
Estimated Council Tax Base after collection rate adjustment	78,257.8	78,649.0	79,042.3	79,437.4

5.4 The regulations require that the Council Tax Requirement calculated for the forthcoming year is actually credited to the General Fund and any difference arising from actual collection rates is recognised in future years as part of the surplus/deficit calculation.

6. IMPLICATIONS FOR COUNCIL TAX YIELD 2024/25

6.1 Based on a collection rate of 98.75% (paragraph 5.2 refers), on a like for like basis (i.e. assuming council tax charges do not change) the estimated income in 2024/25 compared to 2023/24 is summarised in the following table:-

Council Tax: Whole area	2023/24	2024/25
Tax Base	77,694.3	78,257.8
Band D Council Tax	£1,449.68	£1,449.68
Estimated Yield	£112.632m	£113.449m
Change: 2023/24 to 2024/25 (£m)		£0.817m
Change: 2023/24 to 2024/25 (%)		0.7%

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

a) Number of Chargeable Dwellings and Exempt Dwellings

Between years the number of properties increased by 455 from 87,099 to 87,554 and the number of exempt dwellings increased by 132 from 998 to 1,130. This means that the number of chargeable dwellings increased by 323 between years. Based on a full charge, this equates to additional council tax of £0.468m.

b) Amount of Council Tax Support Reduction

Based on October 2022 there was a reduction of 7,441.2 to the Council Tax Base for local council tax support. This has reduced to 7,220.0 based on October 2023 which is a change of 221.2 and equates to an increase in council tax of about £0.321m.

c) Changes in Discounts, Exemptions and Premiums

Overall, the number of properties subject to discounts or exemption increased by 424 and those subject to premiums increased by 53 between October 2022 and October 2023.

Summary

The following puts the individual elements together to show how the potential council tax yield changes between 2023/24 and 2024/25:-

	Approx. Change in Council Tax Base	Approx. Change in Council Tax yield
		£m
Increase in number of chargeable dwellings	323.0	0.468
Change in Council Tax Support Reductions	221.2	0.321
Change in discounts, exemptions, premiums and distribution	19.3	0.028
Total	563.5	0.817

6.3 **Council Tax Yield 2024/25**

6.3.1 The government published guidance on the Council Tax Referendum Principles relating to Council Tax increases for general and Adult Social Care precepts as part of the Local Government Finance Settlement and the Council Tax Referendum threshold for 2024/25 is 5%. (3% core, 2% ASC precept)

6.3.2 Assuming this the estimated Council Tax yield for 2024/25 is:-

Council Tax: Whole area	Tax Base	Band D 2024/25	Council Tax Yield 2024/25	Council Tax Yield 2023/24
Merton	78,257.8	£1,521.98	£119.1m	£112.6m

6.3.3 The updated MTFS is based on the following assumptions:-

	2024/25	2025/26	2026/27	2027/28
Increase in CT Base	0.5%	0.5%	0.5%	0.5%
Collection Rate	98.75%	98.75%	98.75%	98.75%
Council Tax – General	3%	2%	2%	2%
Council Tax – Adult Social Care†	2%	0%	0%	0%

6.3.4 Based on the estimated Council Tax Base calculations set out in the table in paragraph 5.3, and annual Council Tax increases as in the latest MTFS assumptions, the estimated council tax yields over the MTFS period are as follows:-

	2024/25	2025/26	2026/27	2027/28
Council Tax (Band D) b/f from previous year	£1,449.68	£1,521.98	£1,552.41	£1,583.45
3% increase 24/25, 2% other years - General	£43.31	£30.43	£31.04	£31.66
2% for Adult Social Care 24/25, nil thereafter	£28.99	0	0	0
Revised Council Tax (Band D)	£1,521.98	£1,552.41	£1,583.45	£1,615.11
Estimated Council Tax Yield	£119.1m	£122.1m	£125.2m	£128.3m

6.3.5 The change in the Council Tax yield compared to that included in the MTFS approved by Council in March are:-

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
MTFS (Council 1 March 2023)	117.5	120.3	123.0	125.8
Revised Estimated Council Tax Yield	119.1	122.1	125.2	128.3
Change	1.6	1.8	2.2	2.5

7. SUMMARY

- 7.1 Based on the information discussed, the council tax bases for 2024/25 and compared to 2023/24 are summarised in the following table:-

Council Tax Base	2023/24	2024/25	Change
Whole Area	77,694.3	78,257.8	0.7%
Wimbledon & Putney Common Conservators	11,761.2	11,782.4	0.2%

7.2 Year on Year Analysis

	2024/25	2024/25	2024/25	2023/24	2023/24	2023/24
	CT Base	Band D	Yield	CT Base	Band D	Yield
		£	£000		£	£000
Merton General	78,257.8	TBA	TBA	77,694.30	1,278.06	99,298
ASC 2017/18	78,257.8	33.06	2,587	77,694.30	33.06	2,569
ASC 2018/19	78,257.8	11.35	888	77,694.30	11.35	882
ASC 2019/20	78,257.8	23.43	1,833	77,694.30	23.43	1,820
ASC 2020.21	78,257.8	24.56	1,922	77,694.30	24.56	1,908
ASC 2021/22	78,257.8	38.30	2,997	77,694.30	38.30	2,976
ASC 2022/23	78,257.8	13.40	1,048	77,694.30	13.40	1,041
ASC 2023/24	78,257.8	27.52	2,153	77,694.30	27.52	2,138
ASC 2024/25	78,257.8	28.99	2,268	77,694.30	-	-
Sub-total: ASC		200.61	15,699		171.62	13,334
Total: Merton		TBA	TBA		1,449.68	112,632
WPCC	11,782.4	TBA	TBA	11,761.20	35.96	423
GLA	78,257.8	471.40	36,890	77,694.30	434.14	33,730

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

8. Business Rates

- 8.1 As previously reported, London Councils' Leaders' Committee agreed in September 2023 not to reconstitute the pan-London business rates pool for 2024-25 as it was, once again, unlikely to provide any financial benefit.
- 8.2 The 2024/25 final projections for Business Rates retention in 2024/25 are based on NNDR1 returns for 2024/25 which were returned to Central government by 31 January 2024.

8.3 NNDR1

The statutory framework effectively requires a billing authority, before the beginning of a financial year, to forecast the amount of business rates that it will collect during the course of the year and, from this, to make a number of allowable deductions in order to arrive at a figure for its non-domestic rating income. It is the non-domestic rating income that is shared between the parties to the scheme, being central government, the GLA and Merton. The framework also sets out how the billing authority is to treat allowable deductions – requiring that either they are paid to major precepting authorities, or transferred to the authority's General Fund.

8.4 The calculations that authorities make before the start of the financial year determine how much they must pay to central government and their major precepting authorities during the course of the year. Since these payments are fixed at the outset of the year, it follows that any difference between forecast amounts and final outturns will result in a surplus, or deficit on the billing authority's Collection Fund. Any such surplus or deficit is shared between government, billing authorities and their major preceptors (excluding policing bodies) in line with their share of the business rates baseline.

8.5 The estimate for the actual income figure (or net rate yield) for 2024/25 is based on the NNDR1 return to the DLUHC. This had to be returned to the DLUHC by 31 January 2024 and calculates the amounts to be paid to central government, to the GLA and the amount to be retained by Merton to be used as part of the budget setting process.

8.6 The Business Rates forecast for 2024/25 included in the MTFs is based solely on Merton's NNDR1 return for 2024/25. It is extremely difficult to forecast Business Rates income over the four year MTFs period as there are a number of unknowns which can have a significant impact. In particular:-

- The ongoing impact of the cost of living crisis and potential economic recession on Business Rates and the ability of businesses to recover and how long it will take.
- The extent to which the Government provide financial support if the external pressures listed above continue to impact on businesses.
- Business rates levels in the future and future economic and demographic changes including the decline of the high street and impact on businesses of greater use of on-line shopping
- The level of business rates appeals

8.7 The figures for Business Rates included in the Settlement Funding Assessment are the Government's estimate based on forecasts of annual uprates since the introduction of Business Rates Retention in 2013/14. The figures in the MTFs are based on the latest forecast of Business Rates included in Merton's NNDR1 form which is a statutory return that local authorities were required to submit to the Government by 31 January.

- 8.8 The Government will continue to operate a safety net threshold as part of Business Rates Retention. Safety net payments will ensure that a local authority's income does not drop below more than a set percentage of its baseline funding level. The safety net threshold is 7.5%.
- 8.9 Due to the variability of some of the factors, it is inevitable that the final figure at the end of each year will be different to the estimate. Therefore, a further calculation is required at the end of each year to estimate the surplus or deficit on the Collection Fund (as is also done for Council Tax).
- 8.10 The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2024/25 is included in this Appendix.
- 8.11 Forecasting Business Rates over the MTFS period
Given that it is impossible to know what next year's business rates income will be, it is even more difficult to accurately forecast this over the following three years of the MTFS.
- 8.12 The projections in the MTFS going forward assume a 2% annual uplift. There is considerable uncertainty at present due to the current economic and inflationary pressures, including any remaining effect of the pandemic, problems of reducing footfall in town centres, and others which may all have a detrimental impact on future income streams. This will be kept under close review as part of next year's budget setting process.



Department for Levelling Up,
Housing & Communities

NATIONAL NON-DOMESTIC RATES RETURN
NNDR1 2024-25

Please e-mail to : nndr.statistics@levellingup.gov.uk

Please enter your details after checking that you have selected the correct authority name

Forms should be returned to the Department for Levelling Up, Housing and Communities by Wednesday 31 January 2024

All figures should be entered in whole £

Please remember that a copy of this form, certified by your Chief Financial Officer / Section 151 officer should also be sent to your relevant Precepting Authorities, and Pool Leads (if applicable).

These instructions highlight the special features of the form and should be read in conjunction with the Guidance Notes and Validation notes.

Completing the form

1. The form can be set up for each individual local authority by selecting the appropriate authority name from the list. The example shows the local authority ZZZZ. Once a local authority name is selected the spreadsheet will automatically complete the data for the white cells with a blue border.

2. There are three different type of input cells:

* White, Black Border - these are blank for new data - Please ensure all white cells are filled before submitting the form including entering zeroes where appropriate.

* White background, green border - These cells are information cells and have the appropriate formula in them. **Please do not overwrite the formula.**

Some 'named ranges' are used in the calculations, and are listed here for reference:

- *adj_factor*: The small business multiplier adjustment factor
- *adj_factor_supp*: The standard multiplier adjustment factor
- *Import_LA_Code*: The DLUHC 'Ecode' for your local authority, used to lookup data from 'background' sheets
- *Ref_LA_Codes*: The list of LA Codes in the data in 'background' sheets, used to get the appropriate reference data for e.g. validations
- *Ref_LA_Codes2*: Same as above
- *sbrn_supp_historic*: The historic supplement value of 0.013 used in the additional compensation for loss of supplementary multiplier income calculations (Part 1 Line 28a)
- *small_share_baa*: The percentage of Net collectable rates (Part 2 Line 43) in the billing authority area that is in hereditaments using the small multiplier
- *small_share_da*: The percentage of Net collectable rates (Part 2 Line 43) in DAs that is in hereditaments using the small multiplier
- *small_share_tot*: The percentage of Net collectable rates (Part 2 Line 43) that is in hereditaments using the small multiplier
- *standard_share_baa*: The percentage of Net collectable rates (Part 2 Line 43) in the billing authority area that is in hereditaments using the standard multiplier
- *standard_share_da*: The percentage of Net collectable rates (Part 2 Line 43) in DAs that is in hereditaments using the standard multiplier
- *standard_share_tot*: The percentage of Net collectable rates (Part 2 Line 43) that is in hereditaments using the standard multiplier

* White background, blue border - actual data entered by the Department for Levelling Up, Housing and Communities into these cells.

The **Total** column is greened out - there is no need to enter data in any of these cells.

In addition areas of the form are **greyed out** - especially for those authorities that do not have designated areas. **Please do not enter data** in these areas as this will cause delay as we will have to ask you to complete a revised form.

Entering data

3. All values in the form should be entered in whole £. Except for part 1 of the form, **receipts** (eg sums due to the billing authority from ratepayers, or central government) should always be entered as **positive numbers**. **Payments from the authority, or amounts foregone** (eg reliefs given to ratepayers) should always be entered as **negative numbers**.

4. Where possible, you will be prevented from entering data with the wrong sign (+ve when it should be -ve or vice versa).

Updates

To reflect changes in the Non-Domestic Rating Act 2023 to how the business rates multipliers are calculated, the structure of NNDR1 form has changed. The form collects data on rateable value, reliefs and accounting adjustments split between amounts relating to hereditaments on the small business rates multiplier and hereditaments on the standard multiplier. This will allow the form to accurately calculate compensation for the multiplier cap (Part 1 Lines 25 and 26). There is an option to provide 'aggregated' data if your authority does not have his disaggregated data available for reliefs and accounting adjustments. This option will still require Rateable Value to be entered on a disaggregated basis, which can be calculated using the value which was used on previous forms for the additional yield from the supplementary multiplier.

The form also reflects changes in reliefs that will be in place for 2024-25, including the rural relief and low carbon heat network relief becoming entirely mandatory. The lines relating to the retail, hospitality and leisure relief is retained from previous years, but entries on that line should reflect the 2024-25 guidance.

Revised 2024-25 form: Version v1.1 of the form reflects a change to one of the factors in the calculation in Part 1 Line 28a. Form reissued on 20 December 2023.

Checking the Validation Sheet

5. Once the form has been completed go to the validation sheet and check if any of the data require any further explanation. The data are compared with the NNDR1 for 2023-24 and, if the change in number or percentage terms is higher or lower than we would normally expect, you are asked to provide an explanation for the change in the box provided.

For further details on the types of checks we do see Validation notes for NNDR1 2024-25.

Submitting the Form

6. When the data have been checked and verified please email the complete file to nndr.statistics@levellingup.gov.uk

7. The form should be sent by your Chief Financial / Section 151 Officer. The email should include the officer's electronic signature and the following statement:

I confirm that the entries in this form are the best I can make on the information available to me and amounts are calculated in accordance with regulations made under Schedule 7B to the Local Government Act 1988. I also confirm that the authority has acted diligently in relation to the collection of non-domestic rates.

8. A copy of the form must also be sent to your NNDR contact at all your major precepting authorities.

9. If you experience any problems using the form please email nndr.statistics@levellingup.gov.uk

NATIONAL NON-DOMESTIC RATES RETURN - NDR1

2024-25

Please e-mail with certification to: ndr.statistics@levellingup.gov.uk by no later than 31 January 2024.

All figures must be entered in whole £

If you are content with your answers please return this form to DLUHC as soon as possible

Select your local authority's name from this list:

Mansfield
Medway UA
Melton
Merton
Mid Devon
Mid Suffolk

Authority Name
E-code
Local authority contact name
Local authority contact number
Local authority e-mail address

Merton
E5044
Sara Murtagh
020 8545 3479
sara.murtagh@merton.gov.uk

Ver 1.1

PART 1A: NON-DOMESTIC RATING INCOME

This section of the form uses entries from other parts to calculate the forecast net business rates income for the authority in 2024-25. Note that you still need to enter data for line 5 and line 9a, but otherwise it is all calculated. Also please note that Parts 1B and 1C are below.

COLLECTABLE RATES (See Note A)

1. Net amount receivable from rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs and accounting adjustments

£

96,320,431

FOR INFORMATION: Breakdown of Collectable Rates

Gross rates payable in year 130,586,325 Part 2, Line 5

TRANSITIONAL PROTECTION PAYMENTS

2. Sums due to the authority

3,063,634

3. Sums due from the authority

0

COST OF COLLECTION (See Note B)

4. Cost of collection formula

253,747

5. Legal costs

187,143

6. Allowance for cost of collection

440,890

SPECIAL AUTHORITY DEDUCTIONS

7. City of London Offset : Not applicable for your authority

0

DISREGARDED AMOUNTS

8. Amounts retained in respect of Designated Areas

0

9. Amounts retained in respect of Renewable Energy Schemes (See Note C)

0

of which:

9a. sums retained by billing authority

0

9b. sums retained by major precepting authority

0

10. Amounts retained in respect of Shale Oil and Gas Sites Schemes (See Note D)

0

NON-DOMESTIC RATING INCOME

11. Line 1 plus line 2, minus lines 3, 6 to 9 and 10

98,943,175

Cost of mandatory relief -15,001,137 Part 2, Line 18 + Part 2
Cost of discretionary relief -9,841,279 Part 2, Line 35 + Part 2

Cost of transitional arrangements -3,063,634 Part 2, Line 8

Cost of accounting adjustments for losses on collection -5,134,014 Part 3, Line 2

Cost of accounting adjustments for addition to appeals provision -1,225,830 Part 3, Line 3

Collectable Rates 96,320,431 Part 1, Line 1

NATIONAL NON-DOMESTIC RATES RETURN - NNDR1

2024-25

Please e-mail with certification to: ndr.statistics@levellingup.gov.uk by no later than 31 January 2024.

All figures must be entered in whole £

If you are content with your answers please return this form to DLUHC as soon as possible

Local Authority : Merton

PART 1B: PAYMENTS

This page is for information only; please do not amend any of the figures

The payments to be made, during the course of 2024-25 to:

- i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013;
- ii) major precepting authorities in accordance with Regulations 5, 6 and 7; and to be
- iii) transferred by the billing authority from its Collection Fund to its General Fund,

are set out below

	Column 1 Central Government	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
Retained NNDR shares	£	£	£	£	£
12. % of non-domestic rating income to be allocated to each authority in 2024-25	33%	30%	37%	0%	100%
Non-Domestic Rating Income for 2024-25					
13. Non-domestic rating income from rates retention scheme	32,651,247	29,682,953	36,608,975	0	98,943,175
14.(less) deductions from central share	0				0
15 TOTAL:	32,651,247	29,682,953	36,608,975	0	98,943,175
Other Income for 2024-25					
16. add: cost of collection allowance		440,890			440,890
17. add: amounts retained in respect of Designated Areas		0			0
18. add: amounts retained in respect of renewable energy schemes		0	0		0
19. add: amounts retained in respect of Shale oil and gas sites schemes		0	0	0	0
20. add: qualifying relief in Designated Areas		0	0	0	0
21. add: City of London Offset		0			0
22. add: in respect of Port of Bristol hereditament		0			0
Estimated Surplus/Deficit on Collection Fund	£	£	£	£	£
23. Surplus/Deficit at end of 2023-24 (+ve = surplus, -ve = deficit)	1,704,167	1,549,243	1,910,733	0	5,164,142
TOTAL FOR THE YEAR	£	£	£	£	£
24. Total amount due to authorities	34,355,414	31,673,086	38,519,708	0	104,548,207

NATIONAL NON-DOMESTIC RATES RETURN - NDR1

2024-25

Please e-mail with certification to: nndr.statistics@levellingup.gov.uk by no later than 31 January 2024.

All figures must be entered in whole £

If you are content with your answers please return this form to DLUHC as soon as possible

Local Authority : Merton

PART 1C: SECTION 31 GRANT (See Note E)

This page is for information only; please do not amend any of the figures

Estimated sums due from Government via Section 31 grant, to compensate authorities for the cost of changes to the business rates system announced in the 2013 to 2016 and 2022 to 2023 Autumn Statements, 2020 and 2021 spending reviews, and 2017 (March and November), 2018 (October) and 2021 (October) Budgets

	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
Small Business Rates Multiplier Adjustment Factor: 1.248				
Supplementary Multiplier Adjustment Factor: 1.167				
Multiplier Cap	£	£	£	£
25. Cost of cap on 2014-15, 2015-16 and post-2018-19 and freezing of 2021-22, 2022-23, 2023-24 small business rates and standard business rates multipliers and the 2024-25 small business rates multiplier - Loss of net rates income	5,329,103	6,572,560	0	11,901,663
26. Cost of cap on 2014-15, 2015-16 and post-2018-19 and freezing of 2021-22, 2022-23, 2023-24 small business rates and standard business rates multipliers and the 2024-25 small business rates multiplier - Uprating to grants in respect of Section 31 funded reliefs	869,565	1,072,464	0	1,942,029
27. Total compensation for cost of cap on 2014-15, 2015-16 and post-2018-19 and freezing of 2021-22, 2022-23, 2023-24 small business rates and standard business rates multipliers and the 2024-25 small business rates multiplier	6,198,668	7,645,024	0	13,843,692
Small Business Rate Relief				
28. Cost of doubling SBRR & threshold changes for 2024-25	1,051,378	1,296,699	0	2,348,077
28a. Additional compensation for loss of supplementary multiplier income	79,409	97,938	0	177,347
29. Cost to authorities of maintaining relief on "first" property	0	0	0	0
Rural Rate Relief				
30. Cost to authorities of providing 100% rural rate relief	0	0	0	0
Supporting Small Business Scheme				
31. Cost to authorities of providing relief	238,340	293,953	0	532,293
Designated Areas qualifying relief in 100% business rates retention areas				
32. Cost to authorities of providing relief	0	0	0	0
Local newspaper relief				
33. Cost to authorities of providing relief	0	0	0	0
Public lavatories relief				
34. Cost to authorities of providing relief	0	0	0	0
Retail, Hospitality and Leisure relief				
35. Cost to authorities of providing relief	2,607,310	3,215,683	0	5,822,993
Freeports relief				
36. Cost to authorities of providing relief	0	0	0	0
Investment Zones relief				
37. Cost to authorities of providing relief	0	0	0	0
Low-carbon heat networks relief				
38. Cost to authorities of providing relief	0	0	0	0
TOTAL FOR THE YEAR	£	£	£	£
39. Amount of Section 31 grant due to authorities to compensate for reliefs	10,175,105	12,549,297	0	22,724,402

NB To determine the amount of S31 grant due to it, the authority will have to add / deduct from the amount shown in line 39, a sum to reflect the adjustment to tariffs / top-ups in respect of the multiplier cap (See notes for Line 39)

This completed Excel form should be e-mailed to nndr.statistics@levellingup.gov.uk and any relevant precepting authorities by the Chief Financial / Section 151 Officer. The email should include the officer's electronic signature and the following statement:

I confirm that the entries in this form are the best I can make on the information available to me and amounts are calculated in accordance with regulations made under Schedule 7B to the Local Government Act 1988. I also confirm that the authority has acted diligently in relation to the collection of non-domestic rates.

Local Authority : Merton

PART 2: RELIEFS AND NET RATES PAYABLE (See Note F)

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2024-25. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

Please Select:

Yes - able to provide disaggregated data

Some authorities may be unable to provide data on reliefs disaggregated by the multiplier applied to hereditaments. Please indicate if you are able to provide this data.

You should complete columns 1 & 4 only

	Column 1 Hereditaments using the small business rating multiplier	Column 2	Column 3	Column 4 Hereditaments using the standard multiplier	Column 5	Column 6	Column 7
	BA Area (exc. Designated areas). Complete this column	Designated areas Do not complete this column	TOTAL (All BA Area) Do not complete this column	BA Area (exc. Designated areas). Complete this column	Designated areas Do not complete this column	TOTAL (All BA Area) Do not complete this column	GRAND TOTAL Do not complete this column
	£		£	£		£	£
GROSS RATES PAYABLE (All data should be entered as +ve unless specified otherwise) - See Note G							
1. Rateable Value at 08/01/2024	56,921,312		56,921,312	187,147,600		187,147,600	244,068,912
2. Multiplier for 2024-25 (pence) 49.9							54.6
3. Gross rates 2024-25 (RV x multiplier)	28,403,735			102,182,590			130,586,325
4. Estimated growth/decline in gross rates (+ = increase, - = decrease)	0			0			0
5. Forecast gross rates payable in 2024-25	28,403,735		28,403,735	102,182,590		102,182,590	130,586,325

You should complete columns 1 & 4 only

	Column 1 Hereditaments using the small multiplier	Column 2	Column 3	Column 4 Hereditaments using the standard multiplier	Column 5	Column 6	Column 7
	BA Area (exc. Designated areas). Complete this column	Designated areas Do not complete this column	TOTAL (All BA Area) Do not complete this column	BA Area (exc. Designated areas). Complete this column	Designated areas Do not complete this column	TOTAL (All BA Area) Do not complete this column	GRAND TOTAL Do not complete this column
TRANSITIONAL ARRANGEMENTS (See Note H)							
6. Revenue foregone because increases in rates have been deferred (Show as -ve)	-1,728,478		-1,728,478	-1,335,156		-1,335,156	-3,063,634
7. Changes as a result of estimated growth / decline in cost of transitional arrangements	0			0			
TRANSITIONAL PROTECTION PAYMENTS							
8. Sum due to/(from) authority	1,728,478		1,728,478	1,335,156		1,335,156	3,063,634

Local Authority : Merton

PART 2: RELIEFS AND NET RATES PAYABLE (See Note F)

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2024-25. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

Please Select:

Some authorities may be unable to provide data on reliefs disaggregated by the multiplier applied to hereditaments. Please indicate if you are able to provide this data.

Yes - able to provide disaggregated data

You should complete columns 1 & 4 only

	Column 1 Hereditaments using the small business rating multiplier	Column 2	Column 3	Column 4 Hereditaments using the standard multiplier	Column 5	Column 6	Column 7
	BA Area (exc. Designated areas).	Designated areas	TOTAL (All BA Area)	BA Area (exc. Designated areas)	Designated areas	TOTAL (All BA Area)	GRAND TOTAL
MANDATORY RELIEFS (See Note I) (All data should be entered as -ve unless specified otherwise)							
Small Business Rate Relief							
9. Forecast of relief to be provided in 2024-25	-4,807,398		-4,807,398	0		0	-4,807,398
10. of which: relief on existing properties where a 2nd property is occupied	0		0	0		0	0
Charitable occupation							
11. Forecast of relief to be provided in 2024-25	-905,671		-905,671	-7,048,362		-7,048,362	-7,954,033
Community Amateur Sports Clubs (CASCs)							
12. Forecast of relief to be provided in 2024-25	-38,975		-38,975	-72,290		-72,290	-111,265
Rural rate relief							
13. Forecast of relief to be provided in 2024-25	0		0	0		0	0
Public Lavatories relief (See note J)							
14. Forecast of relief to be provided in 2024-25	0		0	0		0	0
Low-carbon heat networks relief							
15. Forecast of relief to be provided in 2024-25	0		0	0		0	0
16. Forecast of mandatory reliefs to be provided in 2024-25 (Sum of lines 9 to 16)	-5,752,044		-5,752,044	-7,120,652		-7,120,652	-12,872,696
17. Changes as a result of estimated growth/decline in mandatory relief	-28,760		-28,760	-35,603		-35,603	-64,363
18. Total forecast mandatory reliefs to be provided in 2024-25	-5,780,804		-5,780,804	-7,156,255		-7,156,255	-12,937,059
UNOCCUPIED PROPERTY (See Note K) (All data should be entered as -ve unless specified otherwise)							
Partially occupied hereditaments							
19. Forecast of 'relief' to be provided in 2024-25	0		0	0		0	0
Empty premises							
20. Forecast of 'relief' to be provided in 2024-25	-463,018		-463,018	-1,026,060		-1,026,060	-1,489,078
21. Forecast of unoccupied property 'relief' to be provided in 2024-25 (Line 19 + line 20)	-463,018		-463,018	-1,026,060		-1,026,060	-1,489,078
22. Changes as a result of estimated growth/decline in unoccupied property 'relief' (+ = decline, - = increase)	-75,000		-75,000	-500,000		-500,000	-575,000
23. Total forecast unoccupied property 'relief' to be provided in 2024-25	-538,018		-538,018	-1,526,060		-1,526,060	-2,064,078

Local Authority : Merton

PART 2: RELIEFS AND NET RATES PAYABLE (See Note F)

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2024-25. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

Please Select:

Some authorities may be unable to provide data on reliefs disaggregated by the multiplier applied to hereditaments. Please indicate if you are able to provide this data.

Yes - able to provide disaggregated data

You should complete columns 1 & 4 only

	Column 1 Hereditaments using the small business rating multiplier	Column 2	Column 3	Column 4 Hereditaments using the standard multiplier	Column 5	Column 6	Column 7
	BA Area (exc. Designated areas).	Designated areas	TOTAL (All BA Area)	BA Area (exc. Designated areas)	Designated areas	TOTAL (All BA Area)	GRAND TOTAL
DISCRETIONARY RELIEFS (See Note L) (All data should be entered as -ve unless specified otherwise)							
Charitable occupation							
24. Forecast of relief to be provided in 2024-25	-52,444		-52,444	-149,058		-149,058	-201,502
Non-profit making bodies							
25. Forecast of relief to be provided in 2024-25	-5,348		-5,348	-47,628		-47,628	-52,976
Community Amateur Sports Clubs (CASCs)							
26. Forecast of relief to be provided in 2024-25	0		0	0		0	0
Small rural businesses							
27. Forecast of relief to be provided in 2024-25	0		0	0		0	0
Other ratepayers (refer to guidance for further details)							
28. Forecast of relief to be provided in 2024-25	0		0	-50,000		-50,000	-50,000
<i>of which:</i>	<i>of which:</i>			<i>of which:</i>			
29. Relief given to Case A hereditaments							
30. Relief given to Case B hereditaments	0			0			
31. Relief given to Freeports (See Note M)							
32. Relief given to Investment Zones (See Note M)	0			0			
33. Forecast of discretionary relief to be provided in 2024-25 (Sum of lines 23 to 28)	-57,792			-246,686			
34. Changes as a result of estimated growth/decline in discretionary relief (+ = decline, - = increase)	-1,000			-3,000			
35. Total forecast discretionary relief to be provided in 2024-25	-58,792		-58,792	-249,686		-249,686	-308,478

Local Authority : Merton

PART 2: RELIEFS AND NET RATES PAYABLE (See Note F)

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2024-25. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

Please Select:

Yes - able to provide disaggregated data

Some authorities may be unable to provide data on reliefs disaggregated by the multiplier applied to hereditaments. Please indicate if you are able to provide this data.

You should complete columns 1 & 4 only

	Column 1 Hereditaments using the small business rating multiplier	Column 2	Column 3	Column 4 Hereditaments using the standard multiplier	Column 5	Column 6	Column 7
	BA Area (exc. Designated areas).	Designated areas	TOTAL (All BA Area)	BA Area (exc. Designated areas)	Designated areas	TOTAL (All BA Area)	GRAND TOTAL
DISCRETIONARY RELIEFS FUNDED THROUGH SECTION 31 GRANT(See Note N) (All data should be entered as -ve unless specified otherwise)							
Supporting Small Business Scheme							
36. Forecast of relief to be provided in 2024-25	-794,467		-794,467	0		0	-794,467
Local newspaper relief							
37. Forecast of relief to be provided in 2024-25	0		0	0		0	0
Retail, Hospitality and Leisure relief							
38. Forecast of relief to be provided in 2024-25	-4,665,030		-4,665,030	-4,026,004		-4,026,004	-8,691,034
39. Forecast of discretionary reliefs funded through S31 grant to be provided in 2024-25 (Sum of lines 37 to 39)	-5,459,497			-4,026,004			
40. Changes as a result of estimated growth/decline in Section 31 discretionary relief (+ = decline, - = increase)	-27,300			-20,000			
41. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2024-25	-5,486,797		-5,486,797	-4,046,004		-4,046,004	-9,532,801
NET RATES PAYABLE							
42. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs	£ 14,810,846		£ 14,810,846	£ 87,869,429		£ 87,869,429	£ 102,680,275

Local Authority : Merton

PART 3: COLLECTABLE RATES AND DISREGARDED AMOUNTS

Enter accounting adjustments in this section, which calculations will deduct from the net rates calculated from entries in Part 2. You must break down estimated bad debts and repayments by hereditaments receiving the small and standard multiplier, but adjustments from line 5 onwards should reflect the total of both types of hereditament.

You should complete column 1 only

	Column 1 BA Area (exc. Designated areas) Complete this column	Column 2 Designated Areas Do not complete this column	Column 3 TOTAL (All BA Area) Do not complete this column
Enter data for all hereditaments in these columns			
	£		£
NET RATES PAYABLE			
1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs	102,680,275		102,680,275
(LESS) LOSSES (Data should be entered as -ve)			
2. Estimated bad debts in respect of 2024-25 rates payable	-5,134,014		-5,134,014
3. Estimated repayments in respect of 2024-25 rates payable	-1,225,830		-1,225,830
COLLECTABLE RATES			
4. Net Rates payable less losses	96,320,431		96,320,431
	Column 1 BA Area (exc. Designated areas) Complete this column	Column 2 Designated Areas Do not complete this column	Column 3 TOTAL (All BA Area) Do not complete this column
DISREGARDED AMOUNTS (Data should be entered as +ve)			
5. Renewable Energy (see Note B)	0		0
6. Shale oil and gas sites scheme (see Note C)	0		0
7. Transitional Protection Payment			
8. Baseline			
DISREGARDED AMOUNTS			
9. Total Disregarded Amounts			0
DESIGNATED AREAS IN 100% BRR AUTHORITIES			
10. Designated Areas Qualifying Relief: Not applicable	0		0
DEDUCTIONS FROM CENTRAL SHARE			
11. Designated Areas Qualifying Relief	0		0
Port of Bristol			
12. In respect of Port of Bristol: Not applicable	0		0
DEDUCTIONS FROM CENTRAL SHARE			
13. Total Deductions	0		0

Local Authority : Merton

PART 4: ESTIMATED COLLECTION FUND BALANCE

This section estimates the collection fund closing balance for the current year (*not* the forecast year otherwise referred to in this form). Please refer to guidance notes for details. Note that you can edit the blue-bordered cells, but you will be asked to provide a comment explaining why they are changed from the prepopulated figures.

OPENING BALANCE

	£	£
1. Opening Balance (From Collection Fund Statement)		-73,273
BUSINESS RATES CREDITS AND CHARGES		
2. Business rates credited and charged to the Collection Fund in 2023-24 (enter as +ve)	88,581,967	
3. Sums written off in excess of the allowance for non-collection (enter as -ve)	0	
4. Changes to the allowance for non-collection	-848,739	
5. Amounts charged against the provision for alteration of lists and appeals following RV list changes (enter as +ve)	5,100,893	
6. Changes to the provision for alteration of lists and appeals	-9,188,091	
7. Total business rates credits and charges (Total lines 2 to 6)		83,646,030
OTHER RATES RETENTION SCHEME CREDITS (enter as +ve)		
8. Transitional protection payments received, or to be received in 2023-24	11,878,448	
9. Transfers/payments to the Collection Fund for end-year reconciliations	0	
10. Transfers/payments into the Collection Fund in 2023-24 in respect of a previous year's deficit	5,635,171	
11. Total Other Credits (Total lines 8 to 10)		17,513,619
OTHER RATES RETENTION SCHEME CHARGES (enter as -ve)		
12. Transitional protection payments made, or to be made, in 2023-24	0	
13. Payments made, or to be made, to the Secretary of State in respect of the central share in 2023-24	-31,553,174	
14. Payments made, or to be made to, major precepting authorities in respect of business rates income 2023-24	-35,377,802	
15. Transfers made, or to be made, to the billing authority's General Fund in respect of business rates income in 2023-24	-28,684,704	
16. Transfers made, or to be made, to the billing authority's General Fund; and payments made, or to be made, to a precepting authority in respect of disregarded amounts in 2023-24	-306,554	
17. Transfers/payments from the Collection Fund for end-year reconciliations	0	
18. Transfers/payments made from the Collection Fund in 2023-24 in respect of a previous year's surplus	0	
19. Total Other Charges (Total lines 12 to 18)		-95,922,234
ESTIMATED SURPLUS/(DEFICIT) ON COLLECTION FUND IN RESPECT OF FINANCIAL YEAR 2023-24 - Surplus (positive), Deficit (Negative)		
20. Opening balance plus total credits, less total charges (Total lines 1, 7, 11,19)		£ 5,164,142

APPORTIONMENT OF ESTIMATED SURPLUS / DEFICIT (See Note N)

	Column 1 Central Government	Column 2 Merton	Column 3 Greater London Authority
21. % for distribution of prior year surplus/deficit (i.e. 2022-23)	33%	30%	37%
22. Total prior year surplus (+)/deficit (-)	1,835,426	1,668,569	2,057,902
23. % for distribution of in-year surplus/deficit (i.e. 2023-24)	33%	30%	37%
24. In year surplus (+)/deficit (-)	-131,259	-119,327	-147,170
25. Total (total lines 22 and 24)	1,704,167	1,549,243	1,910,733

SUPPLEMENTARY INFORMATION ON HEREDITAMENTS BEING GRANTED RELIEF FROM NATIONAL NON-DOMESTIC RATES AND THE AMOUNT OF RELIEF GRANTED

Please complete the following questions on hereditaments that were being granted relief from national non-domestic rates and the amount of relief granted

If you have any queries on completing the form please contact us with the subject heading 'NDR1 query' by email to nndr.statistics@levellingup.gov.uk

The completed form must be returned to nndr.statistics@levellingup.gov.uk no later than 31 JANUARY 2024

Authority Name	Merton
E-code	E5044
Contact name	Sara Murtagh
Contact number	020 8545 3479
Contact e-mail	sara.murtagh@merton.gov.uk

Ver 1.1

PART 1 : NUMBERS OF HEREDITAMENTS THAT WERE BEING GRANTED RELIEF AS AT 31 DECEMBER 2023 *

Number of hereditaments that were being granted relief as at 31 December 2023*

MANDATORY RELIEF

a. Number of hereditaments that were being granted charitable relief as at 31 December 2023*	216
b. Number of hereditaments that were being granted Community Amateur Sports Clubs relief as at 31 December 2023*	7
c. Number of hereditaments that were being granted rural general stores, post offices, public houses, petrol filling stations and food shops relief as at 31 December 2023*	0
d. Number of hereditaments that were due public lavatories relief as at 31 December 2023*	0
e. Number of hereditaments that were being granted partly occupied premises relief as at 31 December 2023*	0
f. Number of hereditaments that were being granted empty property relief as at 31 December 2023* of which:	190
i. those that are classed as "industrial property" above the exemption threshold	22
ii. those that have "listed building status"	22
iii. those that are "Community Amateur Sports Clubs"	0
iv. those that are "charities"	2
v. those where the hereditament is empty and not included in categories i to iv	115
vi. those that are classed as "non-industrial" above the exemption threshold	29

DISCRETIONARY RELIEF

g. Number of hereditaments that were being granted charitable relief as at 31 December 2023*	62
h. Number of hereditaments that were being granted non-profit making bodies' relief as at 31 December 2023*	7
i. Number of hereditaments that were being granted Community Amateur Sports Clubs relief as at 31 December 2023*	0
j. Number of hereditaments that were being granted rural shops, post offices, public houses, petrol filling stations and food shops relief as at 31 December 2023*	0
k. Number of hereditaments that were being granted other small rural businesses relief as at 31 December 2023*	0
l. Number of hereditaments within Designated Areas being granted discounts as at 31 December 2023*	0
m. Number of hereditaments subject to a S47 local discount as at 31 December 2023*	0

RELIEF FUNDED THROUGH SECTION 31 GRANT

n. Number of hereditaments receiving Rural Rate Relief as at 31 December 2023*	0
o. Number of hereditaments receiving Local Newspaper Relief as at 31 December 2023*	0
p. Number of hereditaments receiving Supporting Small Business Relief as at 31 December 2023*	269
q. Number of hereditaments that were being granted expanded retail, hospitality and leisure relief as at 31 December 2023*	744
r. Number of hereditaments that were being granted low carbon heat networks relief as at 31 December 2023*	0

SMALL BUSINESS RATE RELIEF

s. Number of hereditaments contributing to the small business rate relief scheme by paying the additional supplement as at 31 December 2023*	956
t. Number of hereditaments that receive a discount from the small business rate relief scheme as at 31 December 2023*	1,471
of which:	
i. Hereditaments with a rateable value between £0 and £12,000 receiving the maximum discount	1,287
ii. Hereditaments with a rateable value between £12,001 and £15,000 receiving the discount on a sliding scale	184
u. Number of hereditaments that pay only the small business rate multiplier and are not granted a small business rates relief discount as at 31 December 2023*	2,360

* The data should be as at 31 December 2023 or as soon as possible after that date.

NATIONAL NON-DOMESTIC RATES (SUPPLEMENTARY) RETURN 2024-25	Merton Ver 1.1
PART 2 : ESTIMATED VALUE OF RELIEF TO BE GRANTED IN 2024-25 (enter values as -ve)	Amount of relief to be granted in 2024-25 (£)
EMPTY PROPERTY RELIEF	
a. Estimated value of empty property relief to be granted in 2024-25	<input style="width: 100%;" type="text" value="-1,489,078"/>
	Rows (i) to (vi) must add up to line (a) above
of which:	
i. Relief to be given - industrial property above the exemption threshold	<input style="width: 100%;" type="text" value="-397,554"/>
ii. Relief to be given - listed building status	<input style="width: 100%;" type="text" value="-367,873"/>
iii. Relief to be given - Community Amateur Sports Clubs	<input style="width: 100%;" type="text" value="0"/>
iv. Relief to be given - charities	<input style="width: 100%;" type="text" value="-111,517"/>
v. Relief to be given where the hereditament is empty and is not included in categories i to iv	<input style="width: 100%;" type="text" value="-443,779"/>
vi. Relief to be given - "non-industrial" above the exemption threshold	<input style="width: 100%;" type="text" value="-168,355"/>
	Lines a(i) to a(vi) do not sum to A total
SMALL BUSINESS RATE RELIEF	
b. The cost of small business rate relief for properties within the billing authority area	<input style="width: 100%;" type="text" value="-4,807,398"/>
	Sum of b(i) and b(ii) should be same as the figure above
of which:	
i. Hereditaments with a rateable value between £0 and £12,000 that will receive the full discount	<input style="width: 100%;" type="text" value="-4,187,230"/>
ii. Hereditaments with a rateable value between £12,001 and £15,000 that will receive the discount on a sliding scale	<input style="width: 100%;" type="text" value="-620,168"/>
	Line b(i) & b(ii) do not sum to B total
OTHER DISCRETIONARY RELIEF	
c. Estimated value of other discretionary relief to be granted in 2024-25	<input style="width: 100%;" type="text" value="-50,000"/>
of which:	
i. Relief awarded under s.47 where a Mayoral Development Corporation has assumed functions under section 47(3) and 47(6) of the 1988 Act.	<input style="width: 100%;" type="text" value="0"/>
ii. Relief awarded by the billing authority	<input style="width: 100%;" type="text" value="-50,000"/>
DATE OF LATEST INFORMATION	
Date of latest information taken into account when calculating the figures on the supplementary form	<input style="width: 100%;" type="text" value="08/01/2024"/>
Notes :	

Validation Checks

Local authority : Merton E5044
 Local authority contact name : Sara Murtagh
 Local authority contact number : 020 8545 3479
 Local authority contact email address : sara.murtagh@merton.gov.uk

This sheet automatically highlights any validation queries and provides space for your explanations
 The note 'NNDR1 Validation Checks 2024-25' provides further details on the validations we carry out. Please consult this when completing this validation sheet

As well as using these to check for errors in data entry, your comments also help us to inform policy colleagues about the causes of patterns in the data, and the extent of the effect of different factors. Therefore, even if the reason for a change in a line seems obvious it is still useful for you to provide comments.

If you click on Column C you can see which line of the form the validation refers to.

Test	Data		Change		Parameters			Please comment below where required
	VOA data	2024-25	Actual	%	Actual	%		
1 Check total RV	242,583,162	244,068,912	1,485,750	1%	0	2%	OK	

Mandatory Reliefs		2023-24	2024-25	Actual	%	Actual	%		
2	Cost SBR relief	-4,495,956	-4,807,398	311,442	7%	500,000	5%	OK	
3	Cost of Charity relief	-7,326,872	-7,954,033	627,161	9%	0	10%	OK	
4	Cost of CASC relief	-107,479	-111,265	3,786	4%	20,000	20%	OK	
5	Cost of Rural relief ¹	0	0	0	0%	10,000	10%	OK	
6	Cost of Public lavatories relief	0	0	0	0%	5,000	15%	OK	
7	Cost of Partly Occupied relief	0	0	0	0%	75,000	20%	OK	
8	Cost of Empty property relief	-942,412	-1,489,078	546,666	58%	750,000	25%	OK	

¹The validation for Rural relief is comparing to the total of the mandatory and discretionary aspects of the relief in 2023-24

Discretionary Reliefs		2023-24	2024-25	Actual	%	Actual	%		
9	Cost of Charity relief	-189,583	-201,502	11,919	6%	50,000	25%	OK	
10	Cost of non-profit bodies' relief	-26,771	-52,976	26,205	98%	50,000	25%	OK	
11	Cost of CASC Relief	0	0	0	0%	5,000	25%	OK	
12	Cost of other rural relief	0	0	0	0%	5,000	25%	OK	
13	Cost of other discretionary relief	-100,000	-50,000	50,000	50%	100,000	25%	OK	
14	Class A hereditaments	0	0	0	0%	25,000	25%	OK	
15	Class B hereditaments	0	0	0	0%	0	25%	OK	
16	Cost of retail, hospitality and leisure relief	-8,519,280	-8,691,034	171,754	2%	500,000	10%	OK	

17	Net rates payable	89,856,090	102,680,275	12,824,185	14%	0	7.5%	Comment made	As the rates payable are not calculated using the standard multiplier where appropriate, this gives a higher figure than 2023-24 year which was calculated using the small multiplier only
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Other checks		2023-24	2024-25	Actual	%	Actual	%		
18	Estimated repayments (Appeals provision)	-1,309,000	-1,225,830	83,170	6%	2,000,000	25%	OK	
19	Zero in surplus / deficit		5,164,142	n/a	n/a	0	n/a	OK	

20	Collection fund opening balance	Pre-populated -73,273	2024-25 form -73,273	Actual 0		Actual 0		OK	
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Number where comments are outstanding **0**

Please provide any further comments below

Supplementary data - validation checks

Local authority : Merton E5044
 Local authority contact name : Sara Murtagh
 Local authority contact number : 020 8545 3479
 Local authority contact email address : sara.murtagh@merton.gov.uk

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 The note 'NDR1 Validation Checks 2024-25' provides further details on the validations we carry out. Please consult this when completing this validation sheet

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If you click on Column C you can see which line of the form the validation refers to.

Test	Data		Change		Parameters				Please comment below where required
	2023-24	2024-25	Actual	%	Actual	%			
Mandatory Reliefs									
1	Charity relief	216	216	0	0%	20	10%	OK	
2	CASC relief	7	7	0	0%	5	0%	OK	
3	Rural shop relief	0	0	0	0%	10	0%	OK	
4	Public lavatories relief	0	0	0	0%	15	0%	OK	
5	Partly Occupied relief	0	0	0	0%	10	0%	OK	
6	Empty relief	183	190	7	4%	100	30%	OK	
Discretionary Reliefs									
7	Charity relief	63	62	-1	-2%	20	10%	OK	
8	Non-profit bodies' relief	7	7	0	0%	20	0%	OK	
9	CASC Relief	0	0	0	0%	5	0%	OK	
10	Rural shop relief	0	0	0	0%	10	0%	OK	
11	Other rural relief	0	0	0	0%	5	0%	OK	
12	Enterprise zone granted relief	0	0	0	0%	10	0%	OK	
13	Local discount relief	2	0	-2	-100%	20	0%	OK	
14	Retail, hospitality and leisure relief	779	744	-35	-4%	150	15%	OK	
SBRR									
15	SBBR - contributing	1,578	956	-622	-39%	100	10%	Comment made	Due to the changes meaning empty property under RV £15,000 being eligible for SBRR from 1 April 2024, the number of property contributing to the scheme has reduced
16	SBBR - getting a discount	1,458	1,471	13	1%	100	10%	OK	
17	SBBR - RV between £0 & £12k	1,266	1,287	21	2%	100	10%	OK	
18	SBBR - RV between £12k & £15k	192	184	-8	-4%	100	10%	OK	
19	SBBR - just lower multiplier	2,300	2,360	60	3%	100	10%	OK	
Number of hereditaments		Total Hereds	Hereds included in lines 15, 16 & 19 above						
20	Number hereditaments in tests 15, 16 & 19 above compared to total number of hereditaments	5,301	4,787	-514	-10%	25	10%	OK	
Empty property relief									
21	Relief in industrial properties above exemption threshold	-279,452	-397,554	-118,102	42%	250,000	25%	OK	
22	Relief in listed buildings	-223,682	-367,873	-144,191	64%	200,000	25%	OK	
23	Relief in Community Amateur Sports Clubs	0	0	0	0%	50,000	25%	OK	
24	Relief in charities	-106,692	-111,517	-4,825	5%	50,000	25%	OK	
25	Relief in other hereditaments	-192,778	-443,779	-251,001	130%	750,000	25%	OK	
26	Relief in non-industrial properties above the exemption threshold	-139,808	-168,355	-28,547	20%	200,000	25%	OK	

Please provide any further comments below

Number where comments are outstanding: 0

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OTHER CORPORATE ITEMS - CABINET February 2024

	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Asset Rentals: Depreciation	(26,997)	(26,997)	(26,997)	(26,997)
WPCC	462	462	462	462
Bad Debt provision	500	500	500	500
Contingency	4,000	4,000	4,000	4,000
Pensions Strain/Redundancy	750	750	750	750
Local Election	0	0	400	0
Loss of HB Admin. Grant	59	46	51	56
Apprenticeship Levy	450	450	450	450
Internal Review	147	147	147	147
Contribution to Climate Change Reserve	450	0	0	0
Rounding	1	1	2	2
	(20,178)	(20,641)	(20,235)	(20,630)

Summarised Transition from Council March 2023 to Cabinet February 2024

Budget Forecast 2024/25 to 2027/28				
	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000
Budget Gap Council March 2023	0	2,296	3,836	13,534
Inflation - Pay and Prices	5,208	5,080	5,285	5,650
Savings - New 2024/25	(2,099)	(3,038)	(3,348)	(3,735)
Transfer to services from corporate contingency budgets	5,715	5,715	5,715	5,715
External Borrowing Costs	(3,716)	(2,749)	(3,704)	(7,655)
C&H: Taxicard and Concessionary Fares	(905)	(1,610)	(2,039)	(3,115)
Proposed Growth - Services	4,363	6,684	6,727	6,765
Investment Income	(2,000)	(2,000)	(2,000)	(2,000)
Provision for Corporate Contract increases due to London Living Wage	(490)	(490)	(490)	(490)
Increase in DSG Deficit	5,580	3,690	4,746	3,000
Increase in Social Care Budgets	7,576	7,587	7,599	7,610
Social Care - Grant Funding	(5,307)	(5,307)	(5,307)	(5,307)
Funding for ASC Precept	(2,269)	(2,280)	(2,292)	(2,303)
Settlement Funding Assessment including Section 31 grant	(1,458)	(1,054)	(628)	(180)
Collection Fund - t/f of Ctax surplus(-)/deficit	(1,692)	0	0	0
Collection Fund - t/f of BRates surplus(-)/deficit	(1,549)	0	0	0
Council Tax income	(1,624)	(1,630)	(1,635)	(1,641)
<u>Levies</u>				
Environment Agency	2	2	2	2
Additional unringfenced grant	(619)	0	0	0
Appropriation to/from Reserves	(4,717)	(29)	0	0
Rounding	1	1	2	2
Cabinet 19 February 2024	0	10,867	12,469	15,852

STATEMENT OF COUNCIL TAX REQUIREMENTS AND BALANCES

	ORIGINAL BUDGET 2020/21	ORIGINAL BUDGET 2021/22	ORIGINAL BUDGET 2022/23	ORIGINAL BUDGET 2023/24	ORIGINAL BUDGET 2024/25	2020/21 Band D Council Tax Equivalent	2021/22 Band D Council Tax Equivalent	2022/23 Band D Council Tax Equivalent	2023/24 Band D Council Tax Equivalent	2024/25 Band D Council Tax Equivalent
	£m	£m	£m	£m	£m	£	£	£	£	£
Merton										
Net Cost of General Fund Services	155.227	166.142	171.625	174.664	194.080	2,042.73	2,238.51	2,265.54	2,248.09	2,480.01
Contingency	1.500	1.500	1.500	2.500	4.000	19.74	20.21	19.80	32.18	51.11
	156.727	167.642	173.125	177.164	198.080	2,062.47	2,258.72	2,285.34	2,280.27	2,531.12
Levies										
Lee Valley	0.178	0.179	0.179	0.197	0.197	2.34	2.41	2.36	2.54	2.52
London Pensions Fund	0.253	0.258	0.258	0.254	0.254	3.33	3.48	3.41	3.27	3.25
Environment Agency	0.174	0.174	0.174	0.184	0.186	2.29	2.34	2.30	2.37	2.38
Total Levies	0.605	0.611	0.611	0.635	0.637	7.96	8.23	8.07	8.17	8.14
TOTAL BUDGET (before balances, etc adjustment)	157.332	168.253	173.736	177.799	198.717	2,070.43	2,266.95	2,293.41	2,288.44	2,539.26
<u>Provisions, Contributions and Balances</u>										
Appropriations to/from Reserves	(11.275)	(12.515)	(12.086)	(2.885)	(2.271)	(148.37)	(168.62)	(159.54)	(37.13)	(29.02)
TOTAL BUDGET REQUIREMENT	146.057	155.738	161.650	174.914	196.446	1,922.06	2,098.33	2,133.86	2,251.31	2,510.24
Less: Central Government Support										
Government (Formula) Grant:										
Revenue Support Grant (including Transition Grant)	(5.159)	(5.187)	(5.350)	(6.108)	(6.513)	(67.89)	(69.89)	(70.62)	(78.62)	(83.22)
National Non-Domestic Rates inc. Section 31 Grant	(38.676)	(36.551)	(38.428)	(39.236)	(43.918)	(508.96)	(492.47)	(507.27)	(505.01)	(561.20)
Covid - RNF and LCTS Grant		(6.811)	0.000	0.000	0.000		(91.77)	0.00	0.00	0.00
Brexit Grant	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00
Social Care Grant		(4.466)	(6.282)	(10.430)	(13.747)		(60.17)	(82.93)	(134.24)	(175.66)
Adult Social Care Improved Better Care Fund	(4.862)	(4.862)	(5.009)	(5.009)	(5.010)	(63.98)	(65.51)	(66.12)	(64.47)	(64.02)
Market Sustainability and Fair Cost of Care Fund	0.000	0.000	(0.505)	0.000	0.000		0.00	(6.67)	0.00	0.00
ASC Market Sustainability and Improvement Fund	0.000	0.000	0.000	(1.751)	(3.272)		0.00	0.00	(22.54)	(41.81)
ASC Discharge Fund	0.000	0.000	0.000	(0.702)	(1.171)		0.00	0.00	(9.04)	(14.96)
Targeted Council Tax Discount	0.000	0.000	0.000	0.830	0.000		0.00	0.00	10.68	0.00
Services Grant	0.000	0.000	(2.479)	(1.379)	(0.251)		0.00	(32.72)	(17.75)	(3.21)
Funding Guarantee Grant					(0.216)					(2.76)
Total Government Grant + Baseline NNDR Funding:	(48.697)	(57.877)	(58.053)	(63.785)	(74.098)	(640.84)	(779.80)	(766.33)	(820.98)	(946.84)
Contribution to/(from) Collection Fund	(0.327)	1.647	1.010	1.503	(3.241)	(4.30)	22.19	13.33	19.35	(41.41)
Council Tax Requirement										
Merton - General (excluding WPCC)	97.033	99.508	104.607	112.632	TBA	1,276.92	1,340.72	1,380.87	1,449.68	TBA
Merton - COUNCIL TAX FUNDING REQUIREMENT	97.033	99.508	104.607	112.632	TBA	1,276.92	1,340.72	1,380.87	1,449.68	TBA
<u>Greater London Authority Precept</u>										
Metropolitan Police Authority/Mayor's Office for Policing and Crime	19.159	19.826	20.994	22.697	23.879	252.13	267.13	277.13	292.13	305.13
Other Non-Police Services	6.075	7.164	8.974	11.033	13.012	79.94	96.53	118.46	142.01	166.27
Greater London Authority Precept	25.234	26.991	29.968	33.730	36.891	332.07	363.66	395.59	434.14	471.40
TOTAL COUNCIL TAX REQUIREMENT	122.267	126.499	134.575	146.362	TBA	1,608.99	1,704.38	1,776.46	1,883.82	TBA

DRAFT MTFS 2024-28:				
	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Departmental Base Budget 2022/23	188,790	188,790	188,790	188,790
Inflation (Pay, Prices)	16,764	21,102	25,439	29,776
NI increase	0	0	0	0
Pension Fund Revaluation	48	72	96	120
FYE – Previous Years Savings	(315)	(814)	(844)	(844)
FYE – Previous Years Growth	(355)	(332)	(332)	(332)
Amendments to previously agreed savings/growth	0	0	0	0
Change in Net Appropriations to/(from) Reserves	0	0	0	0
Taxi card/Concessionary Fares	1,800	3,269	5,014	6,112
Change in depreciation/Impairment (Contra Other Corporate items)	0	0	0	0
Social Care - Additional Spend offset by grant/precept	4,259	4,270	4,282	4,293
Growth	4,363	6,684	6,727	6,765
DSG Safety Valve	0	0	0	0
Provision - DSG Deficit	6,710	4,390	1,146	3,000
Contract increases	0	2,700	3,900	3,900
Other	6,387	6,467	6,547	6,627
Re-Priced Departmental Budget	228,451	236,598	240,764	248,207
Treasury/Capital financing	(779)	70	1,095	2,225
Pensions	0	0	0	0
Other Corporate items	(20,178)	(20,641)	(20,235)	(20,630)
Levies	637	637	637	637
Sub-total: Corporate provisions	(20,320)	(19,934)	(18,503)	(17,768)
Sub-total: Repriced Departmental Budget + Corporate Provisions	208,131	216,664	222,261	230,439
Savings/Income Proposals 2023/24	(2,099)	(3,038)	(3,348)	(3,735)
Sub-total	206,032	213,626	218,913	226,704
Appropriation to/from departmental reserves	(843)	(843)	(843)	(843)
Appropriation to/from Balancing the Budget Reserve	(3,268)	0	0	0
ONGOING IMPACT OF COVID-19 (NET)	0	0	0	0
BUDGET REQUIREMENT	201,921	212,783	218,070	225,861
Funded by:				
Revenue Support Grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(50,431)	(51,440)	(52,468)	(53,518)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(13,747)	(13,747)	(13,747)	(13,747)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(152)	0	0	0
Council Tax inc. WPCC	(119,633)	(122,479)	(125,136)	(128,494)
Targeted Council Tax Discount	0	0	0	0
Collection Fund – (Surplus)/Deficit	(3,241)	0	0	0
ASC Market Sustainability and Improvement Fund	(3,272)	(3,272)	(3,272)	(3,272)
ASC Discharge Fund	(1,171)	(1,171)	(1,171)	(1,171)
Services Grant	(251)	0	0	0
Funding Guarantee	(216)	0	0	0
TOTAL FUNDING	(201,921)	(201,915)	(205,602)	(210,009)
GAP including Use of Reserves (Cumulative)	0	10,867	12,469	15,852

Reserves

Forecast Movement in Reserves 2024-28	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000	Net Movt. in year £'000	Bal. at 31/3/28 £'000
General Fund Reserve	14,000	0	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Earmarked Reserves	91,979	(1,252)	90,727	(2,029)	88,698	1,221	89,919	869	90,788	2,897	93,685
Grants & Contributions	9,016	(925)	8,091	0	8,091	0	8,091	0	8,091	0	8,091
Total Available Gen. Fund Rev. Reser	114,995	(2,177)	112,819	(2,029)	110,790	1,221	112,011	869	112,880	2,897	115,777
Fixed to Contracts	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Total General Fund revenue reserves	116,950	(2,177)	114,773	(2,029)	112,744	1,221	113,965	869	114,834	2,897	117,731
Schools Balances & Reserves	13,240	(71)	13,169	0	13,169	0	13,169	0	13,169	0	13,169
TOTAL	130,190	(2,248)	127,942	(2,029)	125,913	1,221	127,134	869	128,003	2,897	130,900

APPENDIX 8

Analysis	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000	Net Movt. in year £'000	Bal. at 31/3/28 £'000
Earmarked Reserves											
Outstanding Council Programme Board Reserve	1,136	(207)	929	0	929	0	929	0	929	0	929
For use in future years' budgets	9,882	(1,938)	7,944	(5,688)	2,256	(2,078)	178	(100)	78	0	78
Revenue Reserve for Capital/Revenuisation	0	0	0	0	0	0	0	0	0	0	0
Energy renewable reserve	1,682	0	1,682	0	1,682	0	1,682	0	1,682	0	1,682
Repairs and Renewals Fund	2,847	(1,105)	1,742	(180)	1,562	(350)	1,212	0	1,212	0	1,212
Pension Fund additional contribution	0	0	0	0	0	0	0	0	0	0	0
Local Land Charges	300	(300)	0	0	0	0	0	0	0	0	0
Apprenticeships	804	96	900	(494)	406	(308)	98	0	98	0	98
Community Care Reserve	306	0	306	0	306	0	306	0	306	0	306
Local Welfare Support Reserve	555	128	683	(60)	623	(60)	563	(60)	503	(60)	443
LEP - New Homes Bonus funded projects	0	0	0	0	0	0	0	0	0	0	0
Corporate Services Reserves	4,088	(533)	3,554	(40)	3,514	(41)	3,473	(42)	3,431	(43)	3,388
Spending Review Reserve	34,466	6,703	41,169	6,710	47,879	4,390	52,269	1,146	53,415	3,000	56,415
COVID-19 Emergency Funding	106	0	106	0	106	0	106	0	106	0	106
Business Rates - Covid-19 Adjustments Reserve	10,626	0	10,626	0	10,626	0	10,626	0	10,626	0	10,626
COVID-19: Year End Balances - Government Grant	5,427	0	5,427	0	5,427	0	5,427	0	5,427	0	5,427
Civic Pride Fund	2,163	(885)	1,278	(662)	616	0	616	0	616	0	616
Climate Change Reserve	3,347	(1,410)	1,937	(875)	1,062	(160)	902	(75)	827	0	827
Voluntary Sector Support/Merton Giving	802	(200)	602	(172)	430	(172)	258	0	258	0	258
Cost of Living Reserve	1,401	0	1,401	0	1,401	0	1,401	0	1,401	0	1,401
Income Loss Protection Reserve	7,500	0	7,500	0	7,500	0	7,500	0	7,500	0	7,500
Inflation Protection Reserve	2,000	0	2,000	0	2,000	0	2,000	0	2,000	0	2,000
Waste Contract Transition Reserve	2,392	(1,519)	873	(500)	373	0	373	0	373	0	373
Wimbledon Tennis Court Renewal Fund	150	(82)	68	(68)	0	0	0	0	0	0	0
Earmarked Reserves	91,979	(1,252)	90,727	(2,029)	88,698	1,221	89,919	869	90,788	2,897	93,685
Homes for Ukraine	4,411	0	4,411	0	4,411	0	4,411	0	4,411	0	4,411
Culture and Environment contributions	393	(363)	30	0	30	0	30	0	30	0	30
Culture and Environment grant	329	0	329	0	329	0	329	0	329	0	329
Childrens & Education grant	595	(562)	33	0	33	0	33	0	33	0	33
Adult Social care grants	2,138	0	2,138	0	2,138	0	2,138	0	2,138	0	2,138
Housing Planning Development grant	0	0	0	0	0	0	0	0	0	0	0
Housing GF grants	318	0	318	0	318	0	318	0	318	0	318
Public Health Grant Reserve	832	0	832	0	832	0	832	0	832	0	832
Grants & Contributions	9,016	(925)	8,091	0	8,091	0	8,091	0	8,091	0	8,091
Total	100,995	(2,177)	98,819	(2,029)	96,790	1,221	98,011	869	98,880	2,897	101,777

Analysis	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000	Net Movt. in year £'000	Bal. at 31/3/28 £'000
Insurance Reserve	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Fixed to Contracts	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Governor Support Reserve	39	0	39	0	39	0	39	0	39	0	39
Schools Reserve	0	0	0	0	0	0	0	0	0	0	0
CSF reserve	71	(71)	0	0	0	0	0	0	0	0	0
Refund of PFI contributions	0	0	0	0	0	0	0	0	0	0	0
Schools PFI Fund	5,171	0	5,171	0	5,171	0	5,171	0	5,171	0	5,171
Earmarked Schools Balances	7,602	0	7,602	0	7,602	0	7,602	0	7,602	0	7,602
Schools Standards Fund balances	0	0	0	0	0	0	0	0	0	0	0
Schools Fund	357	0	357	0	357	0	357	0	357	0	357
Schools Reserves	13,240	(71)	13,169	0	13,169	0	13,169	0	13,169	0	13,169

CAPITAL RESERVES

Forecast Movement in Reserves 2024-28	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000	Net Movt. in year £'000	Bal. at 31/3/28 £'000
Capital Grants	1,044	(657)	387	(337)	50	0	50	0	50	0	50
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
CIL Reserve	27,100	(1,345)	25,755	(2,785)	22,970	(6,459)	16,511	1,250	17,761	4,200	21,961
S106 Reserve - CGU	6,867	8	6,874	(4,309)	2,565	(1,681)	884	(5)	879	(5)	874
Capital Receipts	185,445	(51,701)	133,745	(4,824)	128,921	(5,050)	123,871	0	123,871	0	123,871
Capital Reserves	220,456	(53,695)	166,761	(12,255)	154,506	(13,190)	141,316	1,245	142,561	4,195	146,756

SUMMARY : REVENUE AND CAPITAL RESERVES

Forecast Movement in Reserves 2023-27	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000	Net Movt. in year £'000	Bal. at 31/3/28 £'000
GF	14,000	0	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Earmarked Reserves	91,979	(1,252)	90,727	(2,029)	88,698	1,221	89,919	869	90,788	2,897	93,685
Grants	9,016	(925)	8,091	0	8,091	0	8,091	0	8,091	0	8,091
Insurance	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Schools	13,240	(71)	13,169	0	13,169	0	13,169	0	13,169	0	13,169
Sub-total: Revenue	130,190	(2,248)	127,942	(2,029)	125,913	1,221	127,134	869	128,003	2,897	130,900
Capital	220,456	(53,695)	166,761	(12,255)	154,506	(13,190)	141,316	1,245	142,561	4,195	146,756
	350,645	(55,943)	294,703	(14,284)	280,419	(11,969)	268,450	2,114	270,564	7,092	277,656

Draft Budget Summaries 2024-25

NB: The financial information in the budget summaries includes the latest available details but may be subject to small changes as figures continue to be reviewed.

SUMMARY				
FULL TIME EQUIVALENTS		2023/24	2024/25	
Total FTE Staff		2,045.0	2,080.6	
SERVICE AREA ANALYSIS	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Innovation and Change	2,865	598	2,572	6,036
Finance and Digital	11,266	1,154	2,761	15,181
Housing and Sustainable Development	5,279	821	1,206	7,305
Environment, Civic Pride and Climate	20,853	2,020	5,054	27,928
Children, Lifelong Learning, and Families	69,565	2,569	2,065	74,200
Adult Social Care, Integrated Care excluding Public Health	67,987	2,867	8,922	79,776
Public Health	0	0	0	0
Organisational Pay Review	0	0	260	260
Social Care Grant balance not yet allocated	2,912	0	(747)	2,165
Expenditure funded by Services Grant	1,454	0	(1,454)	0
Corporate Provision for National Minimum Wage	1,500	0	(1,500)	0
London Living Wage - Contract reletting	711	0	1,113	1,824
Pay Award not allocated yet	4,440	0	857	5,298
TOTAL NET SERVICE EXPENDITURE	188,834	10,029	21,109	219,972
<i>Corporate Provisions/Appropriations</i>	(6,762)	0	(11,289)	(18,052)
NET EXPENDITURE	182,072	10,029	9,820	201,920
Funded by:				
Revenue Support Grant	(6,108)	0	(405)	(6,513)
Business Rates	(39,236)	0	(4,682)	(43,918)
Improved Better Care Fund	(5,009)	0	(1)	(5,010)
Social Care Grant	(10,430)	0	(3,317)	(13,747)
Market Sustainability and Fair Cost of Care Fund	0	0	0	0
ASC Market Sustainability and Improvement Fund	(1,751)	0	(1,521)	(3,272)
ASC Discharge Fund	(702)	0	(469)	(1,171)
Business Rates Levy Surplus 2022/23	(302)	0	302	0
Funding Guarantee Grant	0	0	(216)	(216)
Services Grant	(1,454)	0	1,203	(251)
New Homes Bonus	(732)	0	580	(152)
Council Tax	(112,632)	0	(6,539)	(119,171)
Targeted Council Tax Discount	830	0	(830)	0
WPCC Levy	(423)	0	(39)	(462)
Collection Fund	673	0	(3,914)	(3,241)
PFI Grant	(4,797)	0	0	(4,797)
	(182,072)	0	(19,848)	(201,921)
NET	0	10,029	(10,030)	0
NB				
Public Health	0	0	0	0
Other Variations: Contingency/Other				
Major Items: Corporate Provisions		£000		fte
Corporate borrowing and Investment		(5,640)		0.0
Pension Fund		(319)		0.0
Contingency and centrally held provisions		2,769		0.0
Appropriation to/from Reserves		(6,971)		0.0
Depreciation and impairment		(1,115)		0.0
Change in levies		41		0.0
Contribution to Climate Change Reserve		450		0.0
Loss of income due to COVID		(505)		0.0
TOTAL		(11,289)		0

SUMMARY - SUBJECTIVE ANALYSIS**FULL TIME EQUIVALENTS**

Total FTE Staff

2023/24	2024/25
2,045.0	2,080.6

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Expenditure				
Employees	117,011	6,264	8,704	131,978
Premises	8,778	330	1,911	11,019
Transport	11,476	316	(399)	11,394
Supplies and Services	222,221	1,732	33,488	257,441
Third Party Payments	104,981	2,134	4,431	111,546
Transfer Payments	66,078	35	(1,154)	64,959
Support Services	34,363	0	254	34,617
Depreciation and Impairment Losses	26,997	0	1,191	28,188
GROSS EXPENDITURE	591,906	10,810	48,426	651,142
Income				
Government Grants	(262,339)	0	(28,257)	(290,596)
Other Reimbursements and Contributions	(36,918)	(496)	(233)	(37,647)
Customer and Client Receipts	(69,927)	(285)	(1,618)	(71,830)
Interest	0	0	0	0
Recharges	(34,534)	0	(112)	(34,645)
Reserves	645	0	2,903	3,548
GROSS INCOME	(403,072)	(781)	(27,317)	(431,171)
NET EXPENDITURE	188,834	10,029	21,109	219,971
Corporate Provisions	(6,762)	0	(11,289)	(18,052)
NET EXPENDITURE	182,072	10,029	9,819	201,920
Funded by:				
Revenue Support Grant	(6,108)	0	(405)	(6,513)
Business Rates	(39,236)	0	(4,682)	(43,918)
Improved Better Care Fund	(5,009)	0	(1)	(5,010)
Social Care Grant	(10,430)	0	(3,317)	(13,747)
Market Sustainability and Fair Cost of Care Fund	0	0	0	0
ASC Market Sustainability and Improvement Fund	(1,751)	0	(1,521)	(3,272)
ASC Discharge Fund	(702)	0	(469)	(1,171)
Business Rates Levy Surplus 2022/23	(302)	0	302	0
Funding Guarantee Grant	0	0	(216)	(216)
Services Grant	(1,454)	0	1,203	(251)
New Homes Bonus	(732)	0	580	(152)
Council Tax	(112,632)	0	(6,539)	(119,171)
Targeted Council Tax Discount	830	0	(830)	0
WPCC Levy	(423)	0	(39)	(462)
Collection Fund	673	0	(3,914)	(3,241)
PFI Grant	(4,797)	0	0	(4,797)
	(182,072)	0	(19,848)	(201,920)
NET	0	10,029	(10,031)	0

Other Variations: Contingency/Other

Major Items: Corporate Provisions	£000	fte
Corporate borrowing and Investment	(5,640)	0.0
Pension Fund	(319)	0.0
Contingency and centrally held provisions	2,769	0.0
Appropriation to/from Reserves	(6,971)	0.0
Depreciation and impairment	(1,115)	0.0
Change in levies	41	0.0
Contribution to Climate Change Reserve	450	0.0
Loss of income due to COVID	(505)	0.0
TOTAL	(11,289)	0

CORPORATE ITEMS ANALYSIS				
	2023/24			2024/25
	Original Estimate £000	Inflation £000	Other Variations £000	Original Estimate £000
Expenditure				
Cost of Borrowing including Minimum Revenue Provision	10,882	0	(3,381)	7,501
Pension Fund	367	0	(319)	48
Provision for excess inflation	5,283	0	(1,250)	4,033
Bad Debt Provision	1,000	0	(500)	500
Redundancy/Pension Strain	750	0	0	750
Contribution to Climate Change Reserve	0	0	450	450
Contingency	2,500	0	1,500	4,000
Apprenticeship Levy	450	0	0	450
Loss of HB Admin. Grant	0	0	59	59
Strategic Support	100	0	(100)	0
Provision against service shortfalls	2,540	0	4,170	6,710
Internal Review	1,146	0	(1,109)	37
Levies:-				
Lee Valley	197	0	0	197
London Pensions Fund	254	0	0	254
Environment Agency	184	0	3	186
WPCC	423	0	39	462
GROSS EXPENDITURE	26,077	0	(440)	25,637
Income				
Investment Income	(6,321)	0	(2,259)	(8,580)
Depreciation & Impairment	(27,073)	0	(1,115)	(28,188)
Appropriations to/from reserves (excluding Public Health)	50	0	(6,971)	(6,921)
Loss of income due to COVID	505	0	(505)	0
GROSS INCOME	(32,839)	0	(10,850)	(43,689)
NET EXPENDITURE	(6,762)	0	(11,289)	(18,052)

2024/2025 ESTIMATES

**INNOVATION AND
CHANGE
DEPARTMENT**

SUMMARY: INNOVATION AND CHANGE DEPARTMENT

FULL TIME EQUIVALENTS (FTE)
Number of Permanent Staff
Number of Fixed term contracts
Total FTE

2023/24	2024/25
251.0	266.8
13.0	32.9
264.0	299.8

SERVICE AREA ANALYSIS

	CHANGE BETWEEN YEARS			2024/25 Estimate £000
	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	
Senior Management	0	16	139	155
Customers, Policy and Improvement	2,257	297	1,045	3,599
Corporate Governance	474	133	582	1,189
HR	134	152	806	1,093
TOTAL EXPENDITURE	2,865	598	2,572	6,036
Contingency / Other	0	0	0	0
Capital Financing Adjustment	0	0	0	0
Levies	0	0	0	0
NET EXPENDITURE *	2,865	598	2,572	6,036

* Any difference due to roundings.

SUMMARY: INNOVATION AND CHANGE DEPARTMENT

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2023/24	2024/25
251.0	266.8
13.0	32.9
264.0	299.8

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	16,221	407	2,336	18,964
Premises	116	3	(4)	115
Transport	49	1	0	50
Supplies and Services	4,816	157	409	5,381
Third Party Payments	422	30	0	453
Transfer Payments	0	0	0	0
Support Services	1,625	0	8	1,633
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	23,250	598	2,749	26,596
Income				
Government Grants	(13)	0	0	(13)
Other Reimbursements and Contributions	(220)	0	0	(220)
Customer and Client Receipts	(12,296)	0	(1,740)	(14,035)
Interest	0	0	0	0
Recharges	(7,920)	0	0	(7,920)
Reserves	65	0	1,563	1,628
GROSS INCOME	(20,384)	0	(176)	(20,561)
NET EXPENDITURE	2,865	598	2,572	6,036

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(36)	0
Growth	366	1
Transfer between departments	679	0
Technical adjustments	(8)	16
Depreciation adjustments	0	0
Overheads adjustments	8	0
Use of reserves	1,563	19
TOTAL	2,572	35.8

Senior Management

Senior Management consists of the department's Executive Director's budget.

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2023/24	2024/25
2.0	2.0
0.0	0.0
2.0	2.0

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	0	9	139	148
Premises	0	0	0	0
Transport	0	0	0	0
Supplies and Services	0	7	0	7
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	0	0	0	0
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	0	16	139	155
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
GROSS INCOME	0	0	0	0
NET EXPENDITURE	0	16	139	155

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(36)	0.0
Growth	0	0.0
Transfer between departments	175	0.0
Technical adjustments	0	0.0
Depreciation adjustments	0	0.0
Overheads adjustments	0	0.0
Use of reserves	0	0.0
TOTAL	139	0.0

Customers, Policy and Improvement

The Customers, Policy and Improvement Division consists of: Merton Link (including the Cash Office, Translation Services and Contact Centre), Registrars, Corporate Communications, Policy and Strategy, Information Team, Web Team and Consultation & Community Engagement

FULL TIME EQUIVALENTS (FTE)

	2023/24	2024/25
Number of Permanent Staff	53.8	55.1
Number of Fixed term contracts	1.0	6.0
Total FTE	54.8	61.1

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	3,270	197	33	3,500
Premises	99	3	0	102
Transport	2	0	0	2
Supplies and Services	3,065	92	17	3,174
Third Party Payments	171	5	0	176
Transfer Payments	0	0	0	0
Support Services	718	0	0	718
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	7,326	297	49	7,672
Income				
Government Grants	(13)	0	0	(13)
Other Reimbursements and Contributions	(3)	0	0	(3)
Customer and Client Receipts	(1,014)	0	(61)	(1,076)
Interest	0	0	0	0
Recharges	(4,039)	0	0	(4,039)
Reserves	0	0	1,057	1,057
GROSS INCOME	(5,069)	0	996	(4,073)
NET EXPENDITURE	2,257	297	1,045	3,599

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	0
Growth	191	1
Transfer between departments	(42)	0.0
Technical adjustments	(162)	0.3
Depreciation adjustments	0	0.0
Overheads adjustments	0	0.0
Use of reserves	1,057	5.0
TOTAL	1,045	6.3

CORPORATE GOVERNANCE

The Corporate Governance Division consists of Internal Audit, Investigations, Democracy Services, Electoral Services and SLLp (South London Legal Partnership)

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2023/24	2024/25
159.7	174.2
6.0	7.0
165.7	181.2

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	10,840	78	1,827	12,746
Premises	5	0	0	5
Transport	42	0	1	44
Supplies and Services	1,614	54	386	2,054
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	542	0	8	550
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	13,043	133	2,223	15,399
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(130)	0	0	(130)
Customer and Client Receipts	(10,885)	0	(1,678)	(12,564)
Interest	0	0	0	0
Recharges	(1,554)	0	0	(1,554)
Reserves	0	0	37	37
GROSS INCOME	(12,569)	0	(1,641)	(14,211)
NET EXPENDITURE	474	133	582	1,189

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	0.0
Growth	25	0.0
Transfer between departments	393	0.0
Technical adjustments	118	14.5
Depreciation adjustments	0	0.0
Overheads adjustments	8	0.0
Use of reserves	37	1.0
TOTAL	582	15.5

HR

The HR division consists of: Strategic HR, Business Partnerships, Corporate Learning & Development, Diversity, iTrent Client team, Recruitment & Resourcing, Central Operations Team. The function also interfaces with Staff Side.

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff
Number of Fixed term contracts
Total FTE

2023/24	2024/25
35.5	35.6
6.0	19.9
41.5	55.5

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	2,111	123	337	2,571
Premises	12	0	(5)	8
Transport	5	0	(1)	4
Supplies and Services	136	4	6	146
Third Party Payments	251	25	0	276
Transfer Payments	0	0	0	0
Support Services	365	0	0	365
Depreciation and Impairment Losses				0
GROSS EXPENDITURE	2,880	152	337	3,370
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(87)	0	0	(87)
Customer and Client Receipts	(396)	0	0	(396)
Interest	0	0	0	0
Recharges	(2,327)	0	0	(2,327)
Reserves	65	0	469	534
GROSS INCOME	(2,746)	0	469	(2,277)
NET EXPENDITURE	134	152	806	1,093

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	0.0
Growth	150	0.0
Transfer between departments	152	0.0
Technical adjustments	35	1.0
Depreciation adjustments	0	0.0
Overheads adjustments	0	0.0
Use of reserves	469	12.9
TOTAL	806	14.0

2024/2025 ESTIMATES

**FINANCE AND DIGITAL
DEPARTMENT**

SUMMARY: FINANCE AND DIGITAL DEPARTMENT

FULL TIME EQUIVALENTS (FTE)
Number of Permanent Staff
Number of Fixed term contracts
Total FTE

2023/24	2024/25
221.4	217.6
24.0	29.0
245.4	246.6

SERVICE AREA ANALYSIS

CHANGE BETWEEN YEARS				
2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	
Infrastructure & Technology	1,360	356	751	2,467
Resources	3,608	641	277	4,525
Corporate Items	6,298	157	1,733	8,189
TOTAL EXPENDITURE	11,266	1,154	2,761	15,181
Contingency / Other	0	0	0	0
Capital Financing Adjustment	0	0	0	0
Levies	0	0	0	0
NET EXPENDITURE *	11,266	1,154	2,761	15,181

* Any difference due to roundings.

SUMMARY: FINANCE AND DIGITAL DEPARTMENT

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2023/24	2024/25
221.4	217.6
24.0	29.0
245.4	246.6

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	13,356	709	433	14,498
Premises	32	1	0	33
Transport	144	4	0	148
Supplies and Services	7,236	385	898	8,518
Third Party Payments	911	55	(208)	758
Transfer Payments	58,747	0	(3,127)	55,620
Support Services	9,330	0	(8)	9,322
Depreciation and Impairment Losses	1,980	0	13	1,993
GROSS EXPENDITURE	91,735	1,154	(1,999)	90,890
Income				
Government Grants	(61,043)	0	4,127	(56,916)
Other Reimbursements and Contributions	(1,543)	0	298	(1,245)
Customer and Client Receipts	(3,090)	0	(5)	(3,095)
Interest	0	0	0	0
Recharges	(14,893)	0	0	(14,893)
Reserves	100	0	340	440
GROSS INCOME	(80,469)	0	4,760	(75,709)
NET EXPENDITURE	11,266	1,154	2,761	15,181

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(80)	0
Growth	670	2
Transfer between departments	1,818	1
Technical adjustments	8	(2)
Depreciation adjustments	13	0
Overheads adjustments	(8)	0
Use of reserves	340	0
TOTAL	2,761	1.2

INFRASTRUCTURE & TECHNOLOGY

The Infrastructure & Technology Division consists of Commercial Services, IT Service Delivery, Business Systems, Client Financial Affairs and Transactional services.

FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2023/24	2024/25
83.7	83.9
19.0	20.0
102.7	103.9

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	4,612	256	166	5,034
Premises	30	1	0	31
Transport	7	0	0	7
Supplies and Services	3,287	99	252	3,639
Third Party Payments	0	0	0	0
Transfer Payments	10	0	0	10
Support Services	1,069	0	0	1,069
Depreciation and Impairment Losses	1,980	0	13	1,993
GROSS EXPENDITURE	10,996	356	431	11,783
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(35)	0	0	(35)
Customer and Client Receipts	(755)	0	0	(755)
Interest	0	0	0	0
Recharges	(8,907)	0	0	(8,907)
Reserves	60	0	320	380
GROSS INCOME	(9,636)	0	320	(9,316)
NET EXPENDITURE	1,360	356	751	2,467

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(40)	0.0
Growth	0	0.0
Transfer between departments	328	0.0
Technical adjustments	130	1.2
Depreciation adjustments	13	0.0
Overheads adjustments	0	0.0
Use of reserves	320	0.0
TOTAL	751	1.2

RESOURCES

The Resources Division consists of Accountancy, Insurance, Treasury, Local Taxation, Bailiffs, Benefits Administration and Support team.

FULL TIME EQUIVALENTS

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

	2023/24	2024/25
Number of Permanent Staff	137.7	132.7
Number of Fixed term contracts	5.0	9.0
Total FTE	142.7	141.7

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	7,578	418	128	8,124
Premises	2	0	0	2
Transport	137	4	0	141
Supplies and Services	2,987	164	44	3,195
Third Party Payments	911	55	(208)	758
Transfer Payments	0	0	0	0
Support Services	2,049	0	0	2,049
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	13,664	641	(36)	14,269
Income				
Government Grants	(1,039)	0	0	(1,039)
Other Reimbursements and Contributions	(1,508)	0	298	(1,210)
Customer and Client Receipts	(2,336)	0	(5)	(2,341)
Interest	0	0	0	0
Recharges	(5,214)	0	0	(5,214)
Reserves	40	0	20	60
GROSS INCOME	(10,057)	0	313	(9,744)
NET EXPENDITURE	3,608	641	277	4,525

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(40)	0
Growth	30	1
Transfer between departments	387	1
Technical adjustments	(120)	(3)
Depreciation adjustments	0	0
Overhead adjustments	0	0
Use of Reserves	20	0
TOTAL	277	(1.0)

CORPORATE ITEMS

Corporate Management is composed of Housing Benefit subsidy payments and entitlements, Democratic Representation & Management, Coroners Court and Severance payments.

FULL TIME EQUIVALENTS(FTE) Number of Permanent Staff

2023/24	2024/25
0	1

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,165	35	140	1,340
Premises	0	0	0	0
Transport	0	0	0	0
Supplies and Services	961	123	601	1,684
Third Party Payments	0	0	0	0
Transfer Payments	58,736	0	(3,127)	55,609
Support Services	6,212	0	(8)	6,204
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	67,075	157	(2,394)	64,838
Income				
Government Grants	(60,004)	0	4,127	(55,877)
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	(772)	0	0	(772)
Reserves	0	0	0	0
GROSS INCOME	(60,776)	0	4,127	(56,649)
NET EXPENDITURE	6,298	157	1,733	8,189

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	0.0
Growth	640	1.0
Transfer between departments	1,103	0.0
Technical adjustments	(2)	0.0
Depreciation Adjustment	0	0.0
Overheads adjustments	(8)	0.0
Use of Reserves	0	0.0
TOTAL	1,733	1.0

2024/2025 ESTIMATES

**HOUSING AND
SUSTAINABLE
DEVELOPMENT
DEPARTMENT**

SUMMARY: HOUSING & SUSTAINABLE DEVELOPMENT

FULL TIME EQUIVALENTS (FTE)

Permanent Staff
Fixed Term Contract
Total FTE

2023/24	2024/25
135	148
0	0
135	148

SERVICE AREA ANALYSIS

Building & Planning
Facilities
Housing
Property Management/Assets
Regeneration
Senior Management and Support

TOTAL EXPENDITURE

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Building & Planning	714	85	180	980
Facilities	435	311	1,118	1,864
Housing	4,347	212	60	4,619
Property Management/Assets	(2,093)	38	30	(2,026)
Regeneration	1,875	145	(153)	1,867
Senior Management and Support	0	29	(29)	0
TOTAL EXPENDITURE	5,279	821	1,206	7,305

HOUSING & SUSTAINABLE DEVELOPMENT

Departmental Summary

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
135	148
0	0
135	148

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	7,076	550	1,218	8,843
Premises	3,222	86	748	4,055
Transport	74	2	2	78
Supplies and Services	2,381	71	39	2,491
Third Party Payments	3,934	111	(1)	4,044
Transfer Payments	530	0	0	530
Support Services	2,431	0	213	2,643
Depreciation and Impairment Losses	3,115	0	61	3,176
GROSS EXPENDITURE	22,762	821	2,278	25,861
Income				
Government Grants	(223)	0	0	(223)
Other Reimbursements and Contributions	(3,209)	0	(50)	(3,259)
Customer and Client Receipts	(9,643)	0	(743)	(10,386)
Interest	0	0	0	0
Recharges	(4,663)	0	(90)	(4,753)
Reserves	255	0	(190)	65
GROSS INCOME	(17,483)	0	(1,073)	(18,556)
NET EXPENDITURE	5,279	821	1,206	7,306

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	61	0.00
Growth	806	0.00
Inflation	820	0.00
Overheads adjustments	(144)	0.00
Savings	(649)	0.00
Technical adjustments	1,379	0.00
Transfers between departments	(59)	0.00
Use of Reserves adjustments	(190)	0.00
TOTAL*	2,026	0.00

* Any difference due to roundings.

HOUSING & SUSTAINABLE DEVELOPMENT

Building & Planning: Building Control, Planning including Enforcement

FULL TIME EQUIVALENTS (FTE)
Permanent Staff
Fixed Term Contract
Total FTE

2023/24	2024/25
36	36
36	36

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,945	77	255	2,277
Premises	0	0	0	0
Transport	23	1	0	23
Supplies and Services	251	8	16	275
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	613	0	94	707
Depreciation and Impairment Losses		0	0	0
GROSS EXPENDITURE	2,832	85	365	3,282
Income				
Government Grants		0	0	0
Other Reimbursements and Contributions		0	0	0
Customer and Client Receipts	(2,117)	0	(185)	(2,302)
Interest		0	0	0
Recharges		0	0	0
Reserves		0	0	0
GROSS INCOME	(2,117)	0	(185)	(2,302)
NET EXPENDITURE	714	85	180	980

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	0	
Growth	390	
Inflation	85	
Overheads adjustments	94	
Savings	(320)	
Technical adjustments	16	
Transfers between departments	0	
Use of Reserves adjustments	0	
TOTAL*	265	0.0

* Any difference due to roundings.

HOUSING & SUSTAINABLE DEVELOPMENT

Facilities Management

FULL TIME EQUIVALENTS (FTE)
Permanent Staff
Fixed Term Contract
Total FTE

2023/24	2024/25
36	36
36	36

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,443	204	153	1,800
Premises	2,581	66	636	3,284
Transport	17	1	2	20
Supplies and Services	1,228	37	88	1,353
Third Party Payments	108	3	0	111
Transfer Payments	0	0	0	0
Support Services	586	0	0	586
Depreciation and Impairment Losses	656	0	62	718
GROSS EXPENDITURE	6,618	311	942	7,871
Income				
Government Grants	(0)	0	0	(0)
Other Reimbursements and Contributions	(147)	0	0	(147)
Customer and Client Receipts	(1,569)	0	147	(1,422)
Interest	0	0	0	0
Recharges	(4,663)	0	219	(4,444)
Reserves	195	0	(190)	5
GROSS INCOME	(6,183)	0	176	(6,007)
NET EXPENDITURE	435	311	1,118	1,864

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	62	
Growth	366	
Inflation	311	
Overheads adjustments	0	
Savings	(92)	
Technical adjustments	971	
Transfers between departments	0	
Use of Reserves adjustments	(190)	
TOTAL*	1,429	0

* Any difference due to roundings.

HOUSING & SUSTAINABLE DEVELOPMENT

Housing General Fund:

This service provides a statutory housing functions which includes prevention, relief of homelessness, enforcement of regulations for the private rented sector and the provision of mandatory grant assistance for improvements and adaptations via the Disabled Facilities Grant.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
33	46
33	46

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,924	92	583	2,600
Premises	67	2	0	69
Transport	32	1	0	33
Supplies and Services	229	9	97	336
Third Party Payments	3,824	108	0	3,932
Transfer Payments	530	0	0	530
Support Services	369	0	0	369
Depreciation and Impairment Losses	68	0	10	77
GROSS EXPENDITURE	7,044	212	690	7,946
Income				
Government Grants	(223)	0	0	(223)
Other Reimbursements and Contributions	(2,108)	0	0	(2,108)
Customer and Client Receipts	(365)	0	(630)	(995)
Recharges	0	0	0	0
Reserves	0	0	0	0
GROSS INCOME	(2,696)	0	(630)	(3,327)
NET EXPENDITURE	4,347	212	60	4,619

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	10	
Growth	50	
Inflation	212	
Overheads adjustments	0	
Savings	0	
Technical adjustments	0	
Transfers between departments	0	
Use of Reserves adjustments	0	
TOTAL*	272	0.0

* Any difference due to roundings.

HOUSING & SUSTAINABLE DEVELOPMENT

Property Management

FULL TIME EQUIVALENTS

Number of FTE Staff
 Number of Fixed Term Contract
Total FTE

2023/24	2024/25
6	6
6	6

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	329	23	3	354
Premises	298	10	98	405
Transport	1	0	0	1
Supplies and Services	181	5	0	186
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	501	0	62	563
Depreciation and Impairment Losses	2,342	0	(10)	2,332
GROSS EXPENDITURE	3,652	38	152	3,842
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(567)	0	(47)	(614)
Customer and Client Receipts	(5,178)	0	(75)	(5,253)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
GROSS INCOME	(5,745)	0	(122)	(5,867)
NET EXPENDITURE	(2,093)	38	30	(2,026)

Other Variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	(10)	
Growth	0	
Inflation	38	
Overheads adjustments	15	
Savings	(72)	
Technical adjustments	98	
Transfers between departments	0	
TOTAL	68	0.00

HOUSING & SUSTAINABLE DEVELOPMENT

Regeneration: Physical Regeneration, Spatial Planning and Policy, Regeneration Partnerships.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
23	23
0	0
23	23

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,436	125	(57)	1,504
Premises	276	8	13	297
Transport	0	0	0	0
Supplies and Services	492	12	(163)	342
Third Party Payments	1	0	(1)	0
Transfer Payments	0	0	0	0
Support Services	362	0	57	418
Depreciation and Impairment Losses	49	0	0	49
GROSS EXPENDITURE	2,616	145	(151)	2,610
Income				
Government Grants		0	0	0
Other Reimbursements and Contributions	(387)	0	(3)	(389)
Customer and Client Receipts	(414)	0	0	(414)
Recharges		0	0	0
Reserves	60	0	0	60
GROSS INCOME	(741)	0	(3)	(743)
NET EXPENDITURE	1,875	145	(153)	1,867

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	0	
Growth	0	
Inflation	145	
Overheads adjustments	57	
Savings	(165)	
Technical adjustments	13	
Transfers between departments	(59)	
Use of Reserves adjustments	0	
TOTAL*	(8)	0.0

* Any difference due to roundings.

HOUSING & SUSTAINABLE DEVELOPMENT

Senior Management and Support: The Department's senior management and secretarial support, and Business Performance.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
2	2
0	0
2	2

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	0	29	280	309
Premises	0	0	0	0
Transport	0	0	0	0
Supplies and Services	0	0	0	0
Third Party Payments	0	0	0	0
Transfer Payments	0	0	0	0
Support Services	0	0	0	0
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	0	29	280	309
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Recharges	0	0	(309)	(309)
Reserves	0	0	0	0
GROSS INCOME	0	0	(309)	(309)
NET EXPENDITURE	0	29	(29)	0

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments		
Growth		
Inflation	29	
Overheads adjustments	(309)	
Savings		
Technical adjustments	280	
Transfers between departments		
Use of Reserves adjustments		
TOTAL*	0	0.0

* Any difference due to roundings.

2024/2025 ESTIMATES

**ENVIRONMENT, CIVIC
PRIDE AND CLIMATE
DEPARTMENT**

**SUMMARY: ENVIRONMENT, CIVIC PRIDE & CLIMATE
DEPARTMENT**

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
365	403
2	0
367	403

SERVICE AREA ANALYSIS

Public Space, Contracting & Commissioning

Public Protection and Development

Sustainable Communities

Libraries

Senior Management and Support

TOTAL EXPENDITURE

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Public Space, Contracting & Commissioning	19,632	1,214	1,343	22,188
Public Protection and Development	(12,562)	338	2,517	(9,707)
Sustainable Communities	10,611	191	1,298	12,099
Libraries	3,156	76	115	3,347
Senior Management and Support	17	202	(219)	(0)
TOTAL EXPENDITURE	20,853	2,020	5,054	27,929

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT

Departmental Summary

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
365	403
2	0
367	403

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	19,417	1,894	638	21,949
Premises	3,586	120	1,108	4,814
Transport	1,304	9	38	1,350
Supplies and Services	22,249	676	(210)	22,715
Third Party Payments	3,522	102	121	3,746
Transfer Payments	0	0	0	0
Support Services	6,491	0	508	6,999
Depreciation and Impairment Losses	11,085	0	156	11,241
GROSS EXPENDITURE	67,654	2,801	2,359	72,815
Income				
Government Grants	(49)	0	0	(49)
Other Reimbursements and Contributions	(11,851)	(496)	423	(11,923)
Customer and Client Receipts	(33,319)	(285)	1,435	(32,169)
Interest	0	0	0	0
Recharges	(1,808)	0	(352)	(2,160)
Reserves	226	0	1,189	1,415
GROSS INCOME	(46,801)	(781)	2,695	(44,887)
NET EXPENDITURE	20,853	2,020	5,054	27,929

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	156	0.00
Growth	2,381	0.00
Inflation	2,271	0.00
Overheads adjustments	156	0.00
Savings	(522)	0.00
Technical adjustments	1,384	0.00
Transfers between departments	59	0.00
Use of Reserves adjustments	1,189	0.00
	#REF!	#REF!
	0	0.00
TOTAL*	#REF!	#REF!

* Any difference due to roundings.

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT

Public Space, Contracting, and Commissioning:

Greenspaces, Leisure & Culture, Transport Services, and Waste Management and Operations.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
71	82
1	
72	82

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	3,629	521	(9)	4,141
Premises	1,504	63	722	2,289
Transport	1,066	1	40	1,108
Supplies and Services	18,114	551	(121)	18,545
Third Party Payments	2,661	77	126	2,865
Transfer Payments	0	0	0	0
Support Services	1,540	0	124	1,664
Depreciation and Impairment Losses	3,105	0	117	3,222
GROSS EXPENDITURE	31,621	1,214	998	33,833
Income				
Government Grants	(49)	0	0	(49)
Other Reimbursements and Contributions	(5,124)	0	336	(4,788)
Customer and Client Receipts	(6,816)	0	9	(6,807)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	(0)	0	0	(0)
GROSS INCOME	(11,989)	0	345	(11,644)
NET EXPENDITURE	19,632	1,214	1,343	22,188

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	117	
Growth	336	
Inflation	1,214	
Overheads adjustments	124	
Savings	(132)	
Technical adjustments	898	
Transfers between departments	0	
Use of Reserves adjustments	0	
TOTAL*	2,556	0.0

* Any difference due to roundings.

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT

Public Protection: Regulatory Services Partnership, Parking Control, Safer Merton.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
224	239
224	239

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	11,604	1,046	590	13,240
Premises	832	15	21	868
Transport	172	5	(2)	175
Supplies and Services	1,417	39	(100)	1,356
Third Party Payments	445	14	(1)	457
Transfer Payments	0	0	0	0
Support Services	3,135	0	328	3,463
Depreciation and Impairment Losses	433	0	6	439
GROSS EXPENDITURE	18,038	1,119	842	19,999
Income				
Government Grants	(0)			(0)
Other Reimbursements and Contributions	(5,897)	(496)	0	(6,393)
Customer and Client Receipts	(24,438)	(285)	1,711	(23,012)
Interest	0			0
Recharges	(299)			(299)
Reserves	36		(36)	0
GROSS INCOME	(30,599)	(781)	1,675	(29,705)
NET EXPENDITURE	(12,562)	338	2,517	(9,707)

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	5	
Growth	2,045	
Inflation	589	
Overheads adjustments	328	
Savings	61	
Technical adjustments	(138)	
Transfers between departments	0	
Use of Reserves adjustments	(36)	
TOTAL*	2,854	0

* Any difference due to roundings.

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT

Sustainable Communities*: Traffic and Highway Services, Development Control, Building Control, Physical Regeneration, Spatial Planning and Policy, Regeneration Partnerships, Property Management, Transport Planning & Safety Education.

* Greenspaces and Leisure & Development transferred to Public Space, Contracting & Commissioning.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
32	39
32	39

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	2,062	89	(72)	2,079
Premises	672	31	345	1,048
Transport	53	2		55
Supplies and Services	1,894	58	(47)	1,905
Third Party Payments	376	11	(4)	382
Transfer Payments	0			0
Support Services	1,106		56	1,162
Depreciation and Impairment Losses	6,987		(4)	6,984
GROSS EXPENDITURE	13,150	191	274	13,615
Income				
Government Grants	(1)	0	0	(1)
Other Reimbursements and Contributions	(744)		2	(741)
Customer and Client Receipts	(1,652)		(200)	(1,852)
Recharges	(333)		(4)	(337)
Reserves	190		1,225	1,415
GROSS INCOME	(2,540)	0	1,024	(1,516)
NET EXPENDITURE	10,611	191	1,298	12,099

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	(4)	
Growth	0	
Inflation	191	
Overheads adjustments	53	
Savings	(451)	
Technical adjustments	449	
Transfers between departments	27	
Use of Reserves adjustments	1,225	
TOTAL*	1,488	0.0

* Any difference due to roundings.

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT
Library & Heritage Services

This service is provided through three main town centre libraries, Mitcham, Morden, Wimbledon and four neighbourhood libraries, Colliers Wood, Pollards Hill, Raynes Park and West Barnes. There are also additional services available for home visits and there is a Heritage Service located at Morden Library. The Service has also ventured into securing small grants from various organisations to produce various activities .

FULL TIME EQUIVALENTS

Number of FTE Staff

Number of Fixed Term Contract

Total FTE

	2023/24	2024/25
Number of FTE Staff	30	32
Number of Fixed Term Contract	1	
Total FTE	31	32

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	1,306	45	0	1,350
Premises	576	11	20	607
Transport	4	0	0	5
Supplies and Services	580	19	58	658
Third Party Payments	38	1	0	39
Transfer Payments	0	0	0	0
Support Services	590	0	0	590
Depreciation and Impairment Losses	560	0	37	597
GROSS EXPENDITURE	3,653	76	115	3,845
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(85)	0	85	(0)
Customer and Client Receipts	(413)	0	(85)	(497)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
GROSS INCOME	(498)	0	0	(498)
NET EXPENDITURE	3,156	76	115	3,347

Other Variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	37	
Growth	0	
Inflation	76	
Overheads adjustments	0	
Savings	0	
Technical adjustments	78	
Transfers between departments	0	
Use of Reserves adjustments	0	
TOTAL	191	0.00

ENVIRONMENT, CIVIC PRIDE & CLIMATE DEPARTMENT

Senior Management and Support: The Department's senior management and secretarial support, and Business Performance.

FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2023/24	2024/25
8	10
0	0
8	10

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000
Expenditure				
Employees	816	194	130	1,139
Premises	1	0	0	1
Transport	8	0	0	8
Supplies and Services	244	7	0	252
Third Party Payments	3	0	0	3
Transfer Payments	0	0	0	0
Support Services	120	0	0	120
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	1,192	202	130	1,523
Income				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Recharges	(1,175)	0	(348)	(1,523)
Reserves	0	0	0	0
GROSS INCOME	(1,175)	0	(348)	(1,523)
NET EXPENDITURE	17	202	(219)	(0)

Other variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments		
Growth		
Inflation	202	
Overheads adjustments	(348)	
Savings		
Technical adjustments	97	
Transfers between departments	32	
Use of Reserves adjustments		
TOTAL*	(146)	0.0

* Any difference due to roundings.

2024/2025 ESTIMATES

**CHILDREN, LIFELONG
LEARNING AND
FAMILIES
DEPARTMENT**

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

This Page contains the Budget for the whole Children, Schools and Families Department including funding provided directly to Merton's Schools

FULL TIME EQUIVALENTS

	2023/24	2023/24
Number of Permanent Staff	487.5	447.9
Number of DSG Staff	101.7	80.9
Number of Fixed term contracts	0.0	7.2
Total FTE	589.2	536.0

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	33,133	1,531	1,920	36,584	7,298	29,286
Premises	1,417	108	177	1,701	161	1,540
Transport	8,551	259	(519)	8,291	51	8,240
Supplies and Services	175,405	251	32,197	207,853	182,937	24,916
Third Party Payments	34,621	420	(1,111)	33,931	18,695	15,236
Transfer Payments	0	0	0	0	0	0
Support Services	5,536	0	(45)	5,492	0	5,492
Depreciation and Impairment Losses	10,652	0	945	11,596	0	11,596
GROSS EXPENDITURE	269,315	2,569	33,564	305,448	209,141	96,306
Income						
Government Grants	(189,246)	0	(31,285)	(220,531)	(206,308)	(14,223)
Other Reimbursements and Contributions	(8,064)	0	(77)	(8,141)	(2,224)	(5,917)
Customer and Client Receipts	(2,394)	0	(136)	(2,529)	(609)	(1,920)
Interest	0	0	0	0	0	0
Recharges	(46)	0	0	(46)	0	(46)
Reserves	0	0	0	0	0	0
			0	0	0	0
GROSS INCOME	(199,749)	0	(31,498)	(231,248)	(209,141)	(22,106)
NET EXPENDITURE	69,565	2,569	2,065	74,200	(0)	74,200

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(239)	
Growth	187	
Overhead adjustments	0	
Depreciation adjustments	945	
Transfer between departments	(45)	
Use of Reserves adjustment	105	
NNDR Adjustments	5	
Technical adjustments	1,107	
TOTAL	2,065	0

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT						
SERVICE AREA ANALYSIS	2023/24		Other	2024/25	2024/25	2024/25
	Estimate	Inflation	Variations	Estimate	DSG	LA
	£000	£000	£000	£000	Estimate	Estimate
					£000	£000
Senior Management	1,743	53	158	1,953	0	1,953
Childrens Social Care	25,394	914	1,456	27,763	52	27,711
Education	48,615	1,235	(71)	49,778	28,530	21,249
Schools	(17,653)	0	164	(17,489)	(28,582)	11,092
Other Childrens, Schools and Fam	11,467	368	359	12,194	0	12,194
TOTAL NET EXPENDITURE	69,565	2,569	2,065	74,200	(0)	74,200

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

Senior Management

This budget contains provision for the Senior Management of Children, Schools and Families Department.

FULL TIME EQUIVALENTS

Number of Permanent Staff
 Number of DSG Staff
 Number of Fixed term contracts
 Total FTE

2023/24	2023/24
3.0	3.0
0.0	0.0
0.0	0.0
3.0	3.0

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	566	19	158	742	0	742
Premises	0	0	0	0	0	0
Transport	3	0	0	4	0	4
Supplies and Services	1,139	34	0	1,173	0	1,173
Third Party Payments	3	0	0	3	0	3
Transfer Payments	0	0	0	0	0	0
Support Services	32	0	0	32	0	32
Depreciation and Impairment Losses	0	0	0	0	0	0
GROSS EXPENDITURE	1,743	53	158	1,953	0	1,953
Income						
Government Grants	0	0	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0	0	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
GROSS INCOME	0	0	0	0	0	0
NET EXPENDITURE	1,743	53	158	1,953	0	1,953

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	
Overhead adjustments	0	
Transfer between departments	0	
NNDR Adjustments	0	
Technical adjustments	158	
TOTAL	158	0.0

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

Children's Social Care

This budget contains the funding for central social work; family and adolescent service; corporate parenting; on; permanency, placements and looked after children; as well as safeguarding, standards and training.

FULL TIME EQUIVALENTS

Number of Permanent Staff
Number of DSG Staff
Number of Fixed term contracts
Total FTE

2022/23	2023/24
226.5	204.8
1.0	1.0
	7.2
227.5	213.0

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	12,863	591	87	13,540	51	13,489
Premises	9	0	105	114	0	114
Transport	195	11	(4)	202	1	201
Supplies and Services	470	14	(133)	351	0	351
Third Party Payments	9,792	298	1,022	11,112	0	11,112
Transfer Payments	0	0	0	0	0	0
Support Services	3,108	0	(3)	3,105	0	3,105
Depreciation and Impairment Losses	0	0	0	0	0	0
GROSS EXPENDITURE	26,435	914	1,074	28,423	52	28,372
Income						
Government Grants	(825)	0	382	(443)	0	(443)
Other Reimbursements and Contributions	(96)	0	0	(96)	0	(96)
Customer and Client Receipts	(121)	0	0	(121)	0	(121)
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
GROSS INCOME	(1,042)	0	382	(660)	0	(660)
NET EXPENDITURE	25,394	914	1,456	27,763	52	27,711

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	
Growth	662	
Transfer between departments	0	
Overhead adjustments	0	
Depreciation adjustments	0	
Use of Reserves adjustment	105	
Technical adjustments	689	
TOTAL	1,456	0.0

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

Education

This page contains the budgets for school improvement; early years and children's centres; education inclusion; merton adult learning; as well as special educational needs and disability integrated service.

FULL TIME EQUIVALENTS

Number of Permanent Staff
Number of DSG Staff
Number of Fixed term contracts
Total FTE

2023/24	2023/24
241.5	224.7
99.7	78.9
0.0	0.0
341.2	303.6

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	16,781	851	1,686	19,319	6,420	12,899
Premises	674	22	68	765	16	748
Transport	8,350	249	(515)	8,083	50	8,033
Supplies and Services	5,392	60	1,286	6,739	4,602	2,137
Third Party Payments	22,329	52	(2,133)	20,248	18,539	1,709
Transfer Payments	0	0	0	0	0	0
Support Services	2,256	0	(230)	2,026	0	2,026
Depreciation and Impairment Losses	454	0	50	504	0	504
GROSS EXPENDITURE	56,237	1,235	212	57,684	29,627	28,056
Income						
Government Grants	(2,740)	0	(26)	(2,766)	(92)	(2,674)
Other Reimbursements and Contributions	(2,688)	0	(122)	(2,810)	(397)	(2,413)
Customer and Client Receipts	(2,194)	0	(136)	(2,330)	(609)	(1,720)
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
GROSS INCOME	(7,622)	0	(284)	(7,905)	(1,098)	(6,808)
NET EXPENDITURE	48,615	1,235	(71)	49,778	28,530	21,249

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(239)	
Growth	(475)	
Overhead adjustments	0	
Transfer between departments	(45)	
Use of Reserves adjustment	0	
NNDR Adjustments	5	
Depreciation adjustments	50	
Technical adjustments	633	
TOTAL	(71)	0.0

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

Schools

This budget covers schools funding as well as some centrally retained DSG money to support the schools function.

FULL TIME EQUIVALENTS

Number of Permanent Staff
Number of DSG Staff
Number of Fixed term contracts
Total FTE

2023/24	2024/24
0.0	0.0
1.0	1.0
0.0	0.0
1.0	1.0

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	922	0	(96)	826	826	0
Premises	142	0	3	145	145	0
Transport	0	0	0	0	0	0
Supplies and Services	157,282	0	30,958	188,240	178,335	9,905
Third Party Payments	156	0	0	156	156	0
Transfer Payments	0	0	0	0	0	0
Support Services	0	0	0	0	0	0
Depreciation and Impairment Losses	10,198	0	895	11,092	0	11,092
GROSS EXPENDITURE	168,700	0	31,760	200,460	179,462	20,998
Income						
Government Grants	(184,481)	0	(31,641)	(216,122)	(206,217)	(9,905)
Other Reimbursements and Contributions	(1,872)	0	45	(1,827)	(1,827)	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
GROSS INCOME	(186,353)	0	(31,596)	(217,949)	(208,044)	(9,905)
NET EXPENDITURE	(17,653)	0	164	(17,489)	(28,582)	11,092

Other Variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	895	
Use of Reserves adjustment	0	
NNDR Adjustments	0	
Technical adjustments	(731)	
TOTAL	164	0.0

CHILDREN, LIFELONG LEARNING AND FAMILIES DEPARTMENT

Other Children, Lifelong Learning and Families Budgets

unitary charges.

FULL TIME EQUIVALENTS

Number of Permanent Staff
 Number of DSG Staff
 Number of Fixed term contracts
 Total FTE

2023/24	2023/24
16.5	15.3
0.0	0.0
0.0	0.0
16.5	15.3

	2023/24 Estimate £000	Inflation £000	Other Variations £000	2024/25 Estimate £000	2024/25 DSG Estimate £000	2024/25 LA Estimate £000
Expenditure						
Employees	2,001	70	85	2,156	0	2,156
Premises	592	86	0	678	0	678
Transport	3	0	0	3	0	3
Supplies and Services	11,122	142	85	11,349	0	11,349
Third Party Payments	2,342	70	0	2,412	0	2,412
Transfer Payments	0	0	0	0	0	0
Support Services	140	0	189	329	0	329
Depreciation and Impairment Losses	0	0	0	0	0	0
GROSS EXPENDITURE	16,200	368	359	16,927	0	16,927
Income						
Government Grants	(1,200)	0	0	(1,200)	0	(1,200)
Other Reimbursements and Contributions	(3,408)	0	0	(3,408)	0	(3,408)
Customer and Client Receipts	(79)	0	0	(79)	0	(79)
Interest	0	0	0	0	0	0
Recharges	(46)	0	0	(46)	0	(46)
Reserves	0	0	0	0	0	0
GROSS INCOME	(4,733)	0	0	(4,733)	0	(4,733)
NET EXPENDITURE	11,467	368	359	12,194	0	12,194

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	
Growth	0	
Transfer between departments	0	
Overhead adjustments	0	
Use of Reserves adjustment	0	
Technical adjustments	359	
TOTAL	359	0.0

2024/25 ESTIMATES

DEPARTMENT

**Adult Social Care, Integrated Care
and Public Health**

Adult Social Care, Integrated Care and Public Health

	2023/24	2024/25
Number of FTE Staff	416.66	430.79
Number of FTE TUPE staff	8.58	5.62
Number of Fixed Term contract	18.89	11.60
Total FTE	444.13	448.01

SERVICE AREA ANALYSIS

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Adult Social Care	67,987	2,867	8,922	79,776
Public Health*	0	0	0	0
NET EXPENDITURE	67,987	2,867	8,922	79,776

*- Funded by the Public Health Grant

Adult Social Care, Integrated Care and Public Health

The departmental Summary for Adult Social Care and Public Health.

FULL TIME EQUIVALENTS	2023/24	2024/25
Number of FTE Staff	416.66	430.79
Number of FTE TUPE staff	8.58	5.62
Number of Fixed Term contract	18.89	11.60
Total FTE	444.13	448.01

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Expenditure				
Employees	22,656	1,173	(72)	23,758
Premises	405	12	(117)	300
Transport	1,356	41	80	1,477
Supplies and Services	10,134	192	156	10,482
Third Party Payments	55,705	1,415	9,331	66,451
Transfer Payments	6,802	34	1,973	8,810
Support Services	8,950	0	(422)	8,527
Depreciation and Impairment Losses	166	0	16	182
GROSS EXPENDITURE	106,173	2,867	10,947	119,987
Income				
Government Grants	(11,764)	0	(1,099)	(12,863)
Other Reimbursements and Contributions	(12,032)	0	(827)	(12,859)
Customer and Client Receipts	(9,185)	0	(429)	(9,615)
Recharges	(5,204)	0	330	(4,874)
Reserves	0	0	0	0
GROSS INCOME	(38,186)	0	(2,025)	(40,211)
NET EXPENDITURE	67,987	2,867	8,922	79,776

Other Variations are analysed as follows:

Major Items	£000	fte
Salary	(72)	
Savings	(588)	
Growth	6,059	
Overheads adjustments	0	
Depreciation & NNDR adjustments	11	
Inflation	2,867	
Rebasing of Income	0	
Technical adjustments	1,284	
Transfers between departments	552	
Grants-social care	(727)	
Other	(463)	
TOTAL	8,922	0.00

Adult Social Care

Adult Social Care is divided into three areas:- 1) Access & Assessment includes the following services:- older people, mental health, learning & physical disability, concessionary, reablement, equipment and safeguarding services. 2) Commissioning which includes:- Contracts, brokerage and voluntary organisation. 3) Direct Provision which includes all in-house provisions.

FULL TIME EQUIVALENTS	2023/24	2024/25
Number of FTE Staff	400.64	412.69
Number of FTE TUPE staff	8.58	5.62
Number of Fixed Term Contract	11.40	5.00
Total FTE	420.62	423.31

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Expenditure				
Employees	20,932	1,173	21	22,127
Premises	402	12	(116)	298
Transport	1,354	41	80	1,475
Supplies and Services	6,594	192	1,155	7,941
Third Party Payments	48,667	1,415	7,049	57,132
Transfer Payments	6,802	34	1,973	8,810
Support Services	8,785	0	(422)	8,362
Depreciation and Impairment Losses	166	0	16	182
GROSS EXPENDITURE	93,703	2,867	9,756	106,327
Income				
Government Grants	(444)	0	(372)	(816)
Other Reimbursements and Contributions	(10,882)	0	(363)	(11,246)
Customer and Client Receipts	(9,185)	0	(429)	(9,615)
Interest	0	0	0	0
Recharges	(5,204)	0	330	(4,874)
Reserves	0	0	0	0
GROSS INCOME	(25,716)	0	(835)	(26,551)
NET EXPENDITURE	67,987	2,867	8,922	79,776

Other Variations are analysed as follows:

Major Items	£000	fte
Salaries	21	
Savings	(588)	
Growth- Social Care Funding, Market Sustainability, Social Care Precept	6,059	
Overheads adjustments	0	
Depreciation & NNDR adjustments	11	
Inflation	2,867	
Rebasing of Income	0	
Technical adjustments- Concessionary Fares	0	
Transfers between departments/Service	552	
Grants	0	
Other Income	0	
TOTAL	8,922	0.00

Public Health

Public Health services comprise of • Mandatory Services : Sexual health, NHS health checks, National Child Measurement Programme, Commissioning Support to CCG and the council, Health Protection Oversight and Health Intelligence including JSNA. • Universal Services : Smoking Cessation, Drugs and Alcohol, Obesity and Health Visiting Services, Improving Health and Wellbeing.

FULL TIME EQUIVALENTS	2023/24	2024/25
Number of FTE Staff	16.02	18.10
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contracts	7.49	6.60
Total FTE	23.51	24.70

SUBJECTIVE ANALYSIS OF ESTIMATES

	2023/24 Original Estimate £000	Inflation £000	Other Variations £000	2024/25 Original Estimate £000
Expenditure				
Employees	1,724	0	(93)	1,631
Premises	3	0	(1)	2
Transport	2	0	0	2
Supplies and Services	3,539	0	(998)	2,541
Third Party Payments	7,037	0	2,282	9,319
Transfer Payments	0	0	0	0
Support Services	165	0	0	165
Depreciation and Impairment Losses	0	0	0	0
GROSS EXPENDITURE	12,470	0	1,190	13,660
Income				
Government Grants	(11,320)	0	(727)	(12,047)
Other Reimbursements and Contributions	(1,150)	0	(463)	(1,613)
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
GROSS INCOME	(12,470)	0	(1,191)	(13,660)
NET EXPENDITURE	0	0	0	0

Other Variations are analysed as follows:

Major Items	£000	fte
Salary	(93)	
Savings	0	
Growth	0	
Overheads adjustments	0	
Depreciation adjustments	0	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	1,284	
Transfers between departments	0	
Grants Reduction/(Increase)	(727)	
Other Income	(463)	
TOTAL	(0)	0.00

Standard Subjective Analysis – The Key

The CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). SeRCOP applies to all local authority services throughout the United Kingdom .

The *Service Reporting Code of Practice* (SeRCOP) sets out guidelines for financial reporting, supplementing the principles and practice set out in the *Code of Practice on Local Authority Accounting in the United Kingdom*. It establishes proper practice with regard to consistent financial reporting below the statement of accounts level. It is prepared under International Financial Reporting Standards (IFRS) in accordance with the *Code of Practice on Local Authority Accounting*.

The aim is to ensure that there is consistent reporting of service costs and income across different service areas, thus building the framework for the production of comparative performance indicators. The code is revised annually to reflect changing circumstances across local authority services and changes in accounting standards.

The SeRCOP provides guidance in following areas:

- the definition of total cost
- service expenditure analysis – this provides service classifications and defines the mandatory divisions of service to which costs must be aggregated
- the recommended standard subjective analysis.

The **Recommended Standard Subjective Analysis** provides an analysis that is consistent with the subjective analysis required by government returns such as the Whole of Government Accounts.

Subjective Analysis (Source: Cipfa SeRCOP)**Groups** **Sub-groups****Employees**

This group includes the cost of employee expenses, both direct and indirect, to the authority.

Direct employee expenses and benefits

- Salaries
- Employer's National Insurance contributions
- Employer's retirement benefit costs:
 - current service costs
 - past service costs
 - settlements
- Agency staff
- Employee allowances (not including travel and subsistence)

Indirect employee expenses

- Relocation
- Interview
- Training
- Advertising
- Severance payments
- Employee-related schemes (eg welfare schemes, discount schemes)

Contributions to employee-related provisions

- Debits relating from soft loans - employees
- Employee expenses and benefits - Schools

Premises-related expenditure

This group includes expenses directly related to the running of premises and land.

- Repairs, alterations and maintenance of buildings
- Energy costs
- CRC allowances
- Rents
- Rates
- Water services
- Fixtures and fittings
- Apportionment of expenses of operational buildings
- Cleaning and domestic supplies
- Grounds maintenance costs
- Premises insurance
- Contributions to premises-related provisions

Transport-related expenditure

This group includes all costs associated with the provision, hire or use of transport, including travelling allowances and home to school transport.

Direct transport costs

- Repairs and maintenance, running costs and contributions to provisions in respect of vehicles, for example.
- Repairs and maintenance of (for example) roads are not included in this heading, but should be included in the relevant subjective headings (such as staff costs, supplies and services, etc).
- This could include the write-off in the year of any assets not deemed material by the authority's capital accounting policies (i.e. below de minimis thresholds set).

Recharges

Contract hire and operating leases

Public transport

Transport insurance

Car allowances

Contributions to transport-related provisions

Supplies and services

This group includes all direct supplies and service expenses to the authority.

Equipment, furniture and materials

- All items used in the operation or administration of the service, unless specifically contained in another sub-group (e.g. communications and computing). This could include the write-off in the year of any assets not deemed material by the authority's capital accounting policies (i.e. below de minimis thresholds set).

Catering

Clothes, uniform and laundry

Printing, stationery and general office expenses

Services

Communications and computing

Members' allowances

Expenses

Grants and subscriptions

Private Finance Initiative and Public Private Partnership schemes

Contributions to provisions

Miscellaneous expenses

Third party payments

A third party payment is a payment to an external provider or an internal service delivery unit defined as a trading operation – which is operating independently, in return for the provision of a service or a subdivision of service

- Independent units within the council; include services defined
- Joint authorities
- Other local authorities
- Health authorities
- Government departments
- Voluntary associations
- Other establishments
- Private contractors
- Other agencies
- Transport operators (in respect of concessionary fares)
- Debits relating from soft loans - third party payments

Transfer payments

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority. Four sub-groups are suggested; however, this list is not exhaustive.

- Schoolchildren and students
- Adult Social Services clients
- Housing benefits
- Debits relating from soft loans - transfer payments

Support services

Charges for services that support the provision of services to the public. The charges should be apportioned or allocated to the service divisions which they support .

- Finance
- IT
- Human Resources
- Property Management/Office Accommodation
- Legal Services
- Procurement Services
- Corporate Services
- Transport Functions

Depreciation and impairment losses

This provides the subjective analysis that will record the revenue impact of capital items in the service revenue accounts of the authority.

- Depreciation
- Revaluation losses
- Loss on impairment of assets

Amortisation of intangible fixed assets
 Movement in fair value of investment property

Income

This group includes all income received by the service from external users or by way of charges. This group also includes recharges to internal users

Government grants

- Specific and special government grants.

Other grants reimbursements and contributions

- Revenue income received to finance a function/project jointly or severally undertaken with other bodies.
- Contributions from other local authorities.
- Value of costs recharged to outside bodies including other committees.

Customer and client receipts

- Sales of products or materials, data technology or surplus products.
- Fees and charges for services, use of facilities, admissions and lettings.
- Rents, tithes, acknowledgements, way leaves and other land and property-based charges of a non-casual user.

Interest

Recharges

- Value of costs recharged to internal users.

Credits resulting from soft loans

- All credits resulting from soft loans should be included in this subjective group (as a corporate entry).

Capital financing costs

This group includes the corporate capital financing costs of the authority.

Interest payments

- Interest payments will include the interest element of payments made under on Balance Sheet PFI/PPP schemes

Debt management expenses

Risk Analysis for General Fund

- 1 The Council's draft budget for 2024/25, has been analysed to identify key areas of risk. Costs that are regarded as fixed have been disregarded along with Schools' budgets.

	£m
Employees	125.6
Premises Related Expenditure	11.0
Transport Related Expenditure	11.3
Supplies and Services exc. DSG	74.5
Third Party Payments	92.9
Transfer Payments	65.0
Incomes	
Government Grants exc. DSG	84.3
Other Grants, Reimbursements and Contributions	35.4
Customer and Client Receipts	71.2
Savings	
Low Deliverability Risk	2.1
Medium Deliverability Risk	1.6
High Deliverability Risk	0.2
DSG (based on deficit - December 2022 monitoring)	41.2
Safety Net Threshold	2.2
Price Inflation Risk (per 1% increase)	1.5
Total	619.9

2. In addition the savings proposals for 2024-28 have been assessed in terms of deliverable risk. The level of deliverable risk is:

Risk Rating	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total 2024-28 £000
Low	1,720	270	40	40	2,070
Medium	116	782	330	347	1,575
High	150	0	0	0	150
Total	1,986	1,052	370	387	3,795

3. Using the data available the levels of risk for the key areas have been assessed as shown in the following table:-

Risk Analysis 2024/25

	£m	Min %	Mid %	Max %
Employees	125.6	0.30	0.50	0.75
Premises Related Expenditure	11.0	1.50	2.50	3.50
Transport Related Expenditure	11.3	1.00	2.00	3.00
Supplies and Services exc. DSG	74.5	1.50	2.00	3.00
Third Party Payments	92.9	3.50	5.50	7.50
Transfer Payments	65.0	2.25	3.75	4.75
Incomes				
Government Grants exc. DSG	84.3	1.00	2.00	3.00
Other Grants, Reimbursements and Contributions	35.4	1.00	2.00	3.00
Customer and Client Receipts	71.2	2.00	3.00	4.00
Savings				
Low Deliverability Risk	2.1	1.50		
Medium Deliverability Risk	1.6		3.00	
High Deliverability Risk	0.2			7.50
DSG (based on deficit - December 2023 monitoring)	41.2	5.00	25.00	50.00
Safety Net Threshold	2.2	100.00	100.00	100.00
Price Inflation Risk (per 1% increase)	1.5	25.00	50.00	75.00
Total	619.9			

4. Applying the risk levels in the table above produces the following level of addressed risk:

Risk Analysis 2024/25

	£m	Min £m	Mid £m	Max £m
Employees	125.6	0.38	0.63	0.94
Premises Related Expenditure	11.0	0.17	0.28	0.39
Transport Related Expenditure	11.3	0.11	0.23	0.34
Supplies and Services exc. DSG	74.5	1.12	1.49	2.24
Third Party Payments	92.9	3.25	5.11	6.96
Transfer Payments	65.0	1.46	2.44	3.09
Incomes				
Government Grants exc. DSG	84.3	0.84	1.69	2.53
Other Grants, Reimbursements and Contributions	35.4	0.35	0.71	1.06
Customer and Client Receipts	71.2	1.42	2.14	2.85
Savings				
Low Deliverability Risk	2.1	0.0		
Medium Deliverability Risk	1.6		0.05	
High Deliverability Risk	0.2			0.01
DSG (based on deficit - December 2023 monitoring)	41.2	2.06	10.29	20.58
Safety Net Threshold	2.2	2.23	2.23	2.23
Price Inflation Risk (per 1% increase)	1.5	0.38	0.75	1.13
Total	619.9	13.80	28.01	44.34



Capital Strategy 2024-28



Information as at December 2023 Monitoring

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SECTION 2

Delivering Building a Better Merton Together

Merton as a borough has a huge amount to offer those who live, work or visit here. It is one of the greenest boroughs in London and has plenty of parks, green spaces and rivers offering easy access to nature. It is extremely well connected to central London, as well as neighbouring boroughs and the Surrey Hills. Each year, 500,000 visitors come to our borough to enjoy the Wimbledon Championships, which have been held since 1877 at the All-England Club. Merton is also proud to be the home once more of AFC Wimbledon in the Plough Lane stadium.

We are a growing and diverse borough – Merton is home to 215,187 people, an increase of 7% over the last 10 years, and the population is made up of a broad range of ethnicities. One third of residents were born outside the UK and the most common languages spoken after English are Polish, Tamil, Portuguese and Urdu, which reflects the Polish, European, South American and Asian communities across Merton.

We have always strived for Merton to be a great place to raise a family. There is excellent support for children and young people and all our secondary schools are rated either good or outstanding. We are one of the safest boroughs in London, and we have worked hard to prevent homelessness and maintain the lowest number of households in temporary accommodation of all London's boroughs. However, we know there is more to do to meet the expectations of our residents and make Merton a better place to live for everyone.

If we want to achieve the goal of building pride in Merton, this must be truly felt and experienced by all communities across the borough. Parts of Merton have higher levels of overcrowding, poorer health, deprivation and poverty and a greater proportion of lower-income households that are more affected by the cost-of-living emergency. We will target our delivery to address these disparities and to make sure that investment, support, and action goes to the right places and makes a difference.

We have shown that we work best when we work together and that will become even more important in the years ahead. The council cannot achieve these ambitions alone but will need to work closely and collaboratively with communities, businesses, and partners on a local and London-wide level to build a better Merton together.



Councillor Ross Garrod, Leader, Merton Council

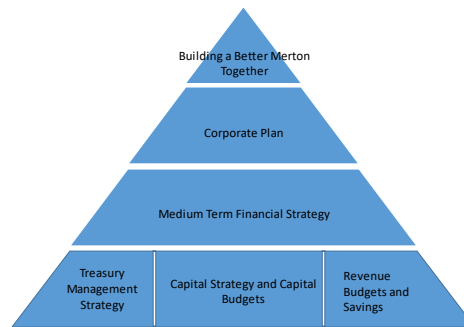


Councillor Billy Christie, Lead Member Finance & Corporate Services

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Strategic Planning Framework

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



The Corporate Plan is specific to Merton Council and sets out the council's vision and ambitions for improvement over the next four years and how this will be achieved. Corporate Planning and financial planning frameworks are closely aligned and integrated.

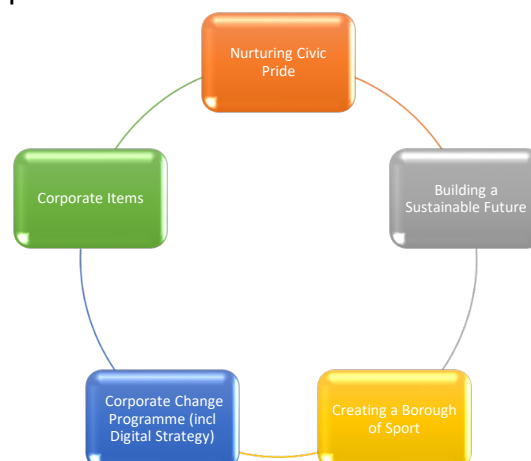
The Medium Term Financial Strategy (MTFS) is a 4 year plan which sets out our commitment to provide services that meet the needs of people locally, and represents good value for money. It links our council vision and priorities with forecasted resources and budgets. This shows how our finances will be structured and managed to ensure they support our priorities, and those of our partners. It incorporates the medium term impact on rate payers of activity within both the Capital Strategy and the Treasury Management Strategy.

Capital Strategy - The importance of having a meaningful and comprehensive Capital Strategy is recognized by the Chartered Institute of Public Finance and Accountancy's (CIPFA) in both its Prudential Code (2021) and Capital Strategy Guidance. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability.

Treasury Management Strategy (TMS) summarises the management of the council's cash flows, its banking, money market and capital market transactions and the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Strategic Themes

The Corporate Plan sets out the key themes, for analysing the capital programme two further areas have been added to the strategic priorities identified in this plan, they are the corporate change programme and corporate items:



SECTION 2

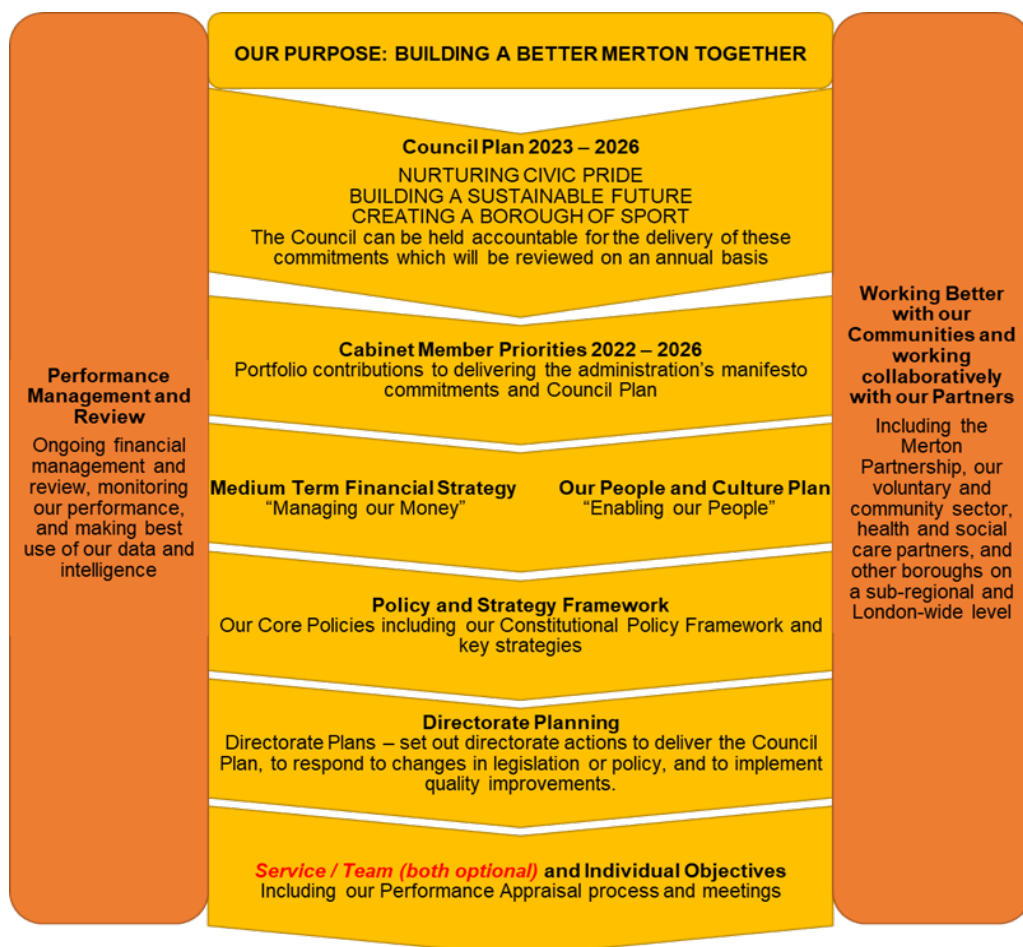
Underneath these five Themes sit a set of priorities which we would work with our partners to develop and deliver on. As a Council we continue to respond to these challenges making sure we position ourselves to recover as quickly as possible from its effects. Strong financial management is at the heart of the Capital Strategy enabling it to play a key role in the Council’s response.

Summary of the Number Strategic Priorities, Initiatives and Performance Indicators

Strategic Priority	Priorities	Initiatives	Indicators
Nurturing Civic Pride	9	37	13
Building a sustainable future	7	31	17
Creating a Borough of Sport	4	11	4
(Core service delivery)			13

The Golden Thread

The Golden Thread is a performance model that aligns business goals to measures of success. The Golden Thread is the link between vision, analysis, systems and people, amounting to a shared understanding of how the vision, goals and values of the organisation relate to daily work. The diagram details how this operates in Merton:



SECTION 2

Capital Strategy

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

In developing the Capital Strategy, clear linkages have also been identified with not only the Corporate Plan, MTFs and TMS but departmental service and commissioning plans beneath this. It reflects the capital investment implications of the approved objectives of those plans, which themselves reflect the council's proposals set out in service based strategies such as the Primary Places Strategy, Local Implementation Plan (Transport), and Asset Management Plans.



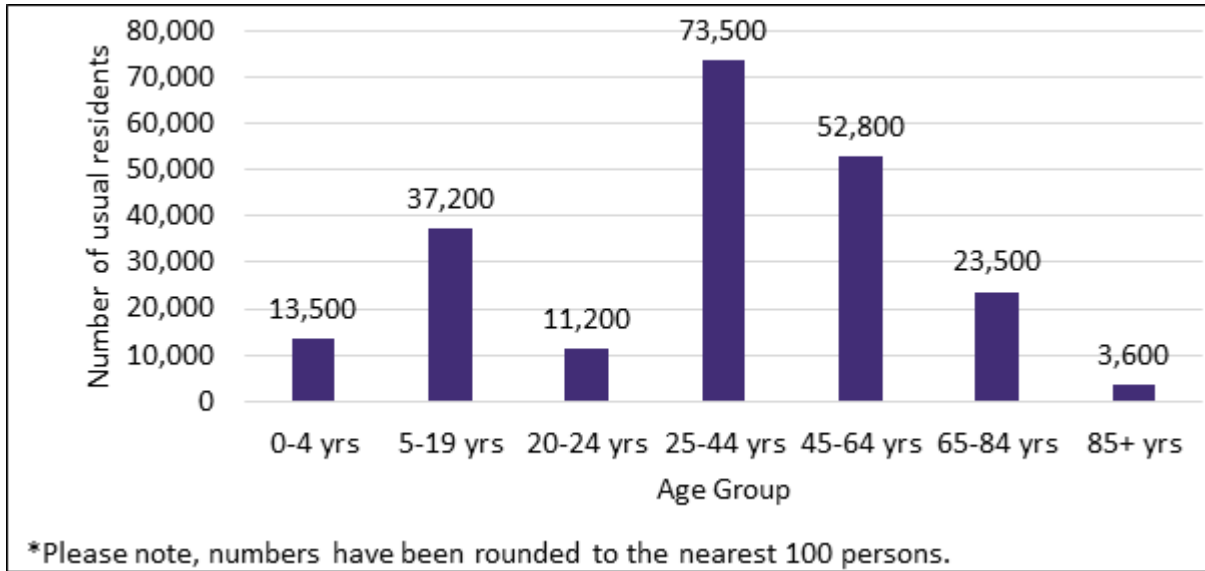
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Evidence of Need

Merton is an outer London borough. The 2021 Census data shows Merton's resident population as 215,200 (which is the actual number as opposed to a projection from previous years' data). In 2022 Merton had a resident population of 205,820 according to the housing led projections which is predicted to increase to 214,999 by 2035 (please note: projections based on the 2021 Census are not yet available).

According to the 2021 Census Merton has a higher number of young working age population (73,500) compared to the housing led projection (64,958)

The number of usual residents in the Merton population by age groups. Source: Office for National Statistics, Census Data 2021.

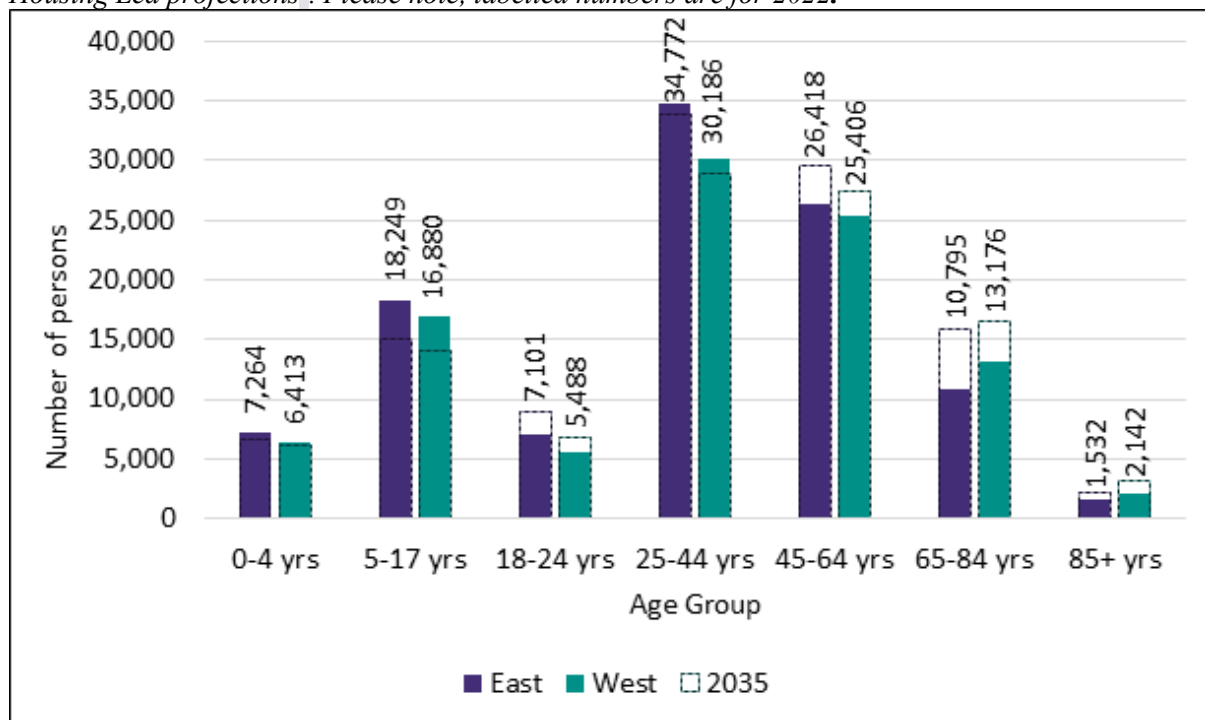


The Chart over the page represents the numbers of people by age group and East/West Merton as well as the projected numbers by 2035. Currently, East Merton has a younger population and a higher number of residents in the 25-44 year old working age population compared to West Merton with an older population and higher numbers of residents in the 65 year and over population. By 2035 projections indicate that East Merton will continue to have higher numbers in the younger working age population compared to West Merton, but numbers will be balanced in the older age group population between East and West Merton.

The population of younger age groups (0-17 year olds) is projected to decrease from 48,806 in 2022 to 41,950 by 2035, the working age groups (25-64 years) is projected to increase from 116,782 in 2022 to 119,655 by 2035 and the population of older age (65 years and over) is projected to increase from 27,645 in 2022 to 37,713 by 2035.

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Numbers of residents in East and West Merton by age group in 2022 including 2035 projections, Merton Housing Led projections¹. Please note, labelled numbers are for 2022.



By 2035, the largest increases in the numbers of residents can be seen generally in the older age groups, whereas children and young people aged 5-17 years will decrease. Local research supports the increasing need identified in the London Plan for housing designed for older people, including sheltered and extra-care.

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

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

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

We have co-designed a methodology with our partners to improve how we work with our local communities and use local, council and partner assets and resources. This work was undertaken with Collaborate CIC, one of the leaders in the field of collaboratively designed public services and produced 'Working Better with Communities' framework. This model takes what we learned from how we worked differently with partners during the pandemic, feedback from community groups and best practice from Merton and elsewhere to offer a guide to how we can work differently with communities.

The commissioning of our new multi-million-pound Civic Pride Fund: Supporting the Voluntary and Community Sector has provided a valuable opportunity to put this framework into practice. The fund invests in social infrastructure at a neighbourhood level and supports our voluntary groups.



Health and Wellbeing - Merton Health and Wellbeing Strategy 2019-2024 focuses on the influence that the wider determinants – the air we breathe, our schools, workplaces, homes, food, transport and relationships with friends and family – have on our health. This is in line with the report on Health Equity in England: Marmot Review 10 Years On published in 2020, and is focused on tackling health inequalities so that all residents can: Start Well, Live Well and Age Well in a Healthy Place.

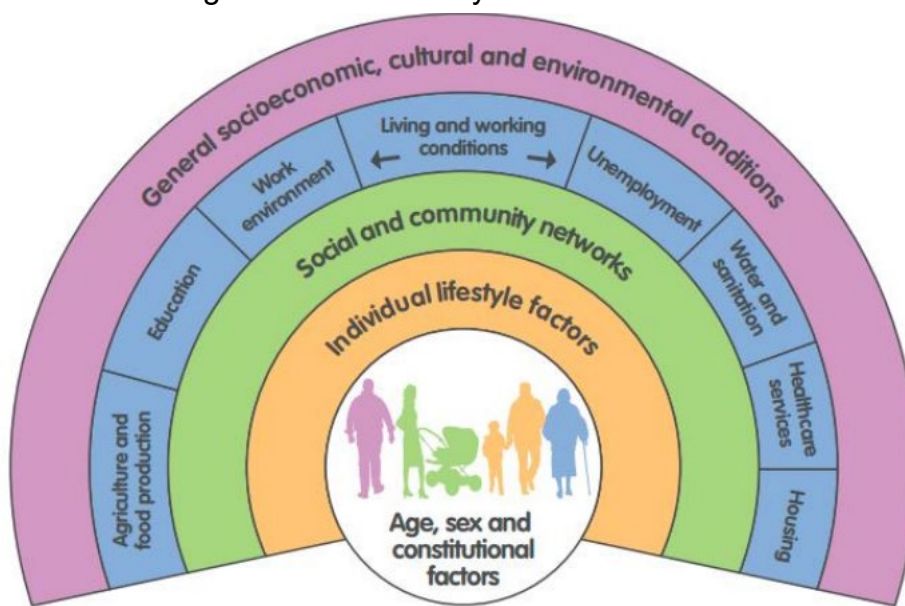


Diagram 1 – Wider determinants of health
Source: Dahlgren & Whitehead, 1991

The Merton Story (2022/23) is Merton’s Joint Strategic Needs Assessment (JSNA), which sets out the population health and wellbeing needs for the Health and Wellbeing Board. It identifies the following key themes and challenges:

- Start well priorities: 1) Emotional health and wellbeing for Children and Young People; 2) Integrated children’s services and 3) Developing pathways into adulthood
- Live well priorities: 4) East Merton model of health and wellbeing, 5) Diabetes, 6) Primary care at scale, 7) Primary mental healthcare

SECTION 2

- Age well priority: 8) Integrated health and social care

The plan focused on the collaborative action that communities, health, social care and the voluntary sector could take together to deliver quality health and care services that support local people.

The Merton Story identifies that the main causes of ill health and premature deaths in Merton are cancer and circulatory disease such as coronary heart disease and stroke. Unhealthy behaviours, such as smoking, lack of physical activity, an unhealthy diet and using drugs and alcohol, can all contribute to these types of deaths. The Health and Wellbeing Strategy aims to make healthy choices easier and more preferred, particularly for people in areas with lower socio-economic conditions.

The mental health of residents is just as important as their physical wellbeing. Public Health England figures indicate that in 2017, it was estimated that 25,300 adults in Merton were suffering depression and anxiety. While this is lower than the London and England average, it suggests that not all adults who experience mental health issues visit a GP.

In 2020, there were an estimated 1,883 people living with dementia in Merton aged 65 and over. This is predicted to increase by 52% by 2040, where more women than men will have dementia. The new Local Plan policies incorporate how dementia-friendly design through housing, transport and public realm can help to make communities more dementia-friendly.

Projections

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

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

A new Merton Borough Health and Care Estates Strategy 2021 (MBES) has been prepared in partnership with Merton Borough Estates Group. The MBES reviews the needs of local health providers against the borough's housing and population growth and supports the delivery of Merton's Local Health and Care Plans. The MBES also takes into account some of the implications of Covid-19 on the healthcare system, although it is acknowledged that this is ongoing work and further information may be provided to the council as it comes forward.

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

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Strategic Theme 1 - Nurturing Civic Pride

Civic pride is about the relationship that people and communities have with a place – not only their physical surroundings but also their feelings of identity and belonging. By nurturing civic pride, we want people to be proud of their local area, feel more connected to their community, and get more involved in making Merton a great place to live, work and visit. That means getting the basics right so that all residents across the borough can benefit from cleaner streets, vibrant high streets, good schools, and safe neighbourhoods. It is also about everyone taking pride in their borough, which means becoming a fairer, more equal and inclusive place.

There are 8 established priorities in this area which detailed below, capital investment is being utilised to deliver them where necessary

- 1. We will put residents at the heart of everything we do, and be responsive and resident-centric in our approach to customer service, communication, and engagement**
- 2. Residents, businesses and visitors will enjoy clean, safe and welcoming places across the borough** - the proposed capital programme includes £6 million investment in a new waste transfer station and £15 million for the replacement of the bulk of the waste and cleansing fleet with a carbon neutral alternative.
- 3. Existing businesses are supported, and new businesses, talent and investment will be attracted to the borough** - the proposed programme provides £4 million match funding for Morden town centre regeneration.
- 4. More residents will be able to access secure and well-paid employment in a local economy that is fairer and more inclusive** - the approved programme 2024-28 contains £10.6 million (including the £4 million for Morden Regeneration) of regeneration schemes spread throughout the borough.
- 5. Merton will be a thriving place for voluntary and community organisations where giving back is valued and encouraged**
- 6. Fantastic educational provision and support gives children the best start and equips residents of all ages with the skills and qualifications to succeed** – the approved capital programme 2024-28 includes £13 million for the expansion of Special Educational Needs Places in the borough.
- 7. Residents across Merton will be supported through the cost-of-living emergency**
- 8. We will continue to embrace diversity across the Borough**



SECTION 2

Strategic Theme 2 - Building a Sustainable Future

Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change, and support for the health and wellbeing of our communities. Accelerating the supply of affordable and sustainable homes is a top priority for the council. Alongside this priority, we will push for better standards in private and social housing and work with Integrated Care partners to make sure that local health provision meets the needs of communities across Merton.

There are 7 established priorities in this area which detailed below, capital investment is being utilised to deliver them where necessary:

- 1. New developments deliver more affordable housing and exhibit design excellence -**
Like other London boroughs, Merton faces a housing crisis with increasing numbers of households in temporary accommodation and too many people living with high housing costs and poor-quality accommodation. The approved capital programme 2024-28 includes £28 million for the provision of affordable housing and £9.8 million for the provision of learning disability housing
- 2. A borough where residents can live in good quality housing**
- 3. Our environment and parks will be protected, restored, and well managed -** the approved capital programme 2022-28 includes £3.6 million for Parks and Trees Funding.
- 4. The council will aim to reach net zero by 2030**
- 5. Take-up of alternative and sustainable modes of transport increases**
- 6. Air quality across the borough will improve**
- 7. Equal access to local health services in Merton -** the Authority will be looking to utilise grant funding to develop the electric vehicle infrastructure within the borough.



SECTION 2

Strategic Theme 3 - Creating a Borough of Sport

As the home of the Wimbledon Tennis Championships, AFC Wimbledon, the oldest cricket club in the world, and a rugby club that was one of the founding members of the RFU, our borough has a great sporting heritage on which to build. Today, we have an array of parks, tennis courts, sports pitches, leisure centres and a wealth of grassroots clubs and sporting organisations.

We are perfectly placed to establish Merton as a borough of sport and promote healthy, active lives for all our residents. Increasing participation in sport and exercise not only supports better health and wellbeing but can also bring wider social benefits such as greater connectedness and engage young people. By supporting residents of all ages to be active and incorporate more movement into their lives, we can help people to lead more healthier lives and become more independent, particularly those who are older or disabled.

There are four established priorities in this area which detailed below, capital investment is being utilised to deliver them where necessary

- 1. Merton's sporting heritage will receive national recognition Increasing participation in sport and physical activity amongst all residents**
- 2. All 4- to 16-year-olds and over 65s will have access to weekly sporting and wellbeing activities** - The approved capital programme includes just under £10 million investment in sports and green spaces.
- 3. More residents will take part in sport and physical activities**
- 4. Investment in sporting infrastructure and promoting healthy activities**



SECTION 2

Corporate Change Programme (4)

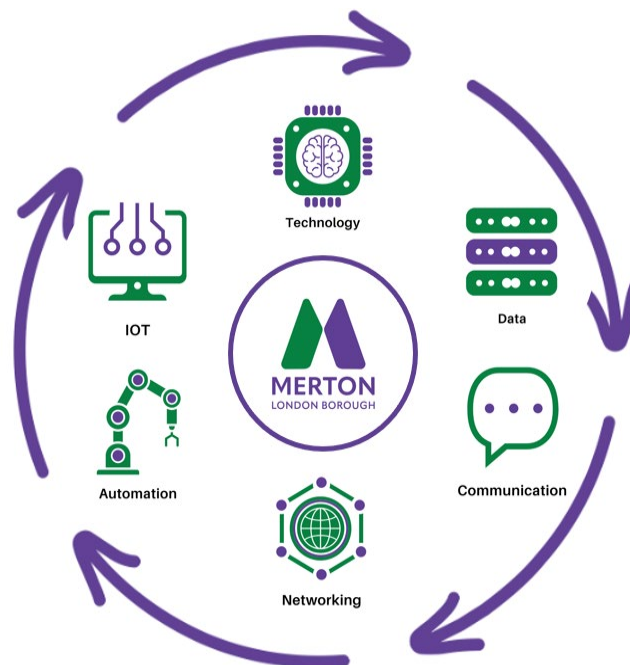
The Corporate Change Programme

The Corporate Change Programme was launched in September 2023 at the Staff Conference. It has four key themes:

- Customer and Digital
- Financial Sustainability
- People and Culture
- Story and Reputation

The Change Team have been recruited internally and will be reporting their progress through to CMT and LSG regularly.

Key to the Corporate Change Programme is Digital Transformation “the act of radically changing how our organization works, so that it can survive and thrive in a technology and information age by applying the culture, processes, business models and technologies of the connected era to respond to residents raised expectations.”



The Authority will need to determine where it wants to be in the future, identify the barriers and obstacles to achieving those goals and identify what can be implemented to remove those barriers.

Our vision is to develop inclusive, connected and engaged communities and develop digitally-optimised and innovate services. Digital strategy focuses on using innovation, data and technology to improve business performance by improved utilisation of the resources and capabilities available to it. Compiling and implementing this strategy is a key priority for the organisation.

Hierarchy of Public Sector Innovation



By empowering our staff with the capabilities needed in the digital-era, we can, in turn, help our less confident residents benefit from digital services and technologies.

Our priority is to improve people’s lives and we can only do this if we ensure our services are designed with people’s needs truly at their heart. Tackling digital exclusion and ensuring our residents have the tools, skills, and technology to participate in today’s society. Providing fast, reliable internet availability throughout the Borough, and the skills to enable our residents to use it.

We recognise that redesigning or building new services requires the collaborative efforts of people across the organisation and out in our communities, and that our data holds valuable information which isn’t always immediately visible. By working collaboratively, sharing data appropriately and engaging our communities, we can get the insights and understanding that we need in order to design services which improve people’s lives.

The Authority will be reviewing business needs, determining required outcomes, developing a delivery plan and identifying the resources required to deliver those developments. A strategic engagement plan will need to be developed which includes engagement with both internal and external stakeholders. The newly established Transformation Team will manage the consultation and manage the impact across the organisation. The Table over the page provides a summary overview of the work to be undertaken.

Digital Strategy

Services	Data & Insight	Workforce	Digital Inclusion	Technology Estate	Digital Place
User-centred digital services	Data usage	Recruitment and retention	Needs identification	Technology Governance	Smart City
Improve digital presence	IG & data ethics	Agile working methods	Digital inclusion for staff	Interoperability and data access	Digital Economy
Service design capabilities	Data culture	Staff training in digital and data methods	Digital inclusion for residents	Procurement	Digital Infrastructure
Digital democracy	Data quality	Tools for staff	Local Partnerships	Cyber security	
Emerging tools and practice	Advanced data methods	Effective hybrid working		Emerging Tech	

SECTION 2

Residents have told us they want to be involved in decisions that affect the things that matter most to them, such as their high streets, parks and local services. They want to maintain and build on the community spirit that saw us through the pandemic where thousands of residents, businesses and local organisations helped support some of our most vulnerable residents. We want to harness this collaborative spirit to work with residents, businesses and local organisations and build a better Merton together.

Our new Community Engagement strategy will change our approach to engaging with residents and enable us to engage more directly. We will be expanding the use of new and existing digital channels to engage with residents on a regular basis and seek their views on a range of topics. We will also bring in new ways for residents to talk with us and each other, including an annual Question Time for the Leader and Cabinet in each town centre and more support for community groups that hold consultations with residents.

At present, in relation to capital expenditure the corporate change programme mainly relates to information technology.



SECTION 2

Corporate Items (5)

The authority retains three corporate budgets to maximise its flexibility and agility these are:

1. Acquisitions Budget £2.0 million for the purchase of land and buildings to aid the delivery of capital schemes
2. Capital Bidding Fund £1.0 million to provide match funding to lever in external funding for capital schemes
3. Capital Contingency £1.7 million to offset funding shortfalls in capital schemes

In addition to these contingencies the capital programme contains provision the reprovision of multi-function devices.

Climate Emergency

On 10th July 2019, Merton Council passed a motion to declare a Climate Emergency and set an ambitious carbon reduction target to make the London Borough of Merton carbon neutral by 2050. In order to lead by example, Merton Council has also set a target to decarbonise its own buildings and services by 2030

The capital investment required to achieve the carbon reduction target can be divided into four main areas:

1. Buildings – the number of operational buildings needs to be rationalised, and the Authority needs to invest in the remaining buildings to make them carbon neutral – surveys are currently being undertaken on Merton owned property the results will inform the rationalisation process. The capital programme includes £5m for the upgrading of the Civic Centre boilers.
2. Vehicles – the approved capital programme includes £15 million to decarbonise the waste and street cleansing fleet – and officer are reviewing the options for decarbonisation the whole fleet including the required infrastructure
3. Infrastructure – will consider the changes required to the infrastructure for the devised decarbonisation programme in 1 and 2 above.
4. Other Items not covered in the items above – the approved capital programme includes one small schemes related to climate change for Business Retrofit Support £250k



SECTION 2

External and Partner Influences

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

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

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

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

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

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

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



SECTION 2

Property as a Corporate Resource

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

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

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

The Financial Aims are to:

- Maximise capital receipts.
- Maximise revenue income.
- Reduce revenue cost.
- Reduce capital expenditure.

The Service aims are to:

- Minimise the amount of office accommodation.
- Improve quality and suitability of property assets.
- Match property to approved service requirements.

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

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

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

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

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

SECTION 2

Capital Investment Mapping

The Authority has the following identified priorities:

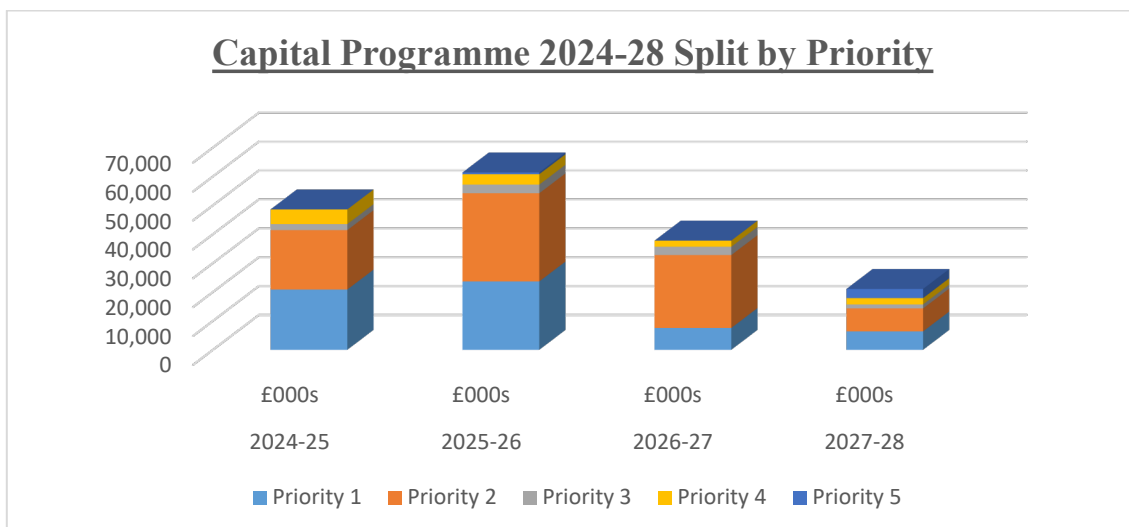
1. Nurturing Civic Pride – is about the relationship that people and communities have with a place this includes their physical surroundings and feelings of identity and belonging.
2. Building a Sustainable Future - Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change and supporting the health and wellbeing of our local communities.
3. Creating a Borough of Sport - From internationally renowned organisations like the All-England Club to grassroots clubs and organisations like Tooting and Mitcham FC, we want to strengthen our partnerships with sports clubs, organisations and businesses across the borough and promote increased participation in sports and activity.
4. Corporate Change Programme - comprising Customer and Digital (including the Digital Strategy), Financial Sustainability, People and Culture and Story and Reputation.
5. Corporate Budgets

The table analyses the priority information contained in Annex 3, showing the investment in each priority:

Capital Programme 2024-28 Split by Priority

Priority	2024-25	2025-26	2026-27	2027-28
	£000s	£000s	£000s	£000s
1	20,856	23,667	7,561	6,366
2	20,564	30,512	25,227	7,962
3	2,092	3,000	2,880	1,380
4	5,077	3,601	2,125	2,180
5	0	600	0	3,181
Total	48,590	61,380	37,793	21,069

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



The Detail ...

SECTION 2

Capital Investment Planning

Capital resources 2024-28

Capital expenditure is funded from a variety of sources:-

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

Capital receipts

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

Projected Capital Receipts

Much of the anticipated capital receipts are as a result of the VAT shelter agreement entered into with Merton Priory Homes as part of the housing stock transfer. There are current proposals for some of the properties under this agreement to be redeveloped which could result in a reduction in receipts from the VAT shelter agreement (ends in the financial year 2024/25), however a Development and Disposals Clawback Agreement was entered into as part of the same transfer and this could result in a significant capital receipt should these development plans go ahead.

The following table represents an estimate of an anticipated cash flow and therefore these future capital receipts have been utilised to fund the capital programme:-

Anticipated Capital Receipts	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s
Sale of Assets	0	0	0	0
Right to buy/VAT Shelter*	1,433	545	0	0
Total	1,433	545	0	0

* Umbrella VAT agreement with Clarion ceases March 2025

As there is currently no need to enter into external borrowing, investment balances will rise with the addition of capital receipts until utilised to fund the capital programme. Average expected interest rates on investments across the years of the capital programme are approximately 2.3%, as such an increase in receipts of £1m would be expected to generate a £23,000 increase in interest in a full year.

SECTION 2

Grant Funding

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

Grants	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Transport for London LIP/Department for Transport (earmarked) Capital	1,609	50	0	0	0
ORCS Grant	425	0	0	0	0
Digital Maker Space	73	0	0	0	0
LibraryOn	25	0	0	0	0
Department for Transport	0	372	186	186	186
Department for Environment, Food and Rural Affairs	315	0	0	0	0
GLA Grant for New Green Flag Parks	12	0	0	0	0
TOTAL: E,CP&C	2,459	422	186	186	186
School Condition 2022-23 (semi-ringfenced)	1,044	0	0	0	0
School Condition 2023-24 (semi-ringfenced)	1,994	387	0	0	0
Estimated School Condition Future Years (semi-ringfenced)*	0	2,500	2,500	2,500	2,500
High Needs (ringfenced)	1,620	4,116	5,192	0	0
Estimated High Needs (ringfenced)	0	0	0	0	0
Family Hubs	10	187	0	0	0
Devolved Formula Capital (Earmarked)	353	TBA	TBA	TBA	TBA
Childcare Expansion	0	313	0	0	0
Sixth Form Expansion Grant	0	3,236	0	0	0
TOTAL: C,LL&F	5,021	10,739	7,692	2,500	2,500
Salix Grant	1,100	2,037	0	0	0
Agran Resettlement/Homelessness	2,480	0	0	0	0
Disabled Facilities Grant Allocation 2021-22	1,030	319	0	0	0
Disabled Facilities Grant Allocation 2022-23	0	658	795	0	0
Disabled Facilities Grant Allocation 2023-24 Onwards	0	0	182	977	420
Disabled Facilities Grant Allocation 2024-25 TBA	0	0	0	0	557
Grant for the Demolition of Farm Rd Church	130	0	0	0	0
GLA Affordable Housing Grant			4,950	9,000	
TOTAL: H&SD	4,740	3,014	5,927	9,977	977
TOTAL GRANT FUNDING	12,219	14,175	13,805	12,663	3,663



SECTION 2

Contributions

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

Capital Contributions	2023/24	2024/25	2025/26	2026/27	2027/28
	£000s	£000s	£000s	£000s	£000s
Strategic Community Infrastructure Levy	5,175	6,394	11,309	3,700	800
Neighbourhood Community Infrastructure Levy	1,217	661	150	50	0
Section 106 Agreements	242	4,536	1,728	0	0
Hercules	15	0	0	0	0
Friendship Clubs	25	0	0	0	0
Lawn Tennis Association	709	0	0	0	0
South London Partnership	417	0	0	0	0
School Contributions	397	314	0	0	0
Thames Water - Kenilworth	0	65	0	0	0
Clarion Contributions to fund CPOs	0	804	7,000	1,230	0
Total Used to Fund the Programme	8,195	12,774	20,187	4,980	800

In accordance with the Community Infrastructure Levy (CIL) Regulations the Authority is required to provide an Annual Infrastructure Funding Statement which provides analysis of income and expenditure in relation to CIL and Section 106

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

Capital Expenditure	2023/24 Estimate £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's
Capital Expenditure **	33,629	48,590	61,380	37,793	21,069
Slippage and Underspends	(10,628)	(14,603)	(28,006)	(5,711)	10,311
Total Capital Expenditure * and**	23,001	33,987	33,375	32,082	31,380
Financed by:					
Capital Receipts *	1,433	489	28	14	8
Capital Grants & Contributions	14,183	23,689	23,151	18,421	11,181
Revenue Provisions	942	1,480	468	249	192
Net financing need for the year	6,444	8,328	9,728	13,399	19,999

* Includes Multi-Function Devices finance lease

** Please note forecast outturn for 2023-24 assumes zero spend of the Afgan Resettlement Fund if this does fully spend then the projected outturn is £24.974 million

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

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Grant & Contributions *	23,689	23,151	18,421	11,181
Council Funding	10,297	10,223	13,663	20,199
Total	33,987	33,375	32,084	31,380

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

SECTION 2

Impact of the Capital Programme on Revenue

The capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010 and 1 April 2024, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. Since 2006/07 it has been possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case until 2027/28.

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

Annual Minimum Revenue Provision (MRP) Statement

Under guidance from the Department for Communities and Local Government, authorities are required to prepare an annual statement on their policy on making MRP. This mirrors the existing requirements to report to the council on the Prudential borrowing limit and investment policy. The statement is set out in Section 3 of the Treasury Management Strategy.

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

MTFS March 2023	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
MRP	4,841	5,197	6,129	7,861	11,499
Interest on Borrowing	6,041	6,020	4,949	5,097	6,528
Total Borrowing Costs	10,882	11,217	11,078	12,958	18,028
Interest on Investments	(1,430)	(722)	(181)	0	0
CCLA Investment Two Loans @ £10m	(323)	(323)	(323)	(323)	(323)
Total Borrowing Costs Net of Investment interest	9,129	10,172	10,574	12,635	17,705

Proposed Programme Business Plan 2024-28	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
MRP	4,965	4,349	5,177	6,102	7,240
Interest on Borrowing	4,047	3,152	3,152	3,152	3,133
Total Borrowing Costs	9,012	7,501	8,329	9,254	10,373
Interest on Investments	(10,441)	(8,280)	(7,759)	(7,836)	(7,325)
CCLA Investment Two Loans @ £10m	(1,349)	(1,000)	(1,000)	(323)	(323)
Total Borrowing Costs Net of Investment interest	(2,778)	(1,779)	(430)	1,095	2,725

SECTION 2

Movement in Projected Costs	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
MRP	124	(849)	(952)	(1,759)	(4,259)
Interest on Borrowing	(1,994)	(2,868)	(1,797)	(1,944)	(3,396)
Total Borrowing Costs	(1,870)	(3,716)	(2,749)	(3,704)	(7,655)
Interest on Investments	(9,011)	(7,558)	(7,578)	(7,836)	(7,325)
CCLA Investment Two Loans @ £10m	(1,026)	(677)	(677)	0	0
Total Borrowing Costs Net of Investment interest	(11,908)	(11,951)	(11,003)	(11,540)	(14,980)

Debt repayment

The council has had a strategy to reduce its level of debt when opportunity arises in the market. The average interest payable on outstanding debt is 5.5%. For the period 2024-28, capital receipts may continue to be used to pay the premiums on the repayment of those authority debts which have high fixed interest charges, if the terms offered will result in appropriate revenue savings. Any decision to repay debt early will be considered alongside the funding however, this is unlikely to be the case in the short to medium term requirement of the programme.

The Table below shows the maturity structure of current external debt

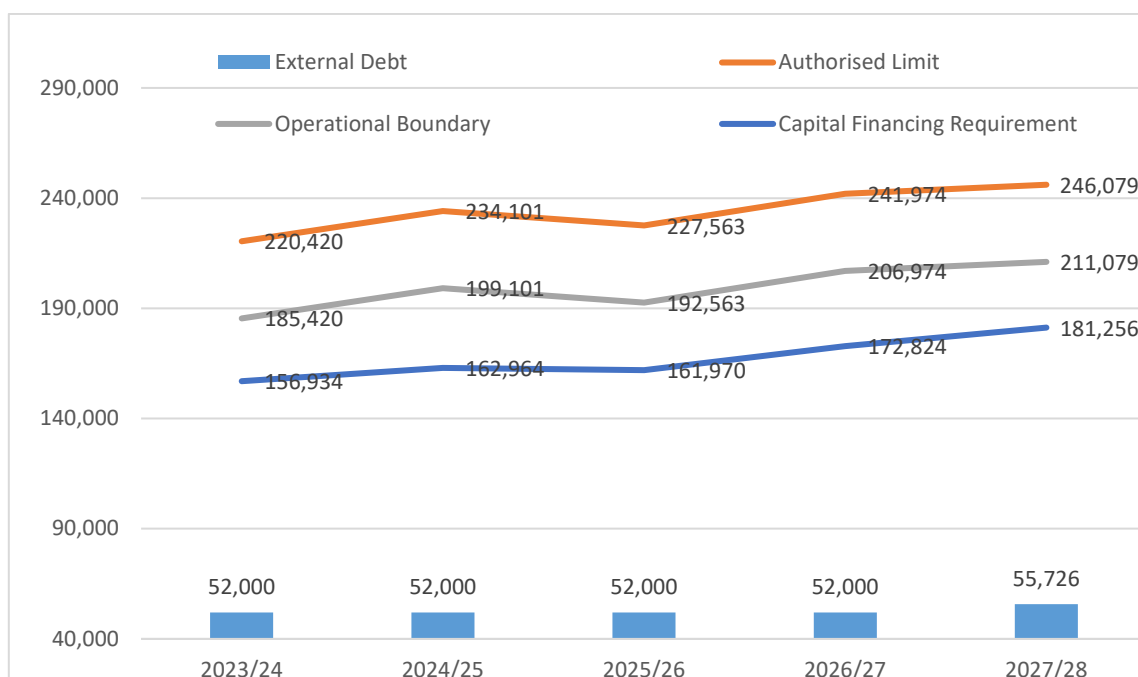
Maturity Structure of Borrowing		
Length of Time	Actual November 2022	Value £'000
less than 1 year	20.9%	13,700
1 to 2 years	0.0%	0
2 years to 5 years	6.8%	4,500
5 years to 10 years	0.0%	0
10 years to 20 years	34.2%	22,500
20 years to 30 years	0.0%	0
30 years to 40 years	38.1%	25,000
40 years to 50 years	0.0%	0
Total	100.0%	65,700

Internal borrowing to fund unsupported capital expenditure will reduce the balances available to invest under the treasury management strategy. In contrast, external borrowing will provide additional balances to invest under the Treasury Management Strategy until utilised.

SECTION 2

The chart below shows the debt related treasury activity limits discussed in detail in 4.4 of the Treasury Management Strategy and incorporates the proposed capital programme and funding strategy contained in this document.

Treasury Management Limits on Activity



The Table below summarises the Indicative Capital Programme for 2028 to 2033. Additional detail is provided as Annex 5:

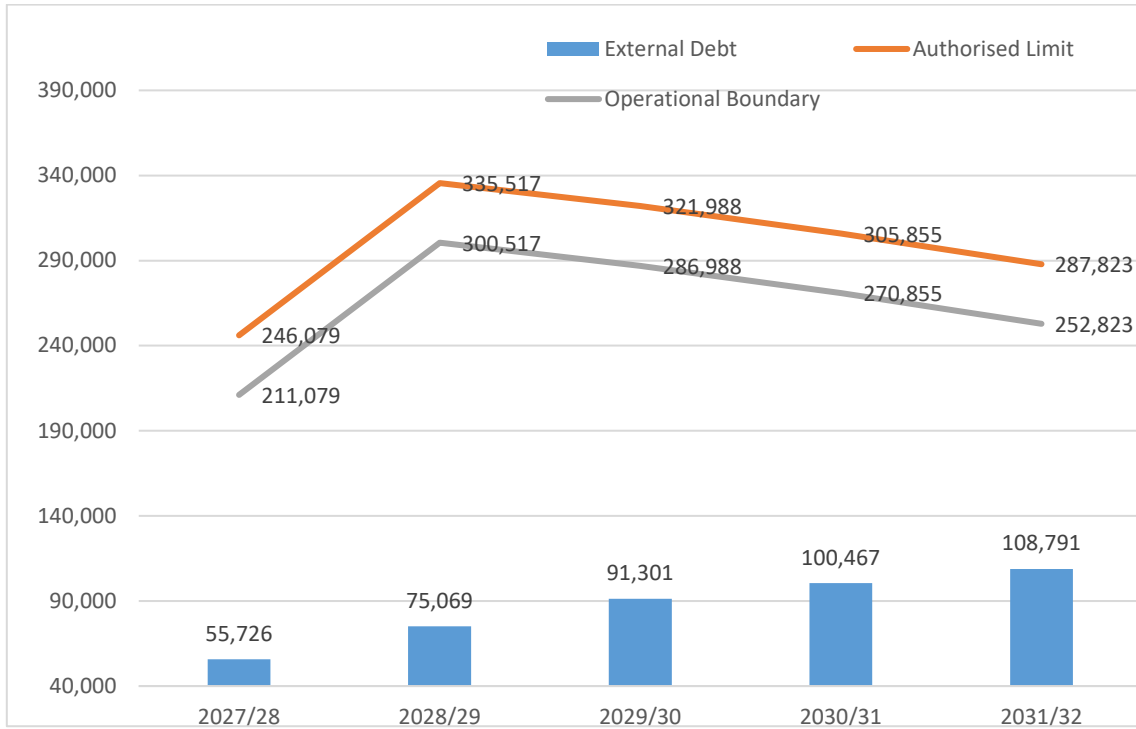
Department	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Finance & Digital	2,620	3,215	3,410	2,930	1,955
ASC, Integrated Care & Public Health	0	0	0	0	0
Children, Lifelong Learning & Families	2,500	2,500	2,500	2,500	2,500
Environment, Civic Pride & Climate	5,276	6,356	4,596	4,546	4,576
Innovation & Change	0	0	0	0	0
Housing & Sustainable Development	1,325	1,325	1,325	1,325	1,325
Total	11,721	13,396	11,831	11,301	10,356

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

For every £1 million capital expenditure that is funded by external borrowing it is estimated that there will be annual revenue debt charges of between £242k for assets with a life of 5 years to £62k for an asset life of 50 years.

SECTION 2

The Table below shows the impact of the indicative programme 2027-32 on the Authority's debt:



SECTION 2

Capital Investment Strategy for Non-Core Activity

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

During the period 2024-28 the Authority is planning the following investment activity:

- i) Section 5 of the Treasury Management Strategy sets out the Authority's short to medium term Investment Strategy. This strategy focusses on short to medium term low risk investments.
- ii) Having sold the financial interest in CHAS the Authority has utilised the capital receipt to undertake £51.7 million debt redemption, £55 million has been invested into long term gilts and the remaining £76 million has been earmarked for legacy investment schemes yet to be decided.

From 1 April 2018 (financial year 2018/19) the International Financial Reporting Standard 9 (Financial Instruments) came into force. Its purpose was to make accounting for financial instruments more transparent.

Security - The activity in relation to non-core investment will result in:

- i) Short to Medium Term investment of available cash resources in low risk low return investment.

Liquidity

- i) Short to medium term cash investments can be liquidated easily and will boost the interest generated.
- ii) Debt redemption will reduce the MRP annual charge and reduce the annual interest due on loans easing the financial pressure on revenue budgets:

The authority has also loaned money to MSJCB and should the Authority need to liquidate this loan it could be sold.

Yield - Expected yield:

- i) Section 5 of the Treasury Management Strategy details the yield expected from short to medium term cash investments

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

Borrowing in Advance of Need

Section 4.2 of the Treasury Management Strategy details the current and future level of under borrowing by the Authority and sets out the Authority's borrowing strategy linked to this and internal borrowing.

Current indications are that interest rates will start to reduce. Consideration will be given to the timing of required borrowing to minimise the cost to the Authority and with regard to the current debt portfolio (detailed in Section 4.5 of the Treasury Management Strategy)

Capacity, Skills and Culture

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

SECTION 2

Flexible Use of Capital Receipts Strategy

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.

However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

In December 2017, the Secretary of State announced the continuation of the capital receipts flexibility programme, which provides Local Authorities the freedom to use capital receipts generated from the sale of assets (except for Right to Buy disposals) to fund revenue costs arising from transformational revenue projects that deliver savings or service improvements. With extensions since, the current flexibility direction runs until 31 March 2025.

The Statutory Guidance issued by the Secretary of State requires authorities to prepare, publish and maintain a 'Flexible Use of Capital Receipts Strategy'. The guidance also requires that each authority should disclose the individual projects that will be funded or part funded through capital receipts flexibility to full Council or the equivalent - this requirement can be satisfied as part of the annual budget setting process.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

It is a required condition of the direction that authorities must send details setting out their planned use of the flexibility to the Secretary of State, in advance of its use for each financial year. This is to make sure that the government is adequately sighted on the use of the flexibility and can monitor how it is used - it is not a process of approval.

Flexible Use of Capital Receipts Strategy

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

The Council has not used Capital Receipt under flexibility arrangements in the past. Further Information on each of the programmes is provided below.

SECTION 2

Housing Development and Regeneration: Up to 6 posts for housing development, regeneration and engagement and their associated costs. These posts will be focussing on the delivery of the first 93 units of affordable housing, developing a delivery programme for further housing and Morden town centre and other regeneration. It is envisaged that medium to long term schemes will provide revenue savings through the provision of affordable housing.

The extension is only currently available to the end of the financial year 2024-25. Utilising borrowing instead of capital receipts will increase the Council's borrowing requirement. This is affordable and will remain within prudential indicators. Allowance for these proposals has been built into the Capital Strategy and the Treasury Management Strategy (including the Prudential indicators).

In 2024-25, £0.4m capital receipts received and will be available to provide funding for transformation (Housing Development and Regeneration). As this is only a small sum officers have not attempted to separately identify their impact within the above documents and the Medium Term Financial Strategy.

Capital Planning Process

Capital Bids and Prioritisation Criteria

The authority has an annual bidding process for capital resources, in keeping with corporate priorities and identified service priorities. Submitted bids are reviewed and challenged as part of the process. Proposed capital bids are subject to scrutiny in the autumn and January. There was no bidding process during 2023-24. The table below summarises the movement in the capital programme from this year's process (detail in Annex 4):

Department	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's	Indicative Budget 2027-28 £000's
Finance & Digital	(13,773)	(164)	7,921	(9,042)	2,431
ASC, Integrated Care & Public Health	0	0	0	0	0
Children, Lifelong Learning & Families	(2,034)	2,541	5,703	0	0
Environment, Civic Pride & Climate	34	990	(11,462)	5,357	4,575
Innovation & Change	0	0	0	0	0
Housing & Sustainable Development	(3,691)	1,622	2,094	5,527	977
Total	(19,464)	4,989	4,257	1,842	7,982

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

SECTION 2

Corporate Governance

Accounting Definitions and Practices

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

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

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

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

IFRS 9 requires that investment in risk capital will need to be valued annually at fair value with any loss or gain being written through the profit and loss account in the year it occurs.

IFRS 16 will require all but short-term de-minimis leasing rental/leasing arrangements appear on the Authority's balance sheet from the financial year 2024/25.

Capital Programme Board

Merton's Capital Strategy is coordinated by the Capital Programme Board. The board, is effectively a sub-group of the Corporate Management Team (CMT). It comprises the Executive Directors of Environment, Civic Pride and Climate, Housing and Sustainable Development and Finance and Digital with selected key managers from each service department.

The Terms of Reference of the Board are:

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

SECTION 2

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

The role of the Board is to:

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

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

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

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

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

Capital Programme Approval and Amendment

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

SECTION 2

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

- Virements up to £5k can be signed off by the budget manager and the Chief Financial Officer (CFO) is informed of these changes as part of the monthly financial monitoring
- Virements £5k up to £100k must be approved by the Chief Officer of the area or areas affected along with the Chief Financial Officer, typically this will be as part of the monthly financial monitoring report to CMT however approval can be sought from these officers at any time if necessary
- Virements £100k and upwards go to Cabinet for approval
- Any virement which diverts resources from a scheme not started, resulting in a delay to that scheme, will be reported to Cabinet
(Please note virement rules are cumulative i.e. two virements of £5,000 from one project; the latter would require the approval of Chief Officers)

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

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

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

Approval thresholds are kept under review.

Capital Monitoring

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

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

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

Capacity, Skills and Culture

Team planning and staff appraisals highlight staff developmental requirements and monitor their progression. Qualified financial staff meet the continual professional development requirements of their relevant CCAB organisation.

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

SECTION 2

Risk Management and Assessment

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

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

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

Within its portfolio of risk Merton is developing a balance between financial and non-financial investments



SECTION 2

Capital Investment Programme - Schemes for Approval 2024-28

Annex 1

Department	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's	Revised Budget 2027-28 £000's
Finance & Digital				
Business Improvement	3,452	1,241	580	525
Information Technology	535	1,710	820	1,005
Resources	0	0	75	0
Corporate Budgets	804	7,600	1,230	3,181
Total Finance & Digital	4,791	10,551	2,705	4,711
ASC, Integrated Care & Public Health				
Adult Social Care	0	0	0	0
Total ASC, Integrated Care & Public Health	0	0	0	0
Children, Lifelong Learning & Families				
Primary School	2,624	2,500	2,500	2,500
Secondary Schools	3,550	0	0	0
SEN Schools and ARPs	4,379	6,682	900	0
Other	725	0	0	0
Total Children, Lifelong Learning & Families	11,278	9,182	3,400	2,500
Environmental, Civic Pride & Climate				
Public Protection and Development	1,107	345	45	0
Street Scene and Waste	1,650	8,800	6,550	6,050
Sustainable Communities	5,962	5,966	3,976	4,126
Borough of Sport	2,373	3,190	2,880	1,380
Libraries	350	140	0	0
Climate Change	75	100	75	0
Total Environmental, Civic Pride & Climate	11,517	18,541	13,526	11,556
Innovation and Change				
Governance	0	0	0	0
Total ASC, Integrated Care & Public Health	0	0	0	0
Housing & Sustainable Development				
Housing	10,848	16,252	15,102	1,352
Regeneration	3,105	5,454	2,050	0
Property Management	134	0	0	0
Facilities Management	6,917	1,400	1,010	950
Total Housing & Sustainable Development	21,004	23,106	18,162	2,302
Total Capital	48,590	61,380	37,793	21,069

Please Note:

1. Excludes budget relating to future year announcements of Better Care Fund
 2. Excludes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant
- OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Healthier Communities and Older People and SC - Sustainable Communities

SECTION 2

FUNDING THE CAPITAL PROGRAMME 2022-27

Annex2

Merton	Capital Programme £000s	Funded by Merton £000s	Funded by grant and capital contributions £000s
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2023/24 Current Budget	33,629	13,215	20,414
Potential Slippage b/f	0	0	0
2023/24 Revised Budget	33,629	13,215	20,414
Potential Slippage c/f	(8,672)	(2,678)	(5,994)
Potential Underspend not slipped into next year	(1,956)	(1,719)	(238)
Total Spend 2023/24	23,001	8,818	14,183

2024/25 Current Budget	48,590	21,641	26,949
Potential Slippage b/f	8,672	2,678	5,994
2024/25 Revised Budget	57,262	24,320	32,942
Potential Slippage c/f	(18,914)	(10,869)	(8,044)
Potential Underspend not slipped into next year	(4,361)	(3,152)	(1,209)
Total Spend 2024/25	33,987	10,297	23,689

2025/26 Current Budget	61,380	27,389	33,992
Potential Slippage b/f	18,914	10,869	8,044
2025/26 Revised Budget	80,295	38,259	42,036
Potential Slippage c/f	(40,305)	(23,366)	(16,939)
Potential Underspend not slipped into next year	(6,615)	(4,669)	(1,946)
Total Spend 2025/26	33,375	10,223	23,151

2026/27 Current Budget	37,793	20,150	17,643
Potential Slippage b/f	40,305	23,366	16,939
2026/27 Revised Budget	78,098	43,517	34,582
Potential Slippage c/f	(40,600)	(26,185)	(14,415)
Potential Underspend not slipped into next year	(5,415)	(3,669)	(1,746)
Total Spend 2026/27	32,082	13,663	18,421

2027/28 Current Budget	21,069	16,606	4,463
Potential Slippage b/f	40,600	26,185	14,415
2027/28 Revised Budget	61,669	42,791	18,878
Potential Slippage c/f	(25,575)	(19,291)	(6,283)
Potential Underspend not slipped into next year	(4,714)	(3,300)	(1,414)
Total Spend 2027/28	31,380	20,199	11,181

SECTION 2

Detailed Capital Programme 2024-28

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Revised Budget 2026-27 £000s	Indicative Budget 2027-28 £000s
Business Improvement	Business Improvement						
Customer Contact Programme	Robotics Process Automation (RPA)	4	OSC	32	0	0	0
Customer Contact Programme	Complaints System	4	OSC	66	0	0	0
Customer Contact Programme	Digital Strategy	4	OSC	574	0	0	0
Customer Contact Programme	CRM&TK Amendments	4	OSC	411	0	0	0
Customer Contact Programme	United data Model	4	OSC	123	0	0	0
Customer Contact Programme	Members Enquiries Solution	4	OSC	50	0	0	0
Customer Contact Programme	Chatbots Implementation	4	OSC	150	0	0	0
Customer Contact Programme	Biztalk Replacement	4	OSC	22	0	0	0
Customer Contact Programme	Transport Management System	4	OSC	62	0	0	0
Customer Contact Programme	Waste & Cleansing Services	4	OSC	150	0	0	0
Business Systems	Ancillary System	4	OSC	29	0	50	0
Business Systems	Youth Justice	4	OSC	0	100	0	0
Business Systems	Children's Safeguarding	4	OSC	0	0	0	125
Business Systems	Parking System	4	OSC	326	0	0	0
Business Systems	Payroll System	4	OSC	0	0	160	0
Business Systems	Invoice Scanning SCIS/FIS	4	OSC	50	0	0	0
Business Systems	Environmental Asset Management	4	OSC	394	0	0	0
Business Systems	Housing System (Capita Housing)	4	OSC	21	120	0	0
Business Systems	Payments project	4	OSC	231	0	0	0
Business Systems	GIS Mapping (Spectrum Spatial Ana	4	OSC	105	0	200	300
Business Systems	LLPG&LSG System ((Gazetteer Mar	4	OSC	0	0	0	100
Business Systems	Planning&Public Protection Sys	4	OSC	370	400	0	0
Business Systems	E Form Replacement	4	OSC	0	231	0	0
Replacement SC System	Replacement SC System	4	OSC	0	216	0	0
Replacement SC System	SEN Case Management	4	OSC	0	0	170	0
Replacement SC System	Care Account	4	OSC	100	100	0	0
Replacement SC System	Shared Care Record	4	OSC	20	0	0	0
Replacement SC System	Early Years Single Recording	4	OSC	20	0	0	0
Replacement SC System	Integrated Front Door	4	OSC	20	0	0	0
Replacement SC System	Integration with Health	4	OSC	50	0	0	0
Replacement SC System	Mosaic APIs	4	OSC	75	75	0	0
Information Technology	Information Technology						
Planned Replacement Program	Project General	4	OSC	535	1,710	820	1,005
Resources	Resources						
Financial Systems	Implementing New Financial System	4	OSC	0	0	75	0
Corporate Budgets	Corporate Budgets						
Multi-Functioning Device (MF	Multi-Functioning Device (MFD) - F	5	OSC	0	600	0	0
Acquisitions Budget	Acquisitions Budget	5	OSC	0	0	0	1,359
Capital Bidding Fund	Capital Bidding Fund	5	OSC	0	0	0	680
Corporate Capital Contingency	Corporate Capital Contingency	5	OSC	0	0	0	1,142
Compulsory Purchase Order	Clarion - CPO	2	OSC	804	7,000	1,230	0
Total Finance & Digital	Total Finance & Digital			4,791	10,551	2,705	4,711
Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28
Adult Social Care	Adult Social Care						
Total ASC, Integrated Care	Total ASC, Integrated Care & Public Health			0	0	0	0

SECTION 2

Detailed Capital Programme 2024-28 continued.....

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Revised Budget 2026-27	Indicative Budget 2027-28
Primary Schools	Primary Schools						
Malmesbury	School Capital Maintenance	1	CYP	58	0	0	0
Bond	School Capital Maintenance	1	CYP	44	0	0	0
Unlocated Primary School Pro	School Capital Maintenance	1	CYP	2,522	2,500	2,500	2,500
Secondary Schools	Secondary Schools						
Ricards Lodge	6th Form Expansion	1	CYP	3,550	0	0	0
Special Schools	Special Schools						
Perseid School	School Capital Maintenance	1	CYP	125	0	0	0
Melrose	School Capital Maintenance	1	CYP	13	0	0	0
Melbury College – Smart Cent	School Capital Maintenance	1	CYP	125	0	0	0
Mainstream SEN (ARP)	Cranmer Primary School New ARP	1	CYP	36	0	0	0
Mainstream SEN (ARP)	Further Primary School ARP expansi	1	CYP	300	116	0	0
Mainstream SEN (ARP)	Raynes Park school ARP expansion	1	CYP	200	1,839	0	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 2	1	CYP	50	826	0	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 3	1	CYP	300	509	900	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 4	1	CYP	0	979	0	0
Mainstream SEN (ARP)	Liberty ARP	1	CYP	730	0	0	0
Perseid Lower School	Perseid School Expansion	1	CYP	2,501	2,413	0	0
Other	Other						
Children's Centres	Family Hubs	1	CYP	187	0	0	0
Childcare	Childcare Expansion	1	CYP	313	0	0	0
Other	Children's Safeguarding	1	CYP	165	0	0	0
Other	Care Leaving Accommodation	1	CYP	60	0	0	0
Total Children, Lifelong Lea	Total Children, Lifelong Learning & Families			11,278	9,182	3,400	2,500

Priority

1. Nurturing Civic Pride – is about the relationship that people and communities have with a place this includes their physical surroundings and feelings of identity and belonging.
2. Building a Sustainable Future - Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change and supporting the health and wellbeing of our local communities.
3. Creating a Borough of Sport - From internationally renowned organisations like the All-England Club to grassroots clubs and organisations like Tooting and Mitcham FC, we want to strengthen our partnerships with sports clubs, organisations and businesses across the borough and promote increased participation in sports and activity.
4. Corporate Change Programme - comprising Customer and Digital (including the Digital Strategy), Financial Sustainability, People and Culture and Story and Reputation.
5. Corporate Budgets

Please Note:

1. Excludes budget relating to future year announcements of Better Care Fund
2. Excludes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant
OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Healthier Communities and Older People and SC - Sustainable Communities

SECTION 2

Detailed Capital Programme 2024-28 continued.....

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Revised Budget 2026-27	Indicative Budget 2027-28
Public Protection and Development	Public Protection and Development						
Off Street Parking - P&D	Car Park Upgrades	4	SC	50	0	0	0
Off Street Parking - P&D	Peel House Car Park	4	SC	390	0	0	0
CCTV Investment	CCTV cameras and infrastructure upg	1	SC	590	200	0	0
CCTV Investment	Rapid deployment cameras	1	SC	0	45	45	0
CCTV Investment	Brangwyn Crescent / Commonsia Ea	1	SC	51	0	0	0
CCTV Investment	Willow Lane Bridge BID - Improven	1	SC	26	0	0	0
Mortuary Provision	Project General	2	SC	0	100	0	0
Street Scene and Waste	Street Scene and Waste						
Fleet Vehicles	Replacement of Fleet Vehicles	2	SC	300	0	0	0
Fleet Vehicles	Fleet De-carbonisation Infrastructure	2	SC	300	0	0	0
Waste SLWP	Replacement of Fleet Vehicles	2	SC	0	3,000	6,000	6,000
Waste SLWP	Waste Transfer Station	1	SC	1,000	4,500	500	0
Waste SLWP	Waste Bins	1	SC	50	1,300	50	50
Sustainable Communities	Sustainable Communities						
Street Trees	Street Tree Programme	2	SC	60	60	60	60
Highways & Footways	Street Lighting Replacement Pr	1	SC	290	0	0	0
Highways & Footways	Traffic Schemes	1	SC	150	150	150	150
Highways & Footways	Surface Water Drainage	1	SC	100	100	60	60
Highways & Footways	Repairs to Footways	1	SC	1,300	1,600	1,000	1,300
Highways & Footways	Maintain AntiSkid and Coloured	1	SC	60	60	60	60
Highways & Footways	Borough Roads Maintenance	1	SC	2,000	2,000	1,800	1,800
Highways & Footways	Highways bridges & structures	1	SC	597	560	260	260
Highways & Footways	Haydons Road Access for All	2	SC	100	0	0	0
Highways & Footways	Various Culverts Strengthening & Up	2	SC	153	150	0	0
Highways & Footways	ANPR Cameras Supporting Enforcem	1	SC	200	200	0	0
Highways & Footways	Raynes Park Station Step Free Acces	2	SC	0	0	0	250
Highways & Footways	Pothole Grant	1	SC	372	186	186	186
Highways & Footways	Walking & Cycling Strategy Delivery	2	SC	500	900	400	0
Highways & Footways	Abbotsbury Child Friendly Zone	1	SC	30	0	0	0
Cycle Route Improvements	Cycle Access/Parking TfL	2	SC	50	0	0	0

Priority

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SECTION 2

Detailed Capital Programme 2024-28 continued...

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Revised Budget 2026-27	Indicative Budget 2027-28
Borough of Sport	Borough of Sport						
Sports Facilities	Borough of Sport Infrastructure Fund	3	SC	408	1,500	0	0
Wimbledon Park	New Wimbledon Park lakeview buil	3	SC	0	500	2,000	500
Sports Facilities	Leisure Centre Plant & Machine	3	SC	400	250	280	280
Sports Facilities	Sporting Big Screens	3	SC	60	0	0	0
Parks Investment	Parks Investment	3	SC	300	300	300	300
Parks Investment	Sports Drainage	3	SC	222	0	0	0
Parks Investment	Resurface Tennis Courts	3	SC	68	0	0	0
Parks Investment	Bridges and Structures	1	SC	81	80	0	0
Parks Investment	Existing Green Flag Improvement Pro	3	SC	75	50	0	0
Parks Investment	New Green Flag Improvement Progra	3	SC	130	100	0	0
Parks Investment	Parks Security Measures & Traveller	1	SC	30	50	0	0
Parks Investment	Playground Priority Upgrades Progra	3	SC	300	300	300	300
Parks Investment	Wandle Tree Trail Safety & Manage	2	SC	60	60	0	0
Parks Investment	Youth Sports Arena	3	SC	60	0	0	0
Parks Investment	Cannizaro Flood Management	2	SC	30	0	0	0
Parks Investment	Morden Rec Access, Leisure & Heal	2	SC	80	0	0	0
Parks Investment	Basketball Court & Outdoor Gym	3	SC	70	0	0	0
Libraries	Libraries						
Libraries IT	Library Management System	2	SC	0	140	0	0
Libraries IT	Library Self Service	2	SC	350	0	0	0
Climate Change	Climate Change						
Climate Change	Business Retrofit Support Scheme	2	SC	75	100	75	0
Total Environment, Civic Pri	Total Environment, Civic Pride & Climate			11,517	18,541	13,526	11,556
Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Revised Budget 2026-27	Indicative Budget 2027-28
Total Innovation & Change	Total Innovation & Change			0	0	0	0

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Please Note:

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

SECTION 2

Detailed Capital Programme 2024-28 continued...

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2024-25	Revised Budget 2025-26	Revised Budget 2026-27	Indicative Budget 2027-28
Housing	Housing						
Disabled Facilities Grant	Project General	2	SC/HCOP	827	827	827	827
Disabled Facilities Grant	Minor Works	2	SC/HCOP	150	150	150	150
Major Projects Affordable Ho	Affordable Housing Fund	2	SC/HCOP	9,346	10,000	9,000	0
Major Projects Affordable Ho	Empty Homes Strategy	2	SC/HCOP	375	375	375	375
Major Projects Social Care H	LD Supported Living	2	SC/HCOP	150	4,900	4,750	0
Regeneration	Regeneration						
Mitcham Area Regeneration	New Horion Centre	1	SC	50	0	0	0
Mitcham Area Regeneration	Rowan Park Community Facility Ma	1	SC	0	150	0	0
Mitcham Area Regeneration	Pollards Hill Bus Shelter/Toilets Re	1	SC	0	400	50	0
Mitcham Area Regeneration	23rd Mitcham Scouthall	2	SC	14	0	0	0
Mitcham Area Regeneration	Figges Marsh Park Improvements	2	SC	42	0	0	0
Mitcham Area Regeneration	Commonside Improved Community F	1	SC	71	0	0	0
Mitcham Area Regeneration	Hadley Road Community Allotments	2	SC	30	0	0	0
Wimbledon Area Regeneration	Polka Green Retrofit	2	SC	29	0	0	0
Wimbledon Area Regeneration	Haydons Road Public Realm Improv	1	SC	327	0	0	0
Wimbledon Area Regeneration	Crowded Places/Hostile Vehicle Mit	1	SC	100	0	0	0
Wimbledon Area Regeneration	Wimbledon Public Realm Implement	1	SC	353	0	0	0
Wimbledon Area Regeneration	Wimbledon Village - Heritage Led P	1	SC	301	374	0	0
Wimbledon Area Regeneration	Kenilworth Green Pocket Park	2	SC	65	0	0	0
Morden Area Regeneration	Morden Town Centre Improvements	1	SC	150	50	0	0
Morden Area Regeneration	Morden TC Regen Match Funding	2	SC	0	2,000	2,000	0
Borough Regeneration	Lost Rivers Repairs	2	SC	230	0	0	0
Borough Regeneration	Civic Pride Public Realm Improvem	1	SC	1,000	1,380	0	0
Borough Regeneration	Shopping Parade Improvements	1	SC	300	1,100	0	0
Borough Regeneration	Schools Living Walls	2	SC	43	0	0	0
Property Management	Property Management						
Property Management	Stouthall	2	SC	134	0	0	0
Facilities Management	Facilities Management						
Works to Other Buildings	Repair and Maintenance	4	OSC	650	650	650	650
Civic Centre	Civic Centre Cycle Parking	2	OSC	0	0	60	0
Civic Centre	Civic Centre Roof and Shops	2	OSC	282	0	0	0
Civic Centre	Civic Centre Boilers	2	OSC	5,303	0	0	0
Civic Centre	Civic Centre Lighting Upgrade	2	OSC	105	100	0	0
Civic Centre	Workplace Design	2	OSC	180	350	0	0
Civic Centre	Civic Centre Emergency Control Ro	2	OSC	28	0	0	0
Civic Centre	Civic Centre CCTV Control Room	2	OSC	69	0	0	0
Invest to Save	Project General	2	OSC	300	300	300	300
Total Housing & Sustainable	Total Housing & Sustainable Development			21,004	23,106	18,162	2,302
Total Capital	Total Capital			48,590	61,380	37,793	21,069

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SECTION 2

Growth/(Reductions) proposed Programme 2023-27 Compared to March 2022 MTFS Annex 4

Department	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's	Revised Budget 2027-28 £000's
Finance & Digital					
Business Improvement	763	502	(329)	(1,200)	(750)
Information Technology	(137)	(870)	650	(150)	0
Resources	(575)	0	0	75	0
Corporate Budgets	(13,824)	204	7,600	(7,767)	3,181
Total Finance & Digital	(13,773)	(164)	7,921	(9,042)	2,431
ASC, Integrated Care & Public Health					
Adult Social Care	0	0	0	0	0
Total ASC, Integrated Care & Public Health	0	0	0	0	0
Children, Lifelong Learning & Families					
Primary School	(570)	124	0	0	0
Secondary Schools	429	3,550	0	0	0
SEN Schools and ARPs	(1,975)	(1,858)	5,703	0	0
Other	82	725	0	0	0
Total Children, Lifelong Learning & Families	(2,034)	2,541	5,703	0	0
Environmental, Civic Pride & Climate					
Public Protection and Development	(2,227)	687	(120)	(435)	(473)
Street Scene and Waste	(288)	626	(11,978)	6,026	5,451
Sustainable Communities	(1,156)	(2,656)	(2,319)	(3,189)	(104)
Borough of Sport	3,660	2,033	2,840	2,880	(160)
Libraries	122	350	140	0	(140)
Climate Change	(76)	(50)	(25)	75	0
Total Environmental, Civic Pride & Climate	34	990	(11,462)	5,357	4,575
Innovation and Change					
Governance	0	0	0	0	0
Total ASC, Integrated Care & Public Health	0	0	0	0	0
Housing & Sustainable Development					
Housing	(1,621)	(254)	150	5,417	977
Regeneration	(1,418)	(1,195)	1,494	50	0
Property Management	416	134	0	0	0
Facilities Management	(1,068)	2,937	450	60	0
Total Housing & Sustainable Development	(3,691)	1,622	2,094	5,527	977
Total Capital	(19,464)	4,989	4,257	1,842	7,982

SECTION 2

Indicative Capital Programme 2028-33

Annex 5

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Business Improvement	Business Improvement							
Customer Contact Programme	Customer Contact Programme	4	OSC	0	0	1,000	1,000	0
Customer Contact Programme	Transport Management System	4	OSC	0	0	0	150	0
Business Systems	Ancilliary System	4	OSC	0	50	0	0	50
Business Systems	Parking System	4	OSC	0	0	600	0	0
Business Systems	Payroll System	4	OSC	0	0	0	160	0
Business Systems	Invoice Scanning SCIS/FIS	4	OSC	0	0	0	150	0
Business Systems	Environmental Asset Management	4	OSC	0	0	0	500	0
Business Systems	Revenue & Benefits	4	OSC	0	0	750	0	0
Business Systems	Payments project	4	OSC	150	0	0	0	200
Business Systems	Planning&Public Protection Sys	4	OSC	0	0	0	0	550
Business Systems	E Form Replacement	4	OSC	0	0	0	0	150
Business Systems	Safer Merton Case Management	4	OSC	0	60	0	0	0
Replacement SC System	Replacement SC System	4	OSC	1,100	1,000	0	0	0
Information Technology	Information Technology							
Planned Replacement Program	Project General	4	OSC	770	1,405	1,060	970	1,005
Resources	Resources							
Financial Systems	Implementing New Financial System	4	OSC	0	700	0	0	0
Corporate Budgets	Corporate Budgets							
Multi-Functioning Device (MF)	Multi-Functioning Device (MFD) - F	5	OSC	600	0	0	0	0
Total Finance & Digital				2,620	3,215	3,410	2,930	1,955

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Total ASC, Integrated Care & Public Health				0	0	0	0	0

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Primary Schools	Primary Schools							
Unlocated Primary School Pro	School Capital Maintenance	1	CYP	2,500	2,500	2,500	2,500	2,500
Total Children, Lifelong Learning & Families				2,500	2,500	2,500	2,500	2,500

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SECTION 2

Indicative Capital Programme 2028-33 continued....

Annex 5

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Public Protection and Development	Public Protection and Development							
CCTV Investment	Rapid deployment cameras	1	SC	0	50	50	0	0
Street Scene and Waste	Street Scene and Waste							
Waste SLWP	Replacement of Fleet Vehicles	2	SC	0	1,290	0	0	0
Waste SLWP	Waste Bins	1	SC	50	50	50	50	50
Sustainable Communities	Sustainable Communities							
Street Trees	Street Tree Programme	2	SC	60	60	60	60	60
Highways & Footways	Traffic Schemes	1	SC	150	150	150	150	150
Highways & Footways	Surface Water Drainage	1	SC	60	60	60	60	60
Highways & Footways	Repairs to Footways	1	SC	1,300	1,300	1,300	1,300	1,300
Highways & Footways	Maintain AntiSkid and Coloured	1	SC	60	60	60	60	60
Highways & Footways	Borough Roads Maintenance	1	SC	1,800	1,800	1,800	1,800	1,800
Highways & Footways	Highways bridges & structures	1	SC	260	260	260	260	260
Highways & Footways	Raynes Park Station Step Free Access	2	SC	250	0	0	0	0
Highways & Footways	Pothole Grant	1	SC	186	186	186	186	186
Borough of Sport	Borough of Sport							
Wimbledon Park	New Wimbledon Park lakeview build	3	SC	500	0	0	0	0
Sports Facilities	Leisure Centre Plant & Machine	3	SC	300	300	320	320	350
Parks Investment	Parks Investment	3	SC	300	300	300	300	300
Libraries	Libraries							
Libraries IT	Library Management System	2	SC	0	140	0	0	0
Libraries IT	Library Self Service	2	SC	0	350	0	0	0
Total Environment, Civic Pride & Climate				5,276	6,356	4,596	4,546	4,576

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Total Innovation & Change				0	0	0	0	0

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Indicative Budget 2028-29 £000s	Indicative Budget 2029-30 £000s	Indicative Budget 2030-31 £000s	Indicative Budget 2031-32 £000s	Indicative Budget 2032-33 £000s
Housing	Housing							
Major Projects Affordable Housing	Empty Homes Strategy	2	SC/HCOP	375	375	375	375	375
Facilities Management	Facilities Management							
Works to Other Buildings	Repair and Maintenance	4	OSC	650	650	650	650	650
Invest to Save	Project General	2	OSC	300	300	300	300	300
Total Housing & Sustainable Development				1,325	1,325	1,325	1,325	1,325

Total Capital				11,721	13,396	11,831	11,301	10,356
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SECTION 2

Glossary of Terms

Asset Management Plan/Strategy (AMP/S) - An Asset Management Plan (AMP) is a tactical plan for managing an organisation's infrastructure and other assets to deliver an agreed standard of service. The plan is reviewed annually as part of the budget cycle.

Budget - Statement of the spending plans for the year.

Capital Expenditure - Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Requirement (CFR) - The total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources i.e. a measure of the underlying borrowing need. (See Minimum Revenue Provision)

Capital Programme - Documentation which summarises the outcome of priority allocations contained in the capital strategy and details individual schemes for approval by Council / Cabinet.

Capital Programme Board - The Capital Programme Board ensures:

- that the overall capital investment strategy is consistent with strategic objectives, is affordable within the revenue budget strategy, and examines potential funding options
- that bids are submitted in accordance with the set framework and guidelines (including business cases, value for money and options appraisal) and prioritised in accordance of agreed criteria
- compiles and manages a multi-year capital programme for consideration by CMT and approval by Cabinet

Capital Projects/Schemes - Capital Projects / Schemes is the level at which Member approval is obtained.

Capital Receipts - Proceeds from the sale of fixed assets and repayments of capital grants and loans. These are divided into reserved and usable parts.

Capital Monitoring - The monthly comparison of actual spend against the anticipated spend (profiled budget) and the revision of projected year end spend where necessary. Periodically budget managers will be required to review their in year budget requirement and re-profile their projected expenditure over subsequent financial years.

Capital Strategy - A Capital Strategy is a core planning document designed to dovetail with the MTFs and Treasury Strategy to ensure that limited capital resources are deployed in accordance with corporate priorities / achieving our vision. The document will also detail how the proposed capital programme will be funded.

Chartered Institute of Public Finance and Accountancy (CIPFA) - The Institute produces standards and codes of practice that must be followed in preparing the Council's financial statements.

Corporate Governance - Corporate Governance is the system by which local authorities direct and control their functions and communicate to their communities.

Council's Borrowing Requirement - Based on projected spend, this is the amount of money a local authority will need to borrow to finance this projected spend.

Debt Rescheduling - Where certain debt may be redeemed and a further loan obtained. This may be undertaken to provide an even spread of debt redemption date and terms, It may also be used to optimise beneficial borrowing rates in the market while maintaining activity within acceptable risk levels.

Depreciation - Depreciation is a charge to the revenue account to reflect the reduction in the useful economic life of a fixed asset, reducing the value of the fixed asset in the balance sheet. It is not a charge to the General Fund as it is reversed in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

SECTION 2

Glossary of Terms continued...

Earmarked Capital Resources/Grants - Money received by the Authority which has certain conditions / restrictions (loose terminology) over its use limiting the type of expenditure that it may be applied against. IFRS refers to Stipulations and sub divides them into Conditions and Restrictions. Earmarked grants (revenue or capital) are grants which are subject to restrictions.

Finance Lease - A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable and that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made

Financial Year - The financial year runs from 1 April to the following 31 March.

Fixed Assets - Assets that yield benefits to the local authority and the services it provides for a period of more than one year. These assets can be tangible or intangible.

General Fund - The main fund of the Council, from which all expenditure is met and all income is paid, with the exception of those items, which by statute have to be taken to some other account.

Government Grants - Financial assistance by government and other bodies, in the form of cash transfers to an authority, issued in return for compliance with certain conditions relating to the activities of the authority.

Impairment - The loss of value in a fixed asset arising from physical damage, deterioration in the quality of service provided by the asset or from a general fall in prices. When this occurs the asset must be written down to the recoverable value. The charge is then reversed out from the General Fund in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

International Financial Reporting Standard (IFRS) - International Financial Reporting Standards are a single set of accounting standards, developed and maintained by the IASB (International Accounting Standards Board) for the purposes of being applied on a globally consistent basis by developed, emerging and developing economies. The Code of Practice on Local Authority Accounting is based on IFRSs

Investment Strategy - The investment of the Authority's cash balances to optimise its strategic and operational needs.

Localism Act 2011 - It sets out a series of proposals with the potential to achieve a substantial and lasting shift in power away from central government and towards local people. They include: new freedoms and flexibilities for local government; new rights and powers for communities and individuals; reform to make the planning system more democratic and more effective

Minimum Revenue Provision - A provision, via a revenue charge, in respect of historical capital expenditure which has been financed by borrowing, as required by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008

Operational Boundary - The operational boundary is a prudential indicator for monitoring the total external debt, gross of investments, and separately identifying borrowing from other long term liabilities.

SECTION 2

Glossary of Terms continued...

Operating Lease - A contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease is not capitalised; it is accounted for as a rental expense in what is known as "off balance sheet financing." For the lessor, the asset being leased is accounted for as an asset and is depreciated as such.

Private Finance Initiative (PFI) - PFI contracts are agreements with private sector organisations to refurbish, maintain and operate fixed assets on behalf of public sector organisations such as local authorities.

Prudential Code - The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, the key objectives of which are to ensure that, within a clear framework, the capital investment and borrowing plans of the council are affordable, prudent and sustainable.

Prudential Indicators – Are a set of performance indicators for treasury management.

Revenue Expenditure - Expenditure incurred on day to day running costs and confined to accounts within one financial year.

Reserves - This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending. Reserves can be either capital or revenue

Ringfenced Grant - A grant paid to councils which has conditions attached to it, which restrict the purposes for which it may be spent.

Risk Management - A risk is a threat, obstacle or, barrier, that will stop the Authority from achieving its ambitions, aims and objectives. Risk management is the process of managing the risks that may prevent delivery of desired outcomes so that the organisation can anticipate and respond positively to change. Merton's approach to risk management is to raise awareness, integrate it into day to day operations and establish a robust framework and procedures to identify, analyse, assess and manage risk.

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

Useful Life - This is the period over which the local authority derives benefit from the use of a fixed asset.

SECTION 2



SECTION 2

LONDON BOROUGH OF MERTON

TREASURY MANAGEMENT STRATEGY STATEMENT - 2024-25

1. INTRODUCTION

1. Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

The Council is required to update and approve its policy framework and strategy for treasury management, annually, to reflect the changing market environment, regulation, and the Council's financial position.

The key issues and decisions are:

- a. To set the Council's Prudential Indicators for 2024/25 to 2027/28
- b. Approve the Minimum Revenue Provision (MRP) policy for 2024/25; and
- c. To agree the Treasury Management Strategy for 2024/25
- d. To agree an investment strategy/approach for the additional cash balances

SECTION 2

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. Prudential and treasury indicators and Treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
 - the capital plans, (including prudential indicators)
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
 - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. A mid-year Treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.
- c. An annual Treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Leader's strategic Group.

1.2.3 Treasury Management Strategy for 2024/25.

The strategy for 2024/25 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

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Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

2.0 CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2027/28

- 2.01 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
- 2.02 The Council is required to calculate various indicators for the next three years. The aim of prudential indicators is to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential indicators are calculated for the Medium-Term Financial Strategy (MTFS) period and are linked to the CIPFA Prudential Code and TM Code of Practice. The indicators relate to capital expenditure, external debt and treasury management.
- 2.03 The Council will monitor performance against the indicators and prepare indicators based on the Statement of Accounts (SoA) at year end. Actuals are calculated from the SoAs with estimates based on the Capital programme.

2.1 Capital Expenditure

- 2.11 The Council's capital expenditure plans are fundamental to its treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to provide Council members with an overview and confirm the impact of capital expenditure plans.
- 2.12 This indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as reported in the MTFS. Housing & Sustainable Development figures include projects relating to Public Health programme however these are fully funded and have no impact on the council's net financing need for the year or borrowing requirement

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Capital Forecast	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Finance & Digital	3,367	3,404	5,136	3,753	4,924
ASC, Integrated Care & Public Health	0	0	0	0	0
Children, Lifelong Learning & Families	4,794	8,239	6,284	4,217	3,280
Environment, Civic Pride & Climate	9,846	8,043	8,850	9,501	11,712
Innovation & Change	45	0	0	0	0
Housing & Sustainable Development	4,950	14,301	13,105	14,611	11,464
Total	23,001	33,987	33,375	32,082	31,380

2.13 The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A shortfall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme as at December 2023.

	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s	2027/28 Estimate £000s
Capital Budget	33,629	48,590	61,380	37,793	21,069
Slippage*	(10,628)	(14,603)	(28,006)	(5,711)	10,311
Leasing Budgets	0	(600)	0	0	0
Total Capital Expenditure	23,001	33,387	33,375	32,082	31,380
Financed by:					
Capital Receipts	1,433	489	28	14	8
Capital Grants & Contributions	14,183	23,689	23,151	18,421	11,181
Capital Reserves	0	0	0	0	0
Revenue Provisions	942	1,480	468	249	192
Other Financing Sources	0	0	0	0	0
Net financing need for the year (a)	6,444	7,728	9,728	13,399	19,999

* Please note the funding table in the Capital Strategy includes finance lease the table above excludes this expenditure.

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

2.21 The second prudential indicator, Capital Financing Requirement (CFR), is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. In other words, a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

2.22 The CFR includes any other long-term liabilities like PFI schemes and finance leases which have been brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, it should be noted that these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes.

2.23 The 2023/24 forecast movement in CFR shows a decrease of £0.44 million because MRP reduction is greater than the net financing need for the year (cap ex table v CFR table).

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The 2023/24 forecast capital outturn of £23.0m, 2024/25 of £34.0m, 2025/26 of £33.4m and 2026/27 of £32.1m are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects and the level of grant income. Also, fees and charges for the Council may change.

2.24 Based on current forecasts the Council does not need to borrow over the funding period. However, the Council can borrow in advance of need if rates are likely to rise and borrowing becomes a lot more advantageous than it would be.

The Council is asked to approve the CFR projections in the following table:

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Capital Financing Requirement CFR b/f	160,947	157,374	156,934	162,964	161,970	172,824
Total CFR c/f	157,374	156,934	162,964	161,970	172,824	181,256
Movement in CFR	(3,573)	(440)	6,030	(994)	10,854	8,432
Movement in CFR represented by						
Net financing need for the year (above)	3,000	6,444	7,728	9,728	13,399	19,999
Less Capital MRP/VRP	(4,843)	(4,965)	(4,349)	(5,177)	(6,102)	(7,240)
Less Other MRP/VRP - leasing and PFI	(682)	(697)	(2,223)	(2,486)	(2,239)	(2,506)
Less Other MRP/VRP - PFI - Termination	(970)	(1,040)	(1,114)	(1,194)	(1,280)	(1,372)
Less Other financing movements						
Adjustment of PFI Liability						
Adjustment of Leasing Liability*	(77)	(182)	5,988	(1,864)	7,076	(449)
Adjustment of MRP						
Movement in CFR	(3,573)	(440)	6,030	(994)	10,854	8,432

* Figures include the estimated impact of IFRS 16

2.25 Actual and estimates of the ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The indicator shows the proportion of the income received from Council tax, Revenue Support Grant (RSG) and National Non- Domestic Rate (NNDR) and some specific grants that is spent on paying the borrowing associated with delivery of capital investment (interest charges of long-term borrowing).

The table below shows the monetary values, ratio and includes leasing costs.

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Net Revenue Financing Costs	(12,648)	(11,491)	(5,719)	(12,806)	1,233	(8,766)
Net Revenue Stream	167,305	167,568	169,187	172,414	172,414	172,414
Ratio of Financing Costs to Net Revenue Stream (Non HRA)	(7.6%)	(6.9%)	(3.4%)	(7.4%)	0.71%	(5.1%)

Please note the authority has not included the "Net income from service and commercial investment as % of net revenue stream" as the Authority places no reliance on non-treasury income to support revenue, eg. Commercial Investments

Please note the table above are likely to change once information final information is received from precepting authorities

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Estimates of the incremental impact of capital investment decisions on council tax

The table below shows the incremental impact of changes in the capital programme (incorporating the effects of changes in treasury forecasts and investment decisions) on the Band D council tax.

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Incremental Change in Net Revenue Financing Costs (£000)	(13,495)	1,158	5,772	(7,087)	14,039	(9,999)
Council Tax Base	75,755	77,694	78,258	78,649	79,042	79,438
Incremental Impact on Council Tax - Band D (£)	(178.14)	14.90	73.76	(90.11)	177.61	(125.87)
Council Tax - Band D (£)	1,380.87	1,408.48	1,436.64	1,465.37	1,465.37	1,465.37

Please note the table above may change once information final information is received from precepting authorities

3 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

- 3.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The Council has not made any provision for VRP in its capital expenditure.
- 3.2 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the asset life Method – CLG regulations (option 3). This option will be applied for any expenditure capitalised under a capitalisation direction. This option reduces the borrowing need over the approximate life of the asset.
- 3.3 The Council is required to have regard for the Local Government Involvement in Health Act 2007. This amended the Local Government Act 2003 enabling the Secretary of State to issue guidance on accounting practices and thus on MRP. Also, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) specifies that "A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent". Any MRP implications on how the Council will pay for unfinanced capital assets through revenue will be included in the MRP policy.

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The table below details the basis of the MRP calculation for all unfinanced capital expenditure incurred on or after 1 April 2008.

	(Years)
Assets valued over £1m	
Buildings	50
Mechanical & Electrical and External	20
Assets valued under £1m	
Buildings	40
Infrastructure (roads etc)	25
15 Year Asset	15
10 Year Asset	10
Large vehicles – e.g. buses, RCVs	7
Small vehicles – e.g. cars, vans	5
Computer software, Computer hardware and Other equipment e.g. CCTV	3,4 and 5
MRP years where there is no depreciation equivalent	
Land	50
Revenue Expenditure Funded by capital Under Statute e.g. Redundancy costs	20

There is an open consultation on MRP which will seek new regs and statutory guidance. This may require a revised MRP Policy to be brought back to Council based on the outcome.

4. TREASURY MANAGEMENT

4.1 The Prospects for Interest Rates and Economic Forecasts

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 05 February 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 05.02.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

a. The third quarter of 2023/24 saw:

- ✓ A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;

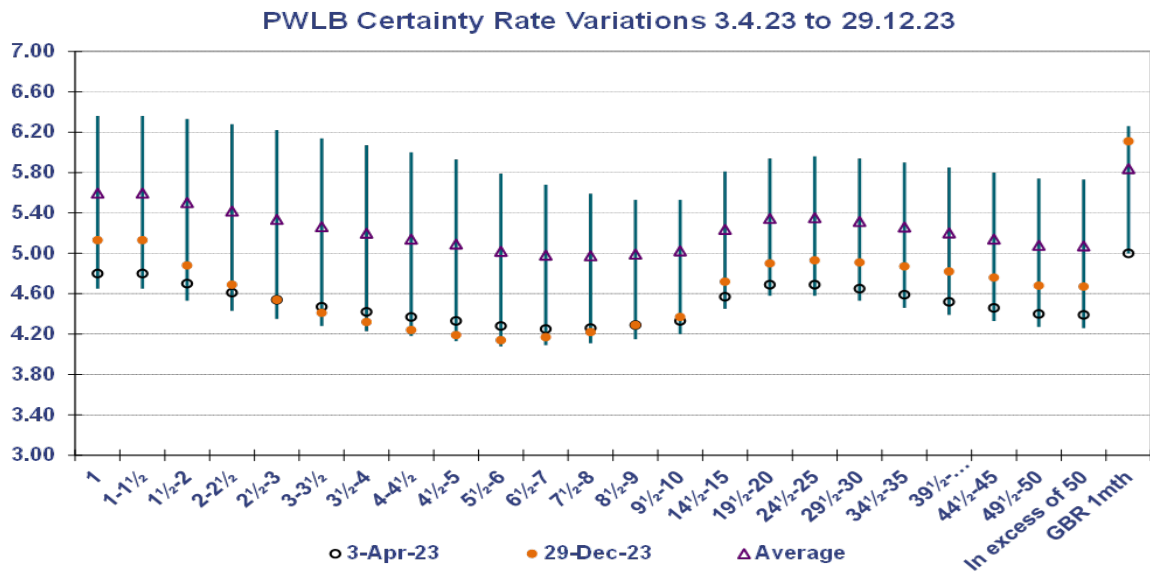
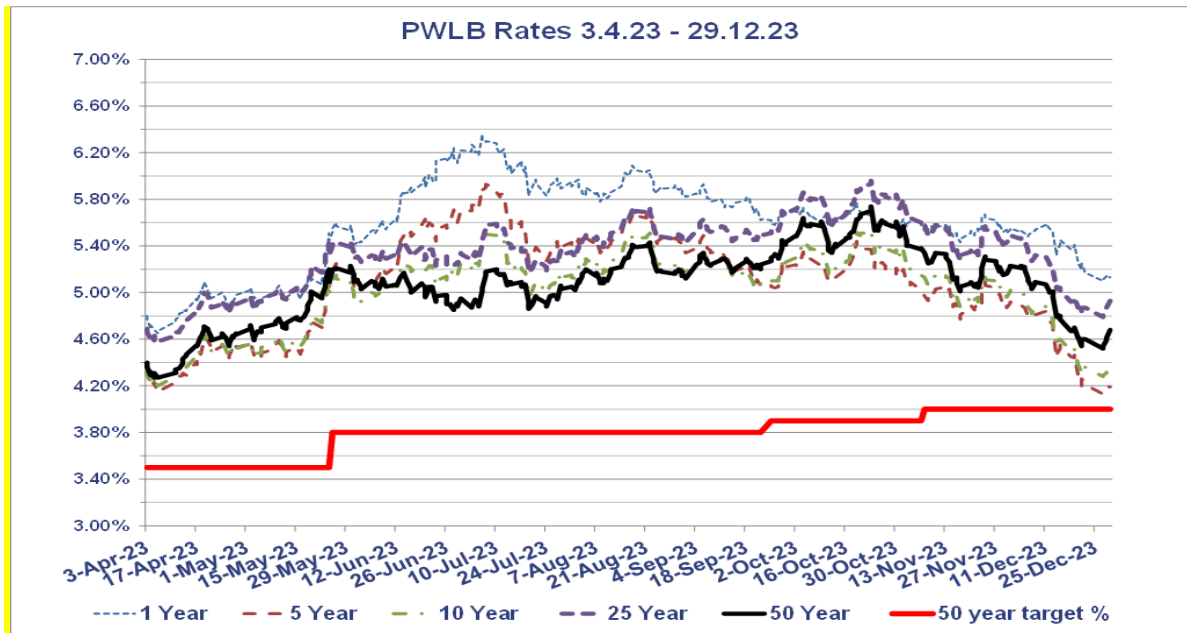
SECTION 2

- ✓ A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October (and then 6.6% in November), although the ONS “experimental” rate of unemployment has remained low at 4.2%;
 - ✓ CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November before rising a little to 4% in December;
 - ✓ Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November and December, the lowest rate since January 2022;
 - ✓ The Bank of England holding Bank Rate at 5.25% in November and December (and subsequently in February 2024);
 - ✓ A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower, although yields have subsequently risen somewhat in January.
- b. The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- c. However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- d. The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- e. Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index most recently (February 2024) pointing to a 2.5% year on year increase whilst Nationwide’s January data pointed to a -0.2% year on year decrease. However, it should be remembered that the full weakness in real consumer spending and real business investment has yet to be felt as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to filter through.
- f. Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- g. The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank’s key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3% (and then to 6.6% in November), which leaves it comfortably below the 7.2% comparator for December, as predicted by the Bank in November.

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- h. The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- i. CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November (4.0% in December). Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- j. The Bank of England sprung no surprises with its December (and subsequent February) monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- k. Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- l. The fall in UK market interest rate expectations in December drove most of the decline in 10-year gilt yields, which fell in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields fell from 4.68% in October 2023 to around 3.70% in early January but have subsequently risen to a little over 4% since. Further declines are only likely to resume once softer inflation and wage data are consistently maintained.
- m. Investors' growing expectations that the Fed will cut interest rates in the first half of 2024 has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- n. The FTSE 100 index remains 5% below its record high in February 2023. Where equities have made ground, it is mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 rose by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

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HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries. The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

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4.2 CENTRAL BANK CONCERNS

- 4.2.1 Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.
- 4.2.2 Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

5 Borrowing Strategy

Current Borrowing Portfolio Position

The following table shows the CFR as at December 2023 against the gross debt position of the Council. The gross debt includes other long-term liabilities like PFI and finance lease obligations. Gross debt should not exceed CFR in the medium to long-term.

Narrative	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
External Debt at 1 April	109,010	108,700	52,000	52,000	52,000	52,000
Expected change in Debt (repayment and new debt)	(310)	(56,700)	0	0	0	3,726
Closing External Debt	108,700	52,000	52,000	52,000	52,000	55,726
Closing Balance PFI	15,328	14,630	12,407	9,921	7,682	5,176
Closing Partial termination Balance PFI	9,045	8,005	6,891	5,697	4,417	3,045
Total PFI	24,373	22,635	19,298	15,618	12,099	8,221
Closing Balance Finance Leases	1,033	851	6,839	4,975	12,051	11,601
Actual Gross Debt at 31 March	134,106	75,487	78,137	72,592	76,150	75,549
Capital Financing Requirement (CFR)	157,374	156,934	162,964	161,970	172,824	181,256
(Under)/over Borrowing	(23,269)	(81,447)	(84,827)	(89,378)	(96,675)	(105,707)

* Figures include the estimated impact of IFRS 16

- 5.1 The table contained above in section 4.2 shows the CFR forecast for 2023/24 to 2027/28. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.
- 5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Executive Director for Finance and Digital will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances: PFI and finance lease portion of the CFR will not be funded by additional loan. Capital forecasts relating to 2024/25, 2025/26, 2026/27 and 2027/28 are very much subject to change at this stage.
- 5.3 The borrowing strategy to temporarily finance its capital programme, led the Council to consider setting a minimum amount of projected liquid cash of £30m. This means that cash outflows for capital purposes would primarily be met from cash investments until £30m was reached, and only at that point, would external borrowing be undertaken. This is in line with the Liability benchmark and we will take into account CIPFA's net book approach in future strategies.

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The Council will continue to review, throughout the year, its options around higher and lower levels of cash-backed balances.

5.4 Treasury Indicators: Limits to Borrowing Activity

5.4.1 Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed. (The most likely prudent view, not the worst-case scenario. Maximum level of external debt projected – CIPFA)

Operational Boundary	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/2026 Estimate £000s	2026/2027 Estimate £000s	2027/2028 Estimate £000s
Capital Financing Requirement level (Borrowing)	156,934	162,964	161,970	172,824	181,256
Other Long-Term Liabilities	28,487	36,137	30,592	34,150	29,823
Operational Boundary (Borrowing)	185,420	199,101	192,563	206,974	211,079

5.4.2 Authorised Limit for External Borrowing

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents a limit beyond which external borrowing must not go over in the 3 years, and this limit when set is to be revised annually by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. (The operational boundary, plus headroom for unusual cash movements – CIPFA)

The Council is asked to approve the following authorised limit:

Authorised Limit	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/2026 Estimate £000s	2026/2027 Estimate £000s	2027/2028 Estimate £000s
Borrowing	186,934	192,964	191,970	202,824	211,256
Other Long-Term Liabilities	33,487	41,137	35,592	39,150	34,823
Authorised Limit	220,420	234,101	227,563	241,974	246,079

Members are required to note that these authorised limits show the gross maximum borrowing for the year and, in year regulatory accounting changes which may affect the level of debt in the balance sheet as well as allow for any potential overdraft position and short-term borrowing for cashflow purposes. All of which will be counted against the overall borrowing. The authorised limit also provides headroom for any debt rescheduling which may occur during the year and any borrowing in advance of need.

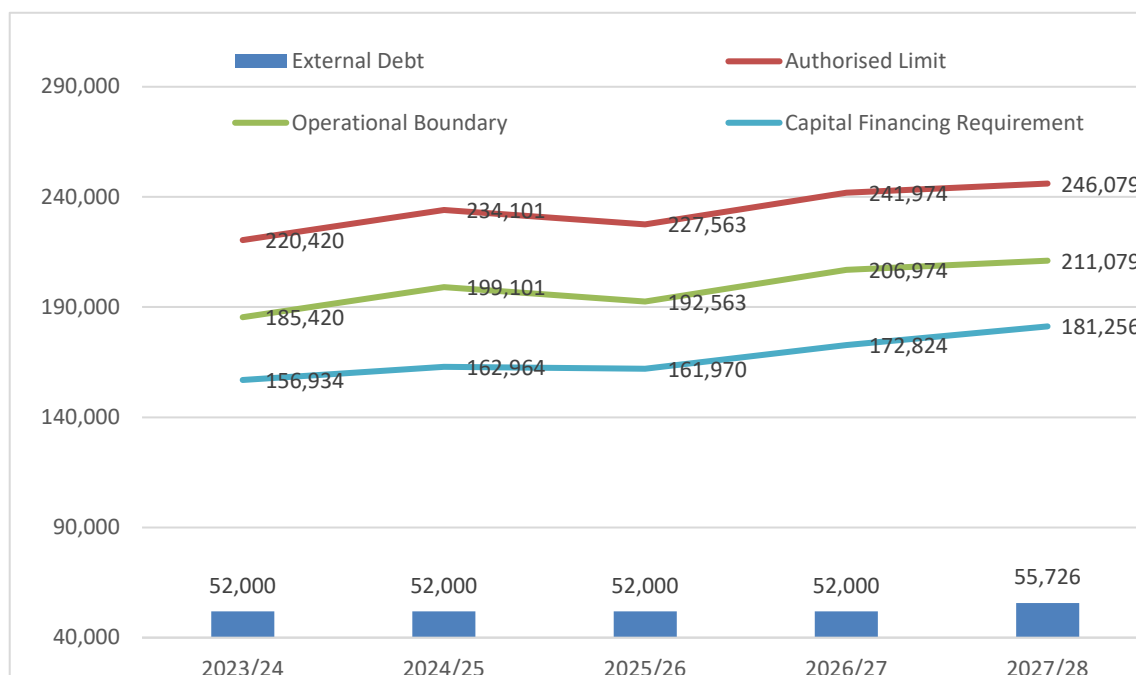
6.0 Treasury Management Limits on Activity

The table below shows the debt related treasury activity limits.

Maturity Structure of borrowing December 2023				
	Actual %	Value £000	Upper	Lower
less than 1 year	20.9%	13,700	60%	0%
1 to 2 years	0%	0	60%	0%
2 years to 5 years	6.8%	4,500	60%	0%
5 years to 10 years	0%	0	80%	0%
10 years to 20 years	34.2%	22,500	100%	0%
20 years to 30 years	0%	0	100%	0%
30 years to 40 years	38.1%	25,000	100%	0%
40 years to 50 years	0%	0	100%	0%
Total	100.0%	85,700		

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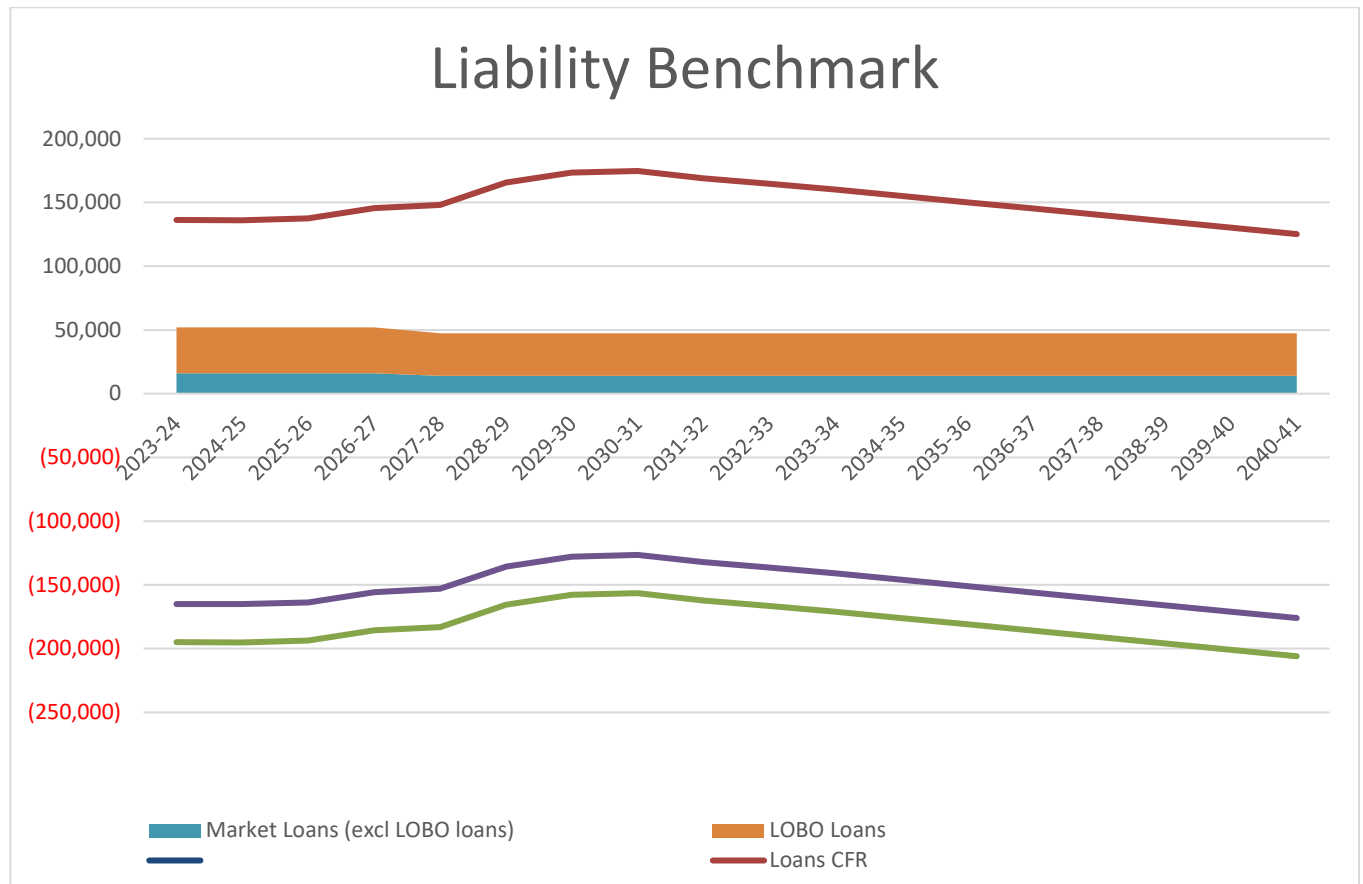
- 6.1 There have been significant developments in the first half of the year. £38m of long-term Public Works Loan Board (PWLB) debt was settled early on the 6th April 2023 (funded by CHAS sales proceeds) with the remaining £13.7m balance naturally maturing at the end of the financial year, 31st March 2024. £87.035m (nominal) proceeds from the sale of CHAS was allocated to long-term government bonds in June 2023.
- 6.2 Another long-term loan, this time a LOBO loan held with Bayerische Landes Bank was settled early on the 28th September 2023 as both options were exercised, Bayerische wished to increase the rate from 4.9% to 6.5% and Merton exercised their right to redeem (in accordance with our practice). These events have significantly reduced the council’s debt portfolio and therefore debt interest commitment. In the case of Bayerische the LOBO originally had a final maturity of 28th March 2062 creating a saving of £9.55m in cash interest payments over the loan period
- 6.3 Members are asked to note that the maturity structure guidance changed in The Prudential Code 2021 guidance notes for Lenders Option Borrowers Option (LOBO) Loans, the maturity dates is now deemed to be the next call date. The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment.



- 6.4 Interest rate exposure is mitigated as much as possible by the council by taking into account various factors. Constantly reviewing interest rates through media outlets, communications and emails. Action is then taken to place deposits adopting the “SLY” principle prioritizing security, liquidity and then yield, in that order.
- 6.5 The Liability Benchmark is a new prudential indicator it effectively illustrates the net borrowing requirement of a local authority plus a liquidity allowance. It is required from 2023/24 following a revision to the CIPFA Prudential Code and Treasury Management Code in 2021. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.
- 6.6 CIPFA recommends that the optimum position for external borrowing should be at the level of the liability benchmark (i.e., all balance sheet resources should be used to maximise internal

SECTION 2

borrowing to the extent that the authority retains sufficient liquidity for treasury management). If the outputs show future periods where external loans are less than the liability benchmark, then this indicates a borrowing requirement to sustain treasury investments at the level of the liquidity allowance. Conversely, where external loans exceed the liability benchmark then this will highlight an overborrowed position relative to the benchmark and cash balances over the £30m liquidity allowance requiring investment. The chart below shows the position in respect of Merton, over the funding period, with the proposed capital programme Merton will increase it's level of internal borrowing.



7.0 Local Indicators

In setting the indicators below, the Council has taken into consideration investment risks and returns.

The table below shows target borrowing and investment rates

	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %
Average Investment Target Return	5.00%	4.56%	3.75%	3.75%	3.50%
Average Investment Target – Property Fund	4.0%	4.0%	4.0%	4.0%	4.0%
Long Term Borrowing Target					
• Current Portfolio	5.50%	4.50%	3.75%	3.75%	3.50%

The average investment target return above is based on the expected target return for the stated periods.

8.0 Policy on Borrowing in Advance of Need

London Borough of Merton will not borrow more than, or in advance of its need, purely in order to profit from the investment of the extra funds borrowed. based on the current capital

SECTION 2

programme and the cash available , there are no intentions to take any new borrowings. .

9.0 Debt Rescheduling

On any restructuring of debt, the savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The likely method of restructuring the debt portfolio will be by new loans from PWLB. There are no plans to do any debt restructure at the time of the reporting.

9.1 Borrowing Options

The Council has the facility to borrow from different sources . These include the Public Works Loans Board, Market loans, Municipal Bond Agency (MBA), Retail Bonds, Loans from other Local Authorities and temporary loans. However there are no plans or need to make any new borrowing for capital programme or operational needs

9.2 Changes Which May Affect Treasury Management

- **Future Regulatory Changes to Money Market Fund Valuation**
- ***Proposed Changes to Leasing***

Future changes to accounting for leasing will increase CFR and therefore MRP but there will be compensating adjustments to the cost of services so the overall impact is presentational with no effect on the General Fund. It is anticipated that there may be some impact on both capital and revenue expenditure and the changes will require all leases to be included on the balance sheet and be measured on PV of future lease payments. This is in reference of the introduction of IFRS16

Environmental, Social and Governance (ESG)

Merton Council declared the Climate emergency policy in July 2019 and aims to become carbon neutral on Council's buildings and services by 2030. When it comes to Treasury management Merton will take ESG issues into consideration when investing cash in the money markets, speaking to potential counterparties about what they offer within the parameters of the Authority's counterparty criteria and the requirement of the DLUHC Investment Guidance to prioritise security, liquidity before yield in that order or importance.

In terms of typical local authority investments there isn't a wide range of products in this area at the moment, although we expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent the council will continue to monitor it and make best use of ESG opportunities when they become available.

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10.0 ANNUAL INVESTMENT STRATEGY

10.1 Investment Policy

London Borough of Merton’s investment policy has regard to the DLUHCs Guidance on Local Government Investments (“the Guidance”) Now known as the Department for Levelling up, Housing and Communities, DLUHC and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Council’s investment priorities will be security first, liquidity second, then return.

10.2 Investment Strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations

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

	Now
2023/24	5.25%
2024/25	4.00%
2025/26	3.75%
2026/27	3.00%
2027/28	3.00%
Long term later years	2.50%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 12 months during each financial year are as follow

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

10.3 **Investment Treasury Indicator and Limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and are based on the availability of funds after each year-end.

	31 Dec 2023 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Estimated Principal sums invested	£97m	£107m	£107m	£107m	£107m

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10.4 In addition to fixed deposits, a number of other financial instruments like Property funds will fall under the category of investments with duration exceeding 365 days. In addition to using money market funds, call accounts and notice accounts, the Council will seek to utilise other liquid and transferable instruments like certificate of deposits and gilts for its cashflow balances.

10.4 In the first week of June Merton placed £87.035m of CHAS proceeds into 6 long-term government gilts through our custodian, Northern Trust. With an average rate of 4.23% the council has secured solid yields that will see benefits into the future when rates will start to fall in the new year. To date the council has benefitted from 2 coupon interest income dates, one in July 2023 and one in December 2023 resulting in the council receiving £1.8m in deposit income. The table below shows the breakdown of the bonds.

Account	Nominal	Maturity date	No of years	Coupon rate	Annual interest
LBMR01	1,035,000.00	07/12/2046	23	4.25	43,987.50
LBMR01	30,000,000.00	07/12/2046	23	4.25	1,275,000.00
LBMR01	15,000,000.00	29/01/2027	4	4.13	618,750.00
LBMR01	25,000,000.00	07/12/2049	26	4.25	1,062,500.00
LBMR01	1,000,000.00	07/12/2049	26	4.25	42,500.00
LBMR01	15,000,000.00	07/12/2027	4	4.25	637,500.00
	87,035,000.00				3,680,237.50

10.5 Use of Specified and Non-Specified Investments

Investment instruments identified for use in the financial year are as follows:

10.5.1 Specified Investments

These are sterling investments of not more than one-year maturity, or those which could be for a longer period where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.

Along with the fixed deposits, Money Market Funds and funds being placed with the CCLA. The fund is on our treasury advisor's recommended list and has a AAA rating. The Council for the first time invested in government gilt in 2023/24 for secure stable long term investment return. These investments are made for 5yrs, 23yrs and 26yrs.

10.5.2 Non-Specified Investments

Non-Specified investments are defined as those not meeting the above criteria and exceeding 365 days in duration. The council currently have no fixed deposits in this category. Authority do have an investment in a Property Fund which has a 5/10 year recommended time horizon.

A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity ahead of yield.

Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

- Total financial exposure to these types of loans is proportionate;

- They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;

SECTION 2

- They have appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

10.6 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

1. **Security** - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:
 - 5% historic risk of default when compared to the whole portfolio.
- 2 **Liquidity** – in respect of this area the Council seeks to maintain:
 - Bank overdraft - £1m
 - Liquid short term deposits of at least ££30m available with a week's notice.
3. **Yield** – meet or exceed the annual budgeted interest income figure in any given year.

10.7 Risk Management and Creditworthiness Policy

This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies

- Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

SECTION 2

The Council will therefore use counterparties within the following durational bands:

Y	PI1	PI2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Money Limit	Time Limit
Banks	yellow	£40m	5yrs
Banks	purple	£40m	2 yrs
Banks	orange	£40m	1 yr
Banks – part nationalised	blue	£40m	1 yr
Banks and Building Societies	red	£40m	6 mths
Banks and Building Societies	green	£5m	100 days
Banks	No colour	Not to be used	
Other institutions limit	-	£5m	1yrs
Government (DMADF) Tbills, Gilts		unlimited	6 months
Local authorities	Yellow	£35m	5yrs
	Fund rating	Money Limit	Time Limit
Money market funds (maximum 7 Funds, £40m per Fund)	AAA	£280m	Instant
Ultra-Short/long Dated Bond funds/Treasury with a credit score of 1.25	Dark pink / AAA	£100m	on Maturity
Ultra-Short/long Dated Bond funds with a credit score of 1.5	Light pink / AAA	£50m	on Maturity
Proper Fund CCLA	AAA	£20m	On Maturity

The Link Group creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a Short-Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council uses other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

SECTION 2

10.8 Country and Sector Limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 2. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

10.9 Banking Arrangements

The Council's bank is Lloyds plc bank. The Council's bank accounts include some school accounts and client bank accounts managed as part of its Appointeeship role for residents that require this support. All schools are responsible for the management of their bank accounts.

From time to time the Council may open bank accounts with other banks for specific reasons, subject to approval by the Executive Director of Finance and Digital

10.10 Lending to Community Organisations, Other Third Parties and RSLs –

Any loans to or investments in third parties will be made under the Well Being powers of the Council conferred by section 2 of the Local Government Act 2000 or Localism Act of 2011.

The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations, schools, local enterprises, local companies or even individuals. Loans of this nature will be under exceptional circumstances and must be approved by Cabinet or the Executive Director of Finance and Digital as applicable. Authorisation from the Financial Conduct Authority (FCA) will also be sought where applicable.

Where it is deemed necessary, additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company. The Council will also consider other factors like the statutory powers in place, reasonableness of the investment, FCA, objective and revenue earnings for the Council, MRP requirements, accounting issues and categorisation of the expenditure as capital or revenue.

In other instances, the Council may receive soft loans from government agencies.

10.11 Non-Treasury Investment Lending

The Council may be required to make policy investments for the good of its community by lending to local organisations and in some cases schools. Legal agreements are drawn which stipulate the terms of the loan which includes the ability of the organisation to make repayments. The Council may also lend to its wholly owned companies.

11 Cashflow Management

11.2 CIPFA requires all monies to be under the control of the responsible officer and for cashflow projections to be prepared on a regular and timely basis. Cashflow provides outline of operations. Actuals and forecast are recorded using Logotech systems. At the end of each day the net receipts and payments is either invested or borrowed to ensure that the Council's bank account is kept at a minimum.

Forecasts are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects. Please see Appendix 6 for the cash flow forecast.

11.3 Purchase and Corporate Credit Cards

The use of corporate credit cards like other accounts payable methods carries significant risks. The Executive Director of Finance and Digital is responsible for ensuring that the Council has appropriate controls in place to protect the Council's funds.

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12 Policy on the use of External Service Providers

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

13 Training

A key outcome of the recent investigations into Local Authority investments is the need to ensure that all relevant Treasury Management staff and members that are associated with treasury matters receive appropriate training and knowledge in relation to these activities. Training is provided in- house on the job, via CIPFA seminars and training courses, treasury adviser seminars and training courses and sometimes counterparties conduct training. In addition, members of the team attend national forums and practitioner user groups.

14 Treasury Management Practices

14.2 The 2021 Treasury Management Code reinforces a framework of 12 Treasury Management practices (TMPs), which define the manner in which authorities seek to achieve the policies and objectives outlined in their Treasury Management policy statement. The Council's detailed Treasury Management practices approved in March 2022/23 can be found on the Council's intranet. An updated version is included as **Appendix 4**

15 Appendices

- Appendix 1 – Policy Investments (Non-Treasury Management Investments)
- Appendix 2 – Approved Countries for Investment
- Appendix 3 – The Treasury Management Role of the S151 Officer
- Appendix 4 – Treasury Management Practices 2024/25
- Appendix 5– Glossary
- Appendix 6 – Cashflow Forecast

16 Background Papers

- CIPFA Prudential Code for Capital Finance in Local Authorities 2021 Edition
- CIPFA Treasury Management in the Public Sector 2021 Edition
- The Guide to Local Government Finance (2018 Edition) Module 4: Treasury Management
- CIPFA Practical Considerations in Using Financial Instruments to Manage Risk in the Public Sector
- London Borough of Merton Capital Strategy 2022/26
- DLUHC Investment Guidance
- DLUHC MRP Guidance
- External auditor opinion on MRP provision

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APPENDIX 1 – Policy Investments (Non-Treasury Management Investments)

Type	Duration	
Joint Development Companies	One month to 10 years	Subject to specific terms
Loans to Registered Landlords	One month to 5 years	Subject to specific terms
Loans to wholly owned companies	One month to 30 years	Subject to specific terms
Loan to any other type of organisation	One month to 10 years	Subject to specific terms

APPENDIX 2 - APPROVED COUNTRIES FOR INVESTMENTS (as at 02/12/2023)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Group credit worthiness service.

The council currently don't invest with any foreign banks.

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

SECTION 2

APPENDIX 3

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval;
- approval of the division of responsibilities.
- Receiving and reviewing regular monitoring and acting on recommendation

(ii) The S151 Officer (Executive Director of Finance and Digital)

- recommending clauses, Treasury Management policy / practices for approval, reviewing the same regularly, and monitoring compliance.
- submitting regular Treasury Management policy reports.
- submitting budgets and budgets variations;
- receiving and reviewing management information reports.
- reviewing the performance of the Treasury Management function.
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of Treasury Management external service providers.
- Approval of appropriate money market funds for the Council to invest in.

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LONDON BOROUGH OF MERTON **TREASURY MANAGEMENT PRACTICES 2024/25**

TMP 1: RISK MANAGEMENT

The Director of Corporate Services – the responsible officer will implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Policy on the use of credit risk analysis techniques

- The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- Credit ratings will be used as supplied from all three rating agencies - Fitch, Moody’s and Standard & Poor’s.
- Treasury management consultants will provide regular updates of changes to all ratings relevant to the Council.
- The treasury manager will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

1.2 Liquidity Risk Management

The Council will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The treasury management team shall seek to minimise the balance held in the Council’s main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the main bank account.

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Bank overdraft arrangements – A £1 million net overdraft at 2% over base rate on debit balances has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts. Separate facilities are available for the Pension Fund bank account.

a. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market.

b. Special payments

Where an urgent clearing house automated payment system (CHAPS) payment is required, a CHAPS payment request form must be completed and forwarded to the Head of Transactional Services who then checks for correct required signatures and supporting paperwork. Further guidance can be found on the Council's intranet.

c. Inter account transfer

From time to time, transactions occur between the Pension Fund and the Council.

Reimbursement where necessary is by inter-account transfers between both bank accounts.

1.3 Interest Rate Risk Management and use of Derivatives

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council does not use derivatives, the Council's S151 Officer will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives when used will be clearly stated to members. The treasury management strategy has full details of interest rate exposure limits.

Policies concerning the use of instruments for interest rate management.

- Forward Dealing

Consideration will be given to dealing for forward periods depending on market conditions. When forward dealing is more than a 365 days period forward, the approval of the Director of Corporate Services is required.

- Callable Deposits

The Council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the AIS.

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Policy on Use of Lender's Option Borrower's Option (LOBO) Loans

LOBOs give the lender the option to propose an increase in the interest rate at pre-determined dates, and the borrower, the option to accept the new rate **or** redeem the loan without penalty.

Use of LOBOs is considered as part of the Council's annual borrowing strategy. All long-term borrowing must be approved by the S151 Officer.

1.4 Exchange Rate Risk Management

Occasionally, the Council has to make foreign exchange payments, the Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure.

1.5 Refinancing Risk Management

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms at renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage the relationships with counterparties in such a manner as to secure the above objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for rescheduling include:

- a) to generate cash savings at minimum risk;
- b) to reduce the average interest rate; and
- c) to amend the maturity profile and/or the balance of volatility of the debt portfolio

Any rescheduling will be reported to the Council at the meeting immediately following the action.

1.6 Legal and Regulatory Risk Management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 1.1 Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The Council will ensure that its treasury management activities comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council.

SECTION 2

The Council's powers to borrow and invest are contained in the Local Government Act 2003, section 12 and Local Government Act 2003, section 1. The treasury management scheme of delegation is contained in the Corporate Services Scheme of Delegation. This document contains the officers who are authorised signatories. The Council's monitoring officer is the Assistant Director Corporate Governance while the S151 Officer is the Director of Corporate Services.

1.7 Fraud, Error and Corruption, and Contingency Management

Treasury tasks are segregated and adequate internal checks have been implemented to minimise risks and fraud. Procedures are documented and staff will not be allowed to take up treasury management activities until they have had proper training and are subject to an adequate and appropriate level of supervision.

Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out. Periodic backups will be made to ensure contingency of systems is available.

Details of Systems and Procedures to be Followed, Including Internet Services

The Council uses Logotech Treasury systems as its treasury management recording tool.

- The Corporate Services Scheme of Delegation sets out the delegation of duties to officers and the Council's constitution details delegated authority of treasury management to the Section 151 Officer.
- All loans and investments are negotiated by the Treasury Manager or other authorised persons.
- All long-term loans must be authorised by the Section 151 Officer.

1.8 Market Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect it from the effects of such fluctuations. This is controlled mainly by setting limits on investment instruments where the principal value can fluctuate. The limits are detailed in the Treasury Management Strategy

ESG is now a consideration due to the 2021 TM Code so Councils are mindful to pursue deposits that have ESG credentials.

TMP 2: PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

Periodic Review During the Financial Year

Monthly and quarterly meetings take place (quarterly with the Treasury consultant) to review the treasury activities, economic factors and discuss the investment options. In addition to this the Director of Corporate Services will hold treasury management review meetings with the Treasury team, periodically or as required to review actual activity against the Treasury Management Strategy Statement (TMSS) and cash flow forecasts.

SECTION 2

Annual Review After the end of the Financial Year

Annual Treasury Report will be submitted to the Full Council each year after the close of the financial year.

2.2 Benchmarks and Calculation Methodology

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment

The performance of investment earnings will be measured against any of the following benchmarks: In-house benchmark and when necessary other benchmarks such as Bank of England base rate, Sterling Overnight Index Average based on actual transactions, SONIA

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers using the CIPFA treasury management benchmark service.

2.3 Policy Concerning Methods for Testing Value-for-money in Treasury Management

The process for advertising and awarding contracts will be in-line with the Council's Contract Standing Orders and procurement guidelines.

2.3.1 Money-broking Services

From time to time, the Council will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of firm of brokers is maintained by the Treasury Manager. The list takes account of both prices and quality of service. No firm of brokers will be given undue preference.

2.3.2 Consultants / Advisers Services

The Council's treasury management adviser is Link Group.

SECTION 2

TMP 3: DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques

3.1.1 Records to be kept

The following records will be retained:

- Daily cash balance forecasts for the day and previous day
- Money market deal booking and deal approval confirmation emails
- Dealing slips for all investment and borrowing transactions
- Brokers' confirmations for all investment and temporary borrowing transactions made through brokers
- Confirmations from borrowing / lending institutions including money market fund portals
- PWLB loan confirmations
- PWLB interest due schedule
- Certificates for market loans, local bonds and other loans
- Deal confirmation letters for deals over one month
- Treasury Management contracts (Investment consultant and Logotech)

3.1.2 Processes to be pursued

- Cashflow analysis
- Debt and investment maturity analysis
- Ledger/Logotech/Bank reconciliations
- Review of counterparty limits in addition to monitoring of counterparties
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc)
- Treasury contracts management

3.1.3 Issues to be addressed

3.1.3.1 In respect of all treasury management decisions made the Council will:

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive; and
- f) Ensure that adequate investigation on security of the Council's funds has been conducted

SECTION 2

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

- a) Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, use of reserves, leasing and private partnerships; and
- d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3 In respect of investment decisions, the Council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions; and
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Use of external fund managers (other than Pension Fund)

4.2 Approved Techniques

- Forward dealing
- LOBOs – Lender's Option, Borrower's Option borrowing instrument
- Structured products such as callable deposits

4.3 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

SECTION 2

On Balance Sheet	Fixed	Variable
PWLB	●	
European Investment Bank(EIB)	●	
Market (long-term)	●	
Market (temporary)	●	
Market (LOBOs)	●	
Bonds administered by the Municipal Bond Agency	●	
Stock issues	●	
Local (temporary)	●	
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	
Internal (capital receipts & revenue balances)	●	
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	
Deferred Purchase	●	

Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP
 - Operating and Finance leases
 - Revenue Contributions

Borrowing will only be done in British Pound Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Corporate Services has delegated powers in accordance with Financial Regulations, Standing Orders and Scheme of Delegation to Officers to take the most appropriate form of borrowing from the approved sources.

4.4 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.5 Borrowing Limits

The Treasury Management Strategy Statement and Prudential and Treasury Indicators state all appropriate limits.

TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Allocation of Responsibilities

- (i) **Council (Budget)**
 - Receiving and reviewing reports on treasury management policy, practice and activity; and
 - Approval of annual strategy.

SECTION 2

(ii) **Cabinet**

- Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practice;
- Budget consideration and approval;
- Approval of the division of responsibilities; and
- Receiving and reviewing regular monitoring reports and acting on recommendations.

(iii) **Overview and Scrutiny Commission (Financial Monitoring Task Group)**

- Reviewing all treasury management reports and making recommendations to the Cabinet

5.2 Statement of the Treasury Management Duties/Responsibilities of Each Treasury Post

5.2.1 Responsible Officer

The Responsible Officer is the person charged with professional responsibility for the treasury management function and in this Council it is the Executive Director of Finance and Digital and is also the S151 Officer. This person or delegated persons will carry out the following duties: -

- a) Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
 - b) Submitting regular treasury management policy reports
 - c) Submitting budgets and budget variations
 - d) Receiving and reviewing management information reports
 - e) Reviewing the performance of the treasury management function
 - f) Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
 - g) Ensuring the adequacy of internal audit, and liaising with external audit
 - h) Recommending the appointment of external service providers.
 - i) The Responsible Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- a) The Responsible Officer may delegate her power to borrow and invest to members of her staff, The Treasury Manager and the fund officer. Treasury management team staff must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave / sickness.
 - b) The Responsible Officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
 - c) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
 - d) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

SECTION 2

5.2.2 Treasury Manager

The responsibilities of this post will be: -

- a) Drafting the treasury management strategy and annual report
- b) Adherence to agreed policies and practices on a day-to-day basis
- c) Maintaining relationships with counterparties and external service providers
- d) Supervising treasury management staff
- e) Monitoring performance on a day-to-day basis
- f) Submitting management information reports to the Responsible Officer; and
- g) Identifying and recommending opportunities for improved practices

5.2.3 Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented; and
- b) Ensuring that the Responsible Officer reports regularly to the full Council / Cabinet or General Purpose Committee on treasury policy, activity and performance.

5.2.4 Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the Responsible Officer with the treasury management policy statement and treasury management practice and that they comply with the law
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice; and
- c) Giving advice to the Responsible Officer when advice is sought

5.2.5 Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practice
- b) Reviewing division of duties and operational practice
- c) Assessing value for money from treasury activity; and
- d) Undertaking probity audit of the treasury function

5.3 Absence Cover Arrangements

Cover for treasury management staff will be to specific delegated staff.

5.4 List of Approved Brokers

The Treasury team uses a list of reputable market lead brokers a record of all transactions conducted with them can be obtained from Logotech. Where possible the deals are directly agreed with the counter parties.

Policy on Brokers' Services

It is the Council's policy to rotate business between brokers.

5.5 Policy on Taping of Conversations

The Council currently does not tape conversations with brokers **but** ensures that confirmations are received from counterparties.

SECTION 2

5.6 Direct Dealing Practices

The Council will deal direct with counterparties if it is appropriate and the Council believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts
- Call Accounts
- Money Market Funds
- Gilt/CD purchase via custodian; and
- Fixed period account e.g. 15-day fixed period account

5.7 Settlement Transmission Procedures

A confirmation letter signed by an authorised signatory per the Council's bank mandate must be sent to the counterparty if the deal period exceeds one month.

For payments, any transfer to be made via Lloyds link CHAPS system must be completed by 2.00 p.m. on the same day to ensure it is authorised. Money market funds may have earlier cut-off time/deadlines.

5.8 Documentation Requirements

For each deal undertaken, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker and confirmation fax, email or letter.

5.9 Arrangements Concerning the Management of Third-Party Funds.

The Council holds a number of trust funds, appointeeship and custody bank accounts. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded.

TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the cabinet and then to the Council (budget) for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) Current Treasury portfolio position
 - c) Borrowing requirement
 - d) Prospects for interest rates
 - e) Borrowing strategy
 - f) Policy on borrowing in advance of need
 - g) Debt rescheduling
 - h) Investment strategy
 - i) Creditworthiness policy
 - j) Policy on the use of external service providers

SECTION 2

- k) Any extraordinary treasury issue
- l) MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives.
5. There is also a requirement for the Council to carry out a mid-year report. The purpose of this report is to provide a mid-year review on progress/performance throughout the year against targets set.

6.2 Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) Which specified and non specified instruments the Council will use
- c) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- d) Which credit rating agencies the Council will use
- e) How the Council will deal with changes in ratings, rating watches and rating outlooks
- f) Limits for individual counterparties and group limits
- g) Country limits
- h) Levels of cash balances
- i) Interest rate outlook
- j) Budget for investment earnings
- k) Policy on the use of external service providers

6.3 Annual Minimum Revenue Provision Statement

This statement sets out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.4 Policy on Prudential and Treasury Indicators

- a) The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
- b) The Responsible Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Responsible Officer shall submit the changes for approval to the full Council.

6.5 Other Reporting

- Annual report on treasury management activity
- Mid-year report

SECTION 2

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory / Regulatory Requirements

The accounts are drawn up in accordance with IFRS. The Council has adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to the Council's treasury management activity.

TMP 8: CASH AND CASHFLOW MANAGEMENT

8.1 Arrangements for Preparing Cashflow

Cashflow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous year's cashflow records, adjusted for known changes in levels of income and expenditure, new grant allocations and changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known. Logotech is used to record cashflow.

TMP 9: MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002 and Amendments

See Council's website and intranet for money laundering process and associated policies
http://intranet/anti_money_laundering_policy.pdf

9.2 The Terrorism Act 2000 and Amendment order

See Council's website and staff intranet on policy. Staff should note that all individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering Regulations 2007 and Updates

The Council's money laundering officer is the Head of Audit. See Council's website
[Anti money laundering Policy 2023-Final.pdf \(merton.gov.uk\)](#)

Treasury management and banking staff are required to familiarise themselves with all money laundering regulations.

9.4 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under Proceeds of Crime Act (POCA) for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, the Council does not accept loans from individuals except during a bond issue.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

SECTION 2

9.5 Methodologies for identifying Deposit Takers

Other than those organisations mentioned in para section 6.10 and Appendix 2 of the treasury strategy, in the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA Register can be accessed through their website on www.fca.gov.uk.

All transactions will be carried out by CHAPS, faster payments or BACS for making deposits or repaying loans.

TMP 10: TRAINING AND QUALIFICATIONS

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity.

All treasury management staff and members tasked with financial scrutiny should receive appropriate training relevant to the requirements of their duties at the appropriate time.

The officers meet with other treasury officers in London quarterly for training and operational needs. there is also opportunity to attend training provided by the Council's treasury management consultants LINK, CIPFA, bank and brokers.

As ongoing development, we recruited two graduate trainee accountants to develop skill and expertise within the team. These trainees will study for their CIPFA qualification while learning on the job.

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Custodian Banks, Consultants, Advisers

This Council may employ the services of other organisations to assist it in the field of treasury management. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Council, especially in terms of being objective and free from conflicts of interest.

11.1.2 Banking Services

- a) The Council's supplier of banking services is Lloyds Bank. The bank is an authorised banking institution authorised to undertake banking activities in the UK by the FCA
- b) The branch address is:
 - i. Lloyds Banking Group
25 Gresham Street, London
EC2V 7HN

11.1.3 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

SECTION 2

11.1.4 Consultants'/Advisers' services Treasury Consultancy Services

The Council receives mail shots on credit ratings, economic market data and borrowing data. In addition, interest rate forecasts, annual treasury management strategy templates, and from time to time, the Council may receive advice on the timing of borrowing, lending and debt rescheduling. The performance of consultants will be reviewed by the treasury manager to check whether performance has met expectations.

11.1.4 Custodian Banks

The Council has appointed Norther Trust as its custodian in 2023-24. This is mainly to administer and monitor the council bond investments.

11.1.5 Credit Rating Information

The Council receives notifications of credit ratings from Link Asset Services.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12: CORPORATE GOVERNANCE

12.1 List of Documents to be Made Available for Public Inspection

- a) The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b) The Council has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

SECTION 2

GLOSSARY OF TREASURY MANAGEMENT TERMS

Accrued Interest

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

Basis Point

One hundredth of 1% e.g. 0.01%

Certificate of Deposit (CD)

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

Coupon

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

Covered Bond

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

Credit Rating

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

Credit risk

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

Debt Management Office (DMO)

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

Financial Strength Rating

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

Floating Rate Note (FRN)

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

Gilt

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

Index Linked Gilts

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

SECTION 2

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rate. Interest rate risk affects the value of bonds more directly than stocks, and it's a major risk to all bond holders. As interest rates rise, bond prices fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond decreases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate

SONIA

Sterling Overnight Index Average SONIA interest rate benchmark | Bank of England
SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Net Asset Value (NAV)

Often used when funds or investment assets are valued. This term generally means the total assets less total liabilities.

Premium

The sale/purchase of an asset at a level that is above the par value or original price. If a security is trading at a premium, current market interest rates are likely to be below the coupon rate of the security.

Treasury Bill (T-Bills)

A Treasury Bills is a short dated instrument issued by HM Treasury. They are issued at a discount, therefore they are not coupon bearing.

Viability Ratings

Assessment of a bank's intrinsic creditworthiness applied by Fitch Ratings Agency. Its aim was to enhance visibility on benefits of support. This replaced the individual ratings.

Yield Curve

The yield curve represents the relationship between yield and maturity. The conventional shape being that as the maturity lengthens, the yield will increase. Each security will have its own yield curve, depending on the yield in every time period available.

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Appendix 6

London Borough of Merton						
Balance Sheet Projections						
2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
(£'000)		(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
CAPITAL FINANCING REQUIREMENT						
156,902	CFR	156,934	162,964	161,970	172,824	181,256
(24,372)	PFI Liabilities	(22,635)	(19,298)	(15,618)	(12,099)	(8,221)
(1,033)	Finance Lease Liabilities	(851)	(6,839)	(4,975)	(12,051)	(11,601)
131,497	Underlying Borrowing Requirement	133,448	136,827	141,378	148,675	161,434
(109,010)	External Borrowing c/fwd	(108,700)	(52,000)	(52,000)	(52,000)	(52,000)
310	Loan Maturities	56,700	-	-	-	4,500
-	- New Loans	-	-	-	-	(8,226)
(108,700)	External Borrowing	(52,000)	(52,000)	(52,000)	(52,000)	(55,726)
22,797	Under / (Over) Borrowing	81,448	84,827	89,378	96,675	105,708
17%	Underborrowing as a % of Underlying Borrowing Requirement	61%	62%	63%	65%	65%
RESERVES / BALANCES, INVESTMENTS & WORKING CAPITAL (£'000)						
14,000	General Fund Balance	14,000	14,000	14,000	14,000	14,000
1,349	Collection Fund Adjustment Account	1,349	1,349	1,349	1,349	1,349
108,233	Earmarked reserves (excl. Schools)	108,233	108,233	108,233	108,233	108,233
7,958	Schools (excl. DSG)	7,958	7,958	7,958	7,958	7,958
(34,467)	Schools - DSG (future yrs drawn early)	(34,467)	(34,467)	(34,467)	(34,467)	(34,467)
185,446	Capital Receipts Reserve	133,745	128,921	123,871	123,871	123,871
6,359	Provisions (exc. any accumulating absences)	6,359	6,359	6,359	6,359	6,359
35,010	Capital Grants Unapplied	29,704	26,919	20,460	21,710	25,910
19,191	Capital Grants Receipts In Advance	7,261	2,615	934	929	924
343,079	Amount Available for Investment	274,142	261,887	248,697	249,942	254,137
(65,195)	Debtors	(65,195)	(65,195)	(65,195)	(65,195)	(65,195)
82,564	Creditors	82,564	82,564	82,564	82,564	82,564
-	- Stock / WIP	-	-	-	-	-
(6,797)	Balance LT Debtors	(6,797)	(6,797)	(6,797)	(6,797)	(6,797)
-	- Balance of LT Liabilities	-	-	-	-	-
5,356	Deferred credits / receipts (non-capital)	5,356	5,356	5,356	5,356	5,356
15,928	Working Capital (Deficit) / Surplus	15,928	15,928	15,928	15,928	15,928
(22,797)	(Under) / Over Borrowing	(81,448)	(84,827)	(89,378)	(96,675)	(105,708)
336,210	External Investments/(Borrowing Requirement)	208,623	192,988	175,248	169,196	164,358
(10,000)	Strategic LT Investments (eg Property Funds & Gilts)	(97,035)	(97,035)	(97,035)	(82,035)	(67,035)
326,210	Adjusted External Investments/(Borrowing Requirement)	111,588	95,953	78,213	87,161	97,323

SECTION 3: Schools Funding 2024/25

1. Purpose of Report and Executive Summary

- 1.1 This report details how Merton proposes to allocate DSG funding in 2024/2025, in light of the responses by schools to consultation in November 2023 (please see appendix 3). This consultation only relates to the School Block funding.
- 1.2 The budgets presented have been produced after due consideration of the feedback from the consultation with schools in November and within the overall funding available to Merton.
- 1.3 The final allocations to schools reported here reflect a lower amount than those reported in November. The November figures were estimates, and the allocations now reflect the High Needs Block transfers and increased delegations. The DSG has been balanced by making the key assumptions listed below:
 - Primary AWPU set as high as possible.
 - Secondary AWPU slight increase from last year but at the lower end of the permissible range.
 - All other factors are set at the minimum level.
 - No growth/falling rolls fund is available however a separate 'growth' fund of £532k has been designated specifically to mitigate the impact of the closure of Stanford Academy in September 2024.
 - MFG has been set at 0.14% rather than the 0.5% consulted on.

This approach has been taken in line with the majority preference for Option B from the consultation, with some amendments necessary in light of the actual Schools Block allocation from the DfE. This approach was taken to support primary schools, where falling rolls are impacting at the moment. Schools with deficits resulting from falling pupil numbers will be eligible for limited support from the Schools in Challenging Circumstances Fund.

- 1.4 The Government announced the DSG allocation on 19th December 2023, and Merton's allocation is split over the four blocks as Table 1 below. These allocations are as published by the DfE:

Table 1 - Merton DSG Block Allocations	2023/24	2024/25 Published Allocations	Movement Favourable / (Unfavourable)	% change
	£'000s	£'000s	£'000s	
Schools block	149,708	156,218	6,510	4.35%
Central Schools Services block	1,141	1,147	6	0.51%
High Needs block	49,169	50,209	1,040	2.12%
Early Years block	15,921	24,169	8,248	51.8%
Total DSG	£215,938	£231,742	£15,804	7.32%
<i>Recoupment *</i>	-36,673	-37,552	-879	2.40%
DSG received	£179,266	£194,190	£14,964	8.35%
<i>Numbers of pupils in census</i>	24,266	24,057	-209	-1%
<i>* Recoupment calculated as part of school formula for academies 2024/25 (estimated). The £6.5m increase includes £5.166m rolled in MSAG.</i>				

The DSG allocation for 2024/25 includes the allocation of the Mainstream School Additional Grant (MSAG) funding that was paid separately during 2023/24. MSAG allocations in 2023/24 were £5,166m for schools and academies. This now forms part of the DSG Schools' block.

- 1.5 The option for National and Non-Domestic Rates (NNDR) payments to be administered by the Education and Skills Funding Agency (ESFA) was available for 2024/25, but Merton is continuing with the lagged payment process for 2024/25.
- 1.6 This report provides details of how the four blocks of the DSG are budgeted to be used in 2024/25.

2. Schools Block

- 2.1 The Schools Block allocation of £156.218m is split into the following expenditure types within the school formula as table 2 below:

TABLE 2 - Schools Block	2024/25	2023/24	% Increase
Description	£'000	£'000	
Growth/Falling Rolls Fund	532	300	77%
<i>* Transfers to the High Needs Block (0.5%)</i>	<i>*781</i>	<i>*748</i>	<i>4%</i>
<i>* Secretary of State approval (cash transfer £500k to High Needs block)</i>	<i>* 500</i>	<i>* 500</i>	<i>0%</i>
De-delegated items (maintained schools)	2,313	2,233	14%
Central duties to maintained schools (ESG)	629	629	0%
National & Non-Domestic Rates (NNDR)	2,957	2,917	0.4%
Individual School Budgets	148,506	142,381	4%
Total Schools Block	156,218	149,708	7%

Growth/Falling Rolls Fund

- 2.2 The proposed 'growth' fund is £532k, an increase on the £300k consulted on with schools in December 2023. However, this relates entirely to the closure of Stanford Academy in August 2024, and reflects the Academy's 7/12 budget (September 24 – March 25), after it has closed. It will be used to support children leaving Stanford to attend other Merton schools.
- 2.3 There is no separate growth/falling rolls fund this year as outlined in the summary. Schools with deficits will be eligible for consideration for the Schools in Challenging Circumstances Fund.

Block Transfers

- 2.4 For 2024/25 Merton will propose to transfer £781k from the Schools Block to the High Needs Block (£748k in 2023/24). This represents 0.5% of the Schools Block allocation and will be used to fund the growing cost pressure of increased pupils with Special Educational Needs or Disabilities in mainstream schools with Education Health and Care Plans (EHCPs).
- 2.5 As reported to Schools' Forum on 15th November 2023, and in support of the DfE Safety Valve plan to address the recovery of the cumulative DSG deficit of £25m, it was proposed to top slice £500k from the Schools' Block to the High Needs Block in support of continued SEN pressures. The disapplication

request submitted to the Secretary of State (SOS) on 17th November remains subject to approval.

De-delegation

- 2.6 The total de-delegated budget for 2024/25 is £2,313m . All de-delegated budgets have been set based on the categories discussed at Schools' Forum on the 15th November 2023. Table 3 details the total allocation for de-delegated services, as well as the unit cost for each of these services for 2024/25. Each phase and line by line must be agreed by maintained schools' representatives on Schools' Forum, (not academies).

Table 3- De-delegated budgets	Budget	2024/25 Unit Cost	Budget	2023/24 Unit Cost	Measure	Sector
	2024/25		2023/24			
Service	£'000		£'000			
Copyright Licensing Agency (CLA) Subscriptions	£144	£7.65	£124	£6.48	NOR	Primary
<i>Recharged via DfE</i>						Secondary
Schools catering equipment pooled budget insurance	£40	£2.99	£40	£2.94	NOR	Primary
		n/a		n/a		Secondary
Support & Challenge Programme	£400	£21.26	£400	£21.02	NOR	Primary
						Secondary
Attain	£100	£5.31	£100	£5.26	NOR	Primary
						Secondary
Parenting cover and public duties including Trade Unions duties	£770	£40.92	£770	£40.46	NOR	Primary
						Secondary
Ethnic minorities & bilingual learners	£70	£14.65	£70	£15.12	Low Attainment	Primary
						Secondary
Tree maintenance pooled budget	£65	£3.45	£65	£3.42	NOR	Primary
						Secondary
Behaviour Support	£207	£46.69	£207	£44.72	Low Attainment	Primary
						Secondary
VBS - Behaviour Service	£80	£13.42	new 2024/25		Low Attainment	Primary
<i>New (24/25) option B from consultation</i>						Secondary
School Improvement	£149	£7.92	£149	£7.83	NOR	Primary
						Secondary
School Attendance	£183	£9.73	£183	£9.62	NOR	Primary
						Secondary
School Improvement and Brokering	£105	£5.58	£105	£5.52	NOR	Primary
						Secondary
Total budget	£2,313		£2,213			

(NOR= Number on Roll, Low Attainment = Lower Attainment factor for low cost, high incidence SEN)

Local Authority statutory duties previously funded by the Education Service Grant (ESG)

- 2.7 In order to maintain the Local Authority's statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the Age Weighted Pupil Unit (AWPU) factor (funded autumn numbers on roll for special schools).
- 2.8 For 2024/25, £629k is contributed from the Schools Block, while £21k comes from the High Needs Block for special schools (2023/24 budget split was £629k from the Schools' Block and £21k from the High Needs Block). As detailed in the school's consultation document, schools are funding 32% of the costs while the Local Authority funds 68%. We have maintained the local authority funding of these services to minimise the impact on school budgets.

Individual Schools Budget share

- 2.9 The Individual Schools Budget (ISB) share (the total amount available to be paid to schools, academies, and free schools for 2024/25 as part of the Schools Block), is £148.506m. representing a 4% change in funding to schools. This change includes MSAG (which was previously separate from the main allocations).
- 2.10 Individual School Budget shares for 2024/25 can be found in Appendix 1. The funding formula rates are attached in Appendix 2.

3 School Funding Formula Factors

- 3.1 Following consultation with schools and the analysis of the consultation responses (attached as appendix 3), 67% of respondents were in favour of the Model B presented which maximised the Primary AWPU. The final attached allocations have been produced using the following approach:
- Primary AWPU set as high as possible.
 - Secondary AWPU slight increase from last year but at the lower end of the permissible range.
 - all other factors are set at the minimum level.
 - no growth/falling rolls fund is available however a separate growth fund of £532k has been designated specifically for the impact of Stanford Academy which is closing mid-year.
 - MFG has been set at 0.14% rather than the 0.5% consulted on.
- 3.2 A summary of the NFF factors used can be found at Appendix 2.
- 3.3 The area cost adjustment (ACA) is also applied to uplift funding in line with local labour market costs. The minimum per pupil funding and the funding floor are

applied to ensure that all schools attract at least the minimum level of per pupil funding through the formula and that all schools attract at least a 0.5% increase compared to their 2023-24 baseline pupil-led funding per pupil. Due to the government's recent publication of a review of split site funding for schools, the allocation will now be part of the NFF formula and published rates. This applies to one school within Merton within the APT formula for 2024/25.

- 3.4 The primary to secondary funding ratio is 1:1:32 in comparison of 1:1:34 for 2023/24.
- 3.5 These figures exclude the 6th Form funding which still needs to be provided by the ESFA and does not form part of the schools funding formula. It also excludes additional resource provision and individual pupil statement funding which forms part of the high needs block.
- 3.6 Pupil Premium funding is not included in these figures and the 2024/25 allocations will be provided separately when maintained schools are informed of their budgets on or before 28th February 2024.

Mainstream Schools Supplementary Grant Funding

- 3.7 This has now been rolled into the DSG funding baseline for 2024/25 and no additional allocations will be made for 2024/25.

4 Central Schools Services Block

- 4.1 The Central School Services Block (CSSB) was introduced in 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:
 - Residual funding for historic commitments, previously top-sliced from the Schools Block and now subject to saving/reduction each year.
 - Funding for ongoing central functions, such as admissions, previously top-sliced from the Schools Block.
 - Funding previously allocated through the retained duties element of the Education Services Grant (ESG).
 - Table 4 below details 2023/24 budget allocation in comparison to 2024/25.

Table 4 - Central School Services Block (CSSB)				
Budget year	CSSB unit of funding (£s) per pupil rate	CSSB pupil count	Funding for historic commitments (£s)	Total central school services block (£s)
2023/24	£43.66	24,187.50	£84,887	£1,140,914
2024/25	£44.86	24,048.50	£67,910	£1,146,726

4.2 Merton's Central Schools Services Block retained items are detailed in table 5 below.

Table 5 Central Services School Block (CSSB)	2024/25	2023/24
Description	£'000	£'000
Central licences and subscriptions	125	125
School admissions	311	311
Servicing of school forums	12	12
Prudential borrowing for schools	207	207
Statutory and regulatory duties LAs hold for all schools (including academies & free schools)	412	412
Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG)	80	74
Total Schools Block	1,147	1,141

5. High Needs Block

- 5.1 The high needs funding system is designed to support a continuum of provision for pupils and students with Special Educational Needs and Disabilities (SEND) from their early years to age 25 and Alternative Provision for compulsory school age.
- 5.2 Funding to institutions from the High Needs Block is allocated within the 'place plus' funding approach. The base funding ("place funding") is given to local authorities to commission to institutions for them to provide places on an on-going basis. This is supplemented with "top-up funding" which follows individual pupils and students to receive educational support. The top-up funding provided to local authorities includes funding for central services or statutory duties to support high-cost places.
- 5.3 Final allocations to these budgets will be confirmed at the forthcoming SEND review meeting.

Mainstream settings and SEN

- 5.4 Schools are expected to contribute the first £6,000 of additional educational support for High Needs pupils and students in mainstream settings before additional SEN funding. This additional support is for a provision over and above the standard offer of teaching and learning for all pupils or students in a setting. Pre-16, schools and academies will continue to receive a clearly identified 'notional' SEN budget from which to make this contribution. Merton will provide this budget for maintained schools, while the ESFA will provide it for academies. The notional SEN will comprise three elements as detailed below in table 6 from school block formula.

Table 6 Notional Formula factor	APT Allocation £'000m	2024/25 %	Notional Budget 2024/25 £'000m
Age Weighted Pupil Unit / allowance (AWPU)	116,629	2.5%	2,916
Deprivation (Free School Meals & IDACI)	14,827	10%	1,483
Low cost, high incidence SEN (Low Attainment)	9,335	100%	9,335
	£140,791		£13,734

5.5 The total notional SEN budget included within the formula is £13.734m for 2024/25 (£13.503m 2023/24) and should be used to support all pupils with low cost, high incidence SEN, as well as for the first £6,000 support for pupils with EHCPs.

5.6 The notional allocation is only a guide and schools are expected to set their budgets in such a way as to meet the needs of all their pupils, including those with additional needs, within the resources available.

5.7 Early Years settings with SEN children are funded differently from mainstream schools at SEN support, as all funding is child led. All children whose places are funded through the Early Years Dedicated School Grant (EYDSG) (school nursery classes and Private Voluntary and Independent (PVI)) receive their SEN funding as described in the separate Early Years report.

5.8 As part of the consultation with schools and academies for 2024/25 79% of respondents approved the budget £350k (2024/25 £350k) to pay outside of the school formula funding in supporting schools with high numbers of SEN pupils recorded on census. Calculations in 2024/25 will be based upon affordability and percentage applied.

5.9 Merton's basic EHCP funding will be kept the same as in 2023/24 and is detailed in the table 7 below.

Table 7	Reception onwards		Universal Entitlement 2, 3 and 4 year olds		Extended Entitlement 2, 3 and 4 year olds	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Band 1	Part of £6,000 notional SEN funding	Part of £6,000 notional SEN funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding
Band 2	£5,805	£5,805	£5,903	£5,903	£9,739	£9,739
Band 3	£7,983	£7,983	£6,992	£6,992	£11,536	£11,536
Band 4	£10,160	£10,160	£8,080	£8,080	£13,332	£13,332
Band 5	£12,338	£12,338	£9,169	£9,169	£15,129	£15,129

5.10 The band amounts shown for 2-, 3- and 4-year-olds are inclusive, and represent the total funds that a setting will receive. This amount funded from two sources;

the EYDSG and the “top up” from the High Needs Block (HNB). For children taking up the extended entitlement the EHCP is not transferable and therefore a child can only access one provision. On this basis, the extended hours EHCP is funded at 60%.

Special Schools

- 5.11 Special schools will continue to receive a base level of funding on the basis of an agreed number of planned places, commissioned at £10,000 per place. Top-up funding above this level will be commissioned by the LA for 2024/25 as in previous years.
- 5.12 Since 2021/22 and the introduction of funding in support of the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) an additional £660 per place will be paid to specialist SEN settings, including Alternative Provision (AP) in support of the TPG and TPECG that previously was paid outside of the DSG in a grant. There is a minimum place setting of 40 for this additional grant funding as designated by the DfE.
- 5.13 Due to the growth of pupil numbers at special schools, the special school budget will be increased to cover the cost pressure of supporting these additional children and is built into the budget.
- 5.14 The total for special settings includes the school budgets for Cricket Green, Perseid, and Melrose special school.

Additional Resource Provisions (ARPs)

- 5.15 Places in special units and resourced provision attracts a base level of funding of either £6,000 (occupied) or £10,000 (empty) per place, depending on whether a place was occupied or empty at the time of the October census. Each child will also receive a 'top-up' element of funding. Current settings and place numbers as reported in the APT are:

APT - HN 2024/25					
LAESTAB	URN	Institution Name	2023/24 Pre 16 SEN Places	2024/25 Pre 16 SEN Places	Change / growth from last year
3152082	102653	Cranmer Primary School	24	24	0
3152002	141143	Harris Primary Academy Merton	22	22	0
3152059	102632	Hatfeild Primary School	24	24	0
3154052	102674	Raynes Park High School	27	27	0
3154050	102673	Ricards Lodge High School	10	10	0
3154500	102679	Rutlish School	10	10	0
3152004	146401	Stanford Primary School/Alternative	24	24	0
3152081	102652	West Wimbledon Primary School	48	48	0
3152091	102662	Wimbledon Chase Primary School	16	16	0
			205	205	0

- 5.16 Where numbers have decreased due to a setting closure, additional places will be commissioned in another school, and place plus top-up funding will be adjusted to reflect the recommissioned places within the high needs budget. Any additional top up funding banding will be agreed by the Special Schools and ARP Funding Panel.

Pupil Referral Unit

- 5.17 The PRU (Canterbury Campus) will receive a base level of funding of £10,000 per commissioned place. Top-up funding above this level is set at £6,800 (total place plus top up £16,800 per place). The medical PRU is funded differently.
- 5.18 Mainstream schools and Academies have important commissioning responsibilities with regards to pupils of compulsory school age who are placed in Alternative Provision (AP) for the purpose of early intervention or as a result of fixed-term exclusion. In such instances they are responsible for paying top-up funding to the AP settings in which they place pupils.
- 5.19 Alternative education and medical service provision are also delivered through Merton's PRU (Canterbury and Lavender campuses).
- 5.20 The exclusion process involves a deduction of Age Weighted Pupil Unit (AWPU), using national criteria and a local agreement, meaning that each school will pay £3,000 per excluded pupil and receive £3,000 for a re-integrated pupil. This agreement is between all secondary maintained schools and academies and will continue in 2024/25.

Centrally retained funding for Commissioned Services

5.21 These services are retained centrally by the Local Authority to deliver direct services or procure services from external providers to ensure the most economic use of resources and totals £26.692m..The following table (8) identifies these services:

Table 8
Description
Cost of Merton pupils in other LA maintained schools
Cost to other LAs for their children in Merton maintained schools
Merton academies (individual SEN EHCPs)
Virtual school
Sensory team
Schools' standards quality core offer
Language and learning therapy
Other non-maintained school related costs
Behaviour support
Education welfare
SEN referral and early help 0-25 team
Vulnerable children's education
Social inclusion
Merton Autism Outreach Service (MAOS)
SEN support
Therapy in special schools
Independent hospital provision
Portage
Independent Providers
Independent Residential placements
Post 16 providers (FE & ISP)

5.22 Of the centrally retained services funding, Merton has tried to limit cost pressures as far as possible. The increase in number of EHCPs has however resulted in major cost pressure on independent, residential placements and out of borough provision.

5.23 The growth received on the HNB is not sufficient to cover the rising cost pressures. For 2024/25 the growth will be allocated against various budgets with known pressures to address the expected overspends, but still leaves a shortfall to meet growth and demand and cost-effective savings to achieve a balanced budget and within the delivery of the Safety Valve agreement.

Post 16 Further Education (FE) College and Independent Specialist Provider (ISP) funding

- 5.24 The funding in this area relates to high level SEN costs for young people aged over 16 in Further Education (FE) colleges and Individual Service Providers (ISPs). The responsibility for these payments transferred to Local Authorities within the Children and Families Act 2013 with statutory educational responsibility for young people up to the age of 25.

Centrally retained funding for special schools

- 5.25 This includes the funding for centrally provided services for the special schools, similar to de-delegated budgets held for the maintained primary and secondary schools. The services available are detailed in table 9

Table 9	
Service	Total £
Licences and Subscriptions	£3,000
School Meals Subsidy	£2,000
Schools in Challenging Circumstances	£10,000
Parenting and TU cover	£17,017
Support to underperforming ethnic minority groups and bilingual learners	£2,000
Tree work	£2,000
Behaviour Support	£5,000
School Improvement	£4,000
Attain	£2,000
Total budget	£47,017

Central Duties to maintained schools (ESG)

- 5.26 In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)); schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools).
- 5.27 For 2024/25 £629k is contributed from the Schools' Block while £21k comes from the High Needs Block for special schools (same contribution for 2023/24).

Transfers from other blocks

- 5.28 For 2024/25 Merton will transfer £781k from the Schools Block to the High Needs Block (£748k in 2023/24). This represents 0.5% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of SEN within the DSG.
- 5.29 A disapplication request has been submitted to the Secretary of State (SoS) on 17th November 2023 to transfer an additional £500k (cash) from the school block to the high needs block.

Financial pressure on the High Needs Block

- 5.30 Since January 2016 the number of EHCP has increased from 1075 to its current level of 2486.
- 5.31 As at the 31st December 2023, Merton maintained 2563 Education, Health and Care Plans (EHCPs), an increase of 92 in comparison with the same time last year. Management of the number of EHCPs is one of the actions required by the DfE within the Safety Valve Programme.

DSG Safety Valve

- 5.32 Due to the ongoing cost pressures within the High Needs Block, Merton's reported cumulative DSG deficit for 2022/23 closedown was £34m. Ongoing pressures, including our continued, relatively high number of EHCPs; the impact of inflation on non-maintained independent placement costs; and a lower than expected High Needs Block uplift in 2024/25, means that this pressure is expected to continue and grow.
- 5.33 After acceptance of the DfE Safety Valve Programme in January 2022, Merton continues to address the HNB deficit robustly, through the DfE Safety Valve actions, which are considered by the DSG deficit subgroup of the Schools' Forum.
- 5.34 As part of the Safety Valve agreement, whilst we continue to address the agreed actions, Merton receives funding from the DfE in support for the ongoing deficit of £2.625 million per year from 2023/45 to 2026/27. Quarterly reporting to the DfE, with regards to activity and progress towards bringing the DSG back into balance, is a requirement.



London Borough of Merton Risk Management Strategy

Revised October 2023

SECTION 4

Merton's policy is to manage our risks by identifying, assessing and controlling them, with the aim of eliminating or reducing them to acceptable levels whilst being mindful that some risks will always exist and will never be eliminated.

The council recognises its responsibility to risk management by supporting a structured, systematic and focussed approach to risk management through the approval of our risk management strategy.

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans.

Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Merton's aims and objectives in relation to risk management are to:

- Establish and maintain a robust framework and procedures for the identification, analysis, assessment and management of risk, including reporting and recording.
- Minimise the council's exposure to unacceptable levels of risk, minimise injury, damage, loss and inconvenience to staff, residents and service users.
- Integrate risk management into the day to day activities of staff and the culture of the organisation, raising awareness of the importance and need for risk management.
- Assign clear roles and responsibilities for councillors and officers responsible for risk management
- Ensure consistent application of our methodology across all of our activities, including partnerships and projects.
- Effectively manage the total cost of risk.

We will achieve this by:

- Having a clear and concise risk management strategy which underpins our approach and responsibilities to risk
- Incorporating risk management into business planning, project management and service delivery
- Monitoring risk on a regular basis through the Corporate Risk Management Group (CRMG)
- Reporting on risk on a regular basis to the Corporate Management Team (CMT), Cabinet, and Standards and General Purposes Committee

SECTION 4

Risk Management Strategy

The process of identifying and evaluating risks is known as risk assessment. By understanding the risks we face, we are better able to actively recognise where uncertainty surrounding events or outcomes exists, and identify measures which can be taken to protect the council, its staff, residents, customers and assets from these risks.

This strategy provides a structured approach to identifying emerging risks as well as assessing and managing current risks. It also incorporates a process for regularly reviewing and updating identified risks.

This strategy will be reviewed on an annual basis and updated where required.

What is risk?

Risk is the threat that an event or action may adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. A risk can be a threat, obstacle, barrier, concern, problem or event that may prevent us fulfilling our objectives.

Our risk management processes also include the assessment of Issues. Issues are current problems, questions, outstanding items, tasks or a request that exists in the immediate present. There is a strong element of fact surrounding it. An issue becomes a risk when the issue cannot be addressed and could continue or get worse.

Definition of Risk Management

Organisations exist to achieve their ambitions, aims and objectives. Risk Management is the process by which organisations methodically address and identify the risks that may prevent them from achieving these ambitions, aims and objectives. The intention is to achieve sustained benefit within each of their activities, and across the portfolio of all their activities.

Ultimately, risk management is about creating a better understanding of the most important problems facing organisations.

Risk is also implicit in the decisions all organisations take; how those decisions are taken will affect how successful they are in achieving their objectives. Decision making is, in turn, an integral part of the day to day existence and is particularly significant in times of change. Risk management therefore is a key component in the management of change and helps to support effective decision making.

We endeavour to identify all risks facing the council and to monitor, manage and mitigate (where possible) all those risks which are deemed to be high (scored Amber or Red). Risks are monitored via Departmental Risk Registers, and key crosscutting risks to the council are also placed on the Key Strategic Risk Register (KSRR).

The benefits of risk management

In addition to the business and service benefits of our approach, we are required to undertake risk management because it forms part of the Annual Governance Statement. We must, therefore, demonstrate that we have a systematic strategy, framework and process for managing risk.

SECTION 4

However, the council recognises that the benefits of risk management far outweigh the requirement to undertake the activity and such benefits include:

- Stronger ability to achieve our ambitions, aims and objectives as key risks are managed.
- Better decision making as we are more aware of risk.
- Ability to take advantage of opportunities because we understand the risks attached to them.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in our ability to adapt to change
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

Organisational awareness of risk and risk management

Ensuring that there is a strong organisational awareness of risk management will be achieved through training sessions, reviews, departmental meetings, briefings and staff bulletins which will take place on a regular basis. Each department has an assigned Risk Champion who will offer guidance to staff where required. The [risk management intranet page](#) will be regularly reviewed and staff will be signposted to the information they need to pro-actively identify and manage risk i.e., the Risk Management Toolkit and other guidance.

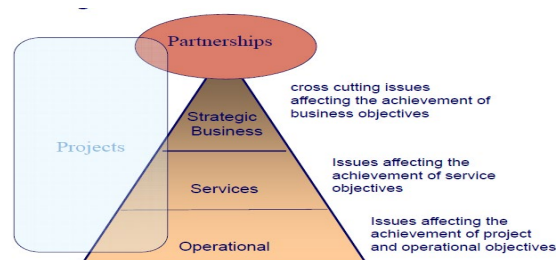
Risk Appetite

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

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

How does risk management integrate with other policies?

Risk management links closely with Health and Safety, Business Continuity, Emergency Planning and Insurance; by ensuring close links we can enhance our resilience. Generally, a single issue or risk will fall into only one of these categories; however some may fall into two or more. As Business Continuity is a way of mitigating risk, its link with risk management is key to ensuring the continuous delivery of services which are important to the community.



SECTION 4

Key Strategic Risks

These are the Council's most serious risks and tend to be either broad in impact whereby they have the potential to impact significantly on the capability, vitality, or success of the Authority as a whole or they are deep in impact, that is the effects of the risk event occurring are especially serious. The approach to corporate risks sets the context for decisions at other levels in the council. The number of corporate risks will vary depending on the Council's risk profile. However, generally corporate risks are the top ten to 15 most serious risks faced by the Council. A key strategic risk is likely to have one or more of the following characteristics: -

- Strategic and cross-cutting, with the potential to impact on a range of different areas or functions;
- Related to the Council's ability to successfully deliver one or more corporate objectives;
- Affects the outcomes sought from one of the Council's major programmes;
- Operates over the medium or long-term;
- The potential to impact negatively on the organisation's capacity, for example by limiting, reducing or failing to maximise financial or human resources;
- Linked to the organisation's ability to successfully deliver transformational change and major initiatives, while continuing with business as usual;
- Concerned with the wellbeing of residents, businesses and/or LBM staff; and may impact on the Council's reputation

Corporate risks are captured on the KSRR, which is owned by the Corporate Management Team (CMT) The KSRR is also presented to the Standards and General Purposes Committee meetings each year as this committee is responsible for monitoring the effective development and operation of risk management. Risks from the Departmental Risk Registers can be escalated here as part of the ongoing review process. The KSRR is reviewed on a regular basis.

Service Delivery / Operational Risks

These are risks that relate to the day-to-day delivery of Council services and could relate to a wide variety of different types or sources of risk. Key service risks should be recorded in the Departmental Risk Register. The risks should be owned by the relevant Head of Service (HoS) or Assistant Director and be reviewed on a regular, usually quarterly basis by Departmental Management Teams (DMTs).

Risk management in projects

Risk management is a key part of the ongoing management of projects and partnerships and is clearly defined in [Merton's Approach to Projects \(MAP\)](#).

Risk management in partnerships

The council is involved in a wide range of partnerships to achieve our ambitions, aims and objectives. It is vital we assess the risks to achievement within our key partnerships, and ensure that they are monitored regularly.

Our methodology for assessing and monitoring risks has been adopted by our key partnerships in order to ensure consistent scoring, and effective integration into our risk management system.

SECTION 4

Financial Risk Management

Local government has faced unprecedented financial challenges in recent years that are likely to remain well into the next decade. The harsh financial economy faced by local authorities has led Central Government and the public sector accounting body CIPFA to start to consider how best to minimise the chance of further Section 114 notices being released and providing early warnings of authorities being unable to balance their budgets. Within Merton the following activity is already undertaken:

Budget Setting

- Financial pressures caused by demographic pressures in Special Educational Needs, Placements and Adult Social Care have been monitored closely – ongoing demands have received some additional funding
- Financial modelling within the Medium Term Financial Strategy and Capital has been developed
- Horizon spotting is used to improve response times to changes in Central Government funding.
- Financial Risk thresholds are kept under review
- Impact of Brexit and Covid

Budget Monitoring:

- All budgets are monitored monthly, and reviewed with outturn, current spend and commitments
- Monthly review of progress on delivery of savings with management action
- Monitoring resources are targeted at high-risk areas

Year End Accounting

- Reviewing closing issues to minimise the chance of the issues occurring again
- A greater emphasis on quality control of working papers
- More emphasis on reconciliation work within the financial year.

There is also a financial impact element to the authorities risk matrix which has been reviewed and simplified. Officers will continue to review activity and adopt best practice etc. where appropriate.

Corporate approach to risk management

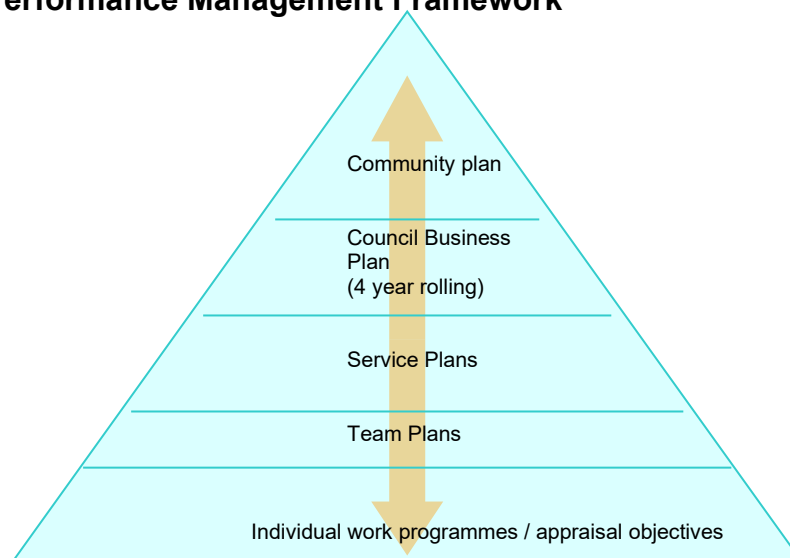
In order to formalise and structure risk management, it is recognised there is an obvious and clear link with the business planning process and therefore risk management sits within the Financial Strategy and Capital team.

Corporate Risks – corporate risks not contained on the KSRR are normally incorporated into either the Innovation and Change or Financial and Digital Directorates (previously Corporate Services) where and appropriate risk owner will be identified.

SECTION 4

The overall council Business Plan, incorporating the individual service plans, sets out what a team, division, department, or the council as a whole, want to achieve within a specific time frame, as shown below.

Merton Performance Management Framework



- CMT is ultimately accountable for delivering the council’s Business Plan therefore they are responsible for monitoring and reviewing the KSRR.
- DMTs are responsible for their own services’ risk registers.
- Divisions or teams are responsible for their own risk registers, if applicable.

It is important that risks identified and assessed at an operational level can be escalated to a departmental or corporate level. However, because a risk may have a great impact on a team it does not necessarily follow that it may have the same impact on the department, or the organisation as a whole.

Ultimately, it is the respective management team which decides if a risk is an appropriate inclusion on its risk register.

Scoring Risk

When determining a score for service level risks, definitions of likelihood and impact of risk should be used in conjunction with the matrix below. Therefore, if the likelihood of a risk is 4, significant, (occurs or likely to occur more than 25%, and up to 50% of the time) and the impact is 3, serious, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

Definition of the Likelihood of Risk

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
5 - High	Occurs or likely to occur over 50% of the time
4 - Significant	Occurs or likely to occur over a 25% of the time
3 - Possible	Occurs or likely to occur less than a 25% of the time
2 - Low	Occurs or likely to occur less than 5% of the time
1 - Almost Impossible	Occurs or likely to occur less than 1% of the time

SECTION 4

Definition of the Impact of Risk

Categories	1 - Marginal	2 – Moderate	3 - Serious	4 - Very serious
Financial Impact – FI	£100k - £500k per annum	£500k - £1m per annum	£1m - £5m per annum	Over £5m per annum
Service Provision - SP	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
Health and Safety - HS	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
Objectives - O	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
Reputation - R	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

Risk Matrix

Likelihood	6	6	12	18	24	Likelihood 6. Very high 5. High 4. Significant 3. Possible 2. Low 1. Almost impossible	Impact 4. Very Serious 3. Serious 2. Moderate 1. Marginal
	5	5	10	15	20		
	4	4	8	12	16		
	3	3	6	9	12		
	2	2	4	6	8		
	1	1	2	3	4		
	1	2	3	4			

Reporting and escalating risks

All risks on individual service risk registers are reviewed at Departmental Managers Team (DMT) meetings with particular attention given to red or increasing amber risks.

Risks are also checked for any cross-cutting implications. If the risk is high scoring and/or could have an impact across the organisation, then it must be included in Key Strategic Risk Register, which contains risks which could have a detrimental impact across the whole organisation should they occur.

SECTION 4

Monitoring and Managing

During the year, new risks will arise that have not previously been considered and there may be changes to existing risks. Therefore, the risk registers need to be regularly managed, with risk owners re-assessing their risks, re-scoring them if appropriate, and providing sufficient narrative in respect of the Control Measures they have in place (ie the actions which they are taking to mitigate against the risk). The reviews of risk registers should be managed by exception. The reporting cycle as detailed below, takes place during April, July, October and January.

Quarterly (1 st Week)	Quarterly (2 nd Week)	Quarterly (4 th Week)	Annually	Annually
DMT – review operational service risks and propose KSRs as per the definitions of likelihood and impact for crosscutting risks	Corporate Risk Management Group (CRMG) – review service risks and proposed KSRs	CMT – identify and review KSRs	The Strategy is presented to Cabinet (Feb) and Council (March) for Review and Approval as part of the Budget Process	Standards and General Purposes Committee- provide independent oversight of the adequacy of the risk management framework and KSR's

All risks are reviewed according to the quarterly cycle shown above, with a particular focus upon red risks, and also upon amber risks which have increased their risk score since the previous quarterly review.

Removal of any risks from the registers must be approved by DMTs and CRMG prior to being presented to CMT. CRMG will only approve removal of a risk if it is scored green for a minimum of two consecutive reporting cycles (i.e., two quarters). There are otherwise no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. A decision is sometimes taken to keep a low-scoring risk in view on the basis that its status might change over a short period, or so those with an assurance role can be confident mitigation against a risk can be sustained.

A flowchart showing how service, departmental, corporate and partnership risks are escalated and reported is shown on the final page of this Strategy.

Roles, Responsibilities and Governance

Councillors

Elected councillors are responsible for governing the delivery of services to the local community. Councillors have a responsibility to understand the key risks the council faces and will be made aware of how these risks are being managed through the annual business planning process. All Councillors will have a responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the plans and reports submitted to them.

SECTION 4

Chief Executive and CMT

The Chief Executive and CMT are ultimately accountable in ensuring that risk management is fully embedded in the council's business planning and monitoring processes as well as having overall accountability and responsibility for leading the delivery of the council's Risk Management Strategy and Framework. They are responsible for reviewing the Key Strategic risks. CMT will take a leading role in the risk management process, ensuring that risk management is communicated, understood and implemented by Councillors, managers and staff. CMT will also play an important role in establishing a supportive culture.

CMT will submit a annual report on the key strategic risks to the Standards and General Purposes Committee and an annual report to Cabinet.

Executive Directors

Each Executive Director is accountable for proper monitoring of their departmental risk register, action plans and the embedding of risk management into the business planning process of their department. They will be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department. Executive Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective Department. Alongside their DMT colleagues they monitor their Risk Registers on a regular, usually quarterly basis.

Executive Directors will:

- Work with their departmental management team to scan the horizon, put in place early warning mechanisms, and to take an overview of risk within their department
- Use information about risks to inform decisions, develop strategy and implement policy
- Champion and embed proactive, enabling and robust risk management practices within their department, in line with the risk management strategy
- Review and monitor risk appetite for their department
- Lead strategies to address corporate risks within their department
- Ensure risk registers are held for any major programmes and projects
- Assign responsibility for managing and controlling specific risks
- Serve as the primary link between risks emerging at the department level and the key strategic risk register, cascading risks up and action down
- Monitor the implementation and efficacy of risk management within their department

Section 151 Officer / Internal Audit

The Section 151 officer and Internal Audit will be responsible for carrying out independent reviews of the risk management strategy and processes. They will provide assurance and give an independent and objective opinion to the council on the adequacy of its risk management strategy, control procedures and governance. The section 151 officer will chair the CRMG group.

SECTION 4

An annual Audit Plan, based on a reasonable evaluation of risk, will be carried out and an annual assurance statement will be provided to the council based upon work undertaken in the previous year. Internal Audit will: -

- Use risk assessments to inform its annual audit plan;
- Carry out risk-based audits, evaluating controls and providing an opinion of levels of assurance; carry out audits to test the suitability and implementation of the risk management framework; and
- Make recommendations for improving risk management practices

Risk Champions

Risk champions will work with their Director, Heads of Service, Managers and Team Leaders to ensure the RM Strategy and Framework is embedded in the Department and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their department at CRMG meetings.

Risk Champions will ensure that risks are identified, assessed and scored correctly by the Risk Owners, offering advice and guidance where appropriate. They will also challenge risk scores where they do not appear to be reasonable, or where they contradict the Control Measures narrative or the corporate Risk Scoring Guidance.

All Risk Champions will receive appropriate training to ensure that they can perform their role effectively. Training needs will be regularly evaluated.

Programme and Project Sponsors and Managers

Programme and Project Sponsors and Managers are responsible for the development and review of the Project and Programme Risk Registers. They will:

- Embed risk management, in line with the Council's risk management framework, within the programme/project lifecycle to support project definition, approval, change control, decision making and delivery
- Agree risk appetite within the programme/project and the overall approach for managing and escalating risk
- Maintain a programme/project risk register and an overview of total risk exposure
- Align risks with programme/project objectives and outcomes
- Assign clear accountabilities for risk, including risk owners and risk action owners
- Put in place early warning mechanisms
- Communicate clearly risks to stakeholders and relevant governance boards, and ensure risk is comprehensively covered in project documentation, escalate risks to directors and senior managers where appropriate, and if the overall risk exposure or a specific risk is particularly serious, to the Key Strategic Risk Register
- Seek out expertise to help effectively identify and control risks
- Maintain records of historic and current risk registers forming an effective audit trail.

Service Managers

Managers have a responsibility not only for the risks for which they are the risk owner, but are also accountable for those risks, within their service, which are owned / managed by others.

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Service managers will:-

- Manage operational risk and the risks associated with policy implementation in accordance with the risk management framework;
 - Escalate serious risks to the department and corporate levels as appropriate, as well as advise when operational risk may impact on project delivery;
 - Take account of risk management issues when setting staff performance target
- They are required to maintain an awareness of risk and ensure that any risks they identify are captured by the risk management process, understanding and responding to the key risks which could significantly impact on the achievement of their service and/or team objectives. Managers should encourage staff to be open about discussing risk to support the identification of risks at an early stage and ensure that appropriate mitigation actions and control measures can be put in place.

Risk Owners

Risk owners are responsible for identifying and implementing appropriate actions which will mitigate against risks they own and reduce these risks to an level acceptable to the organisation. They are required to regularly review the effectiveness of their control measures and provide a formal update to DMTs and CRMG on a quarterly basis as part of the risk review cycle.

Risk owners will:-

- Seek out relevant expertise to help in the assessment of risk and appropriate control measures
- Review and report on the proximity and status of assigned risks
- Escalate risks to the department or corporate level as and when necessary
- Identify risk action owners for implementing control measures and ensure that they put in place actions to control risks, drawing on the advice of relevant experts; monitor risk and control measures and feedback on the progress in implementing controls and their efficacy.

Individual Employees

Individual employees need to have an understanding of risks and consider risk management as part of their everyday activities, identifying risks deriving from their everyday work, processes and environment. Risks which could impact on service delivery, the achievement of objectives, or their own or others' wellbeing must be identified and actively managed, with mitigating actions in place where appropriate.

All staff should

- Understand the Council's approach to risk management
- Make active and effective use of risk management
- Escalate risks to the project, department or corporate level as appropriate
- Provide feedback on the usefulness of the risk management framework.

Financial Strategy and Capital Team

The financial strategy and capital team is responsible for ensuring that risk management is embedded throughout the council, as well facilitating and supporting the risk management process and supporting risk owners.

SECTION 4

The team will

- Ensure risk management guidance and intranet pages remain up to date and relevant,
- Maintain and administer the Key Strategic risk register and support the Corporate Management Team in ensuring it is comprehensive and accurate
- Keep abreast of best practice and draw on Internal Audit recommendations to review and coordinate improvements to the risk management framework;
- Communicate and promote the risk management framework,
- Be available to provide support to those undertaking risk management;
- Promote, integrate and reinforce risk management within other disciplines, in particular project governance and management and decision making

In addition, the financial strategy and capital team will ensure risk is part of the annual service planning process, facilitate the CRMG meetings, and submit strategic updates and reports on risk management to CMT, Cabinet, Standards and General Purposes Committee etc. as required.

Corporate Risk Management Group

The Corporate Risk Management Group will provide strategic direction and leadership to ensure our risk strategy is maintained and updated and that risks are appropriately identified and managed within the organisation. It will provide a forum for the detailed discussion and monitoring of organisational risks for the benefit of the council, its staff and the wider community.

CRMG will strive to ensure that the risk management framework is embedded within the council's overall strategic and operational policies, practices and processes in a consistent and standardised manner.

In addition, it will provide assurance that all risk systems and processes are operating effectively to minimise the Council's overall exposure to risk. The headline departmental risks and planned mitigation activity reported by each department will be discussed by CRMG on a quarterly basis. CRMG will then report its conclusions and recommendations for discussion at CMT.

Cabinet

Cabinet will receive reports on the risk management strategy to determine whether corporate risks are being actively managed. They are responsible for agreeing the strategy on an annual basis, or when significant changes are made, and to report to full Council on the adequacy of the risk management framework.

Standards and General Purposes Committee

The Standards and General Purposes Committee is responsible for monitoring the effective development and operation of risk management. Its role is to provide an independent oversight of the adequacy of the risk management framework and the associated control environment. Annual reports will be provided regarding the KSRR in order that the committee can determine whether strategic risks are being actively managed.

On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

SECTION 4

Risk management in committee reports

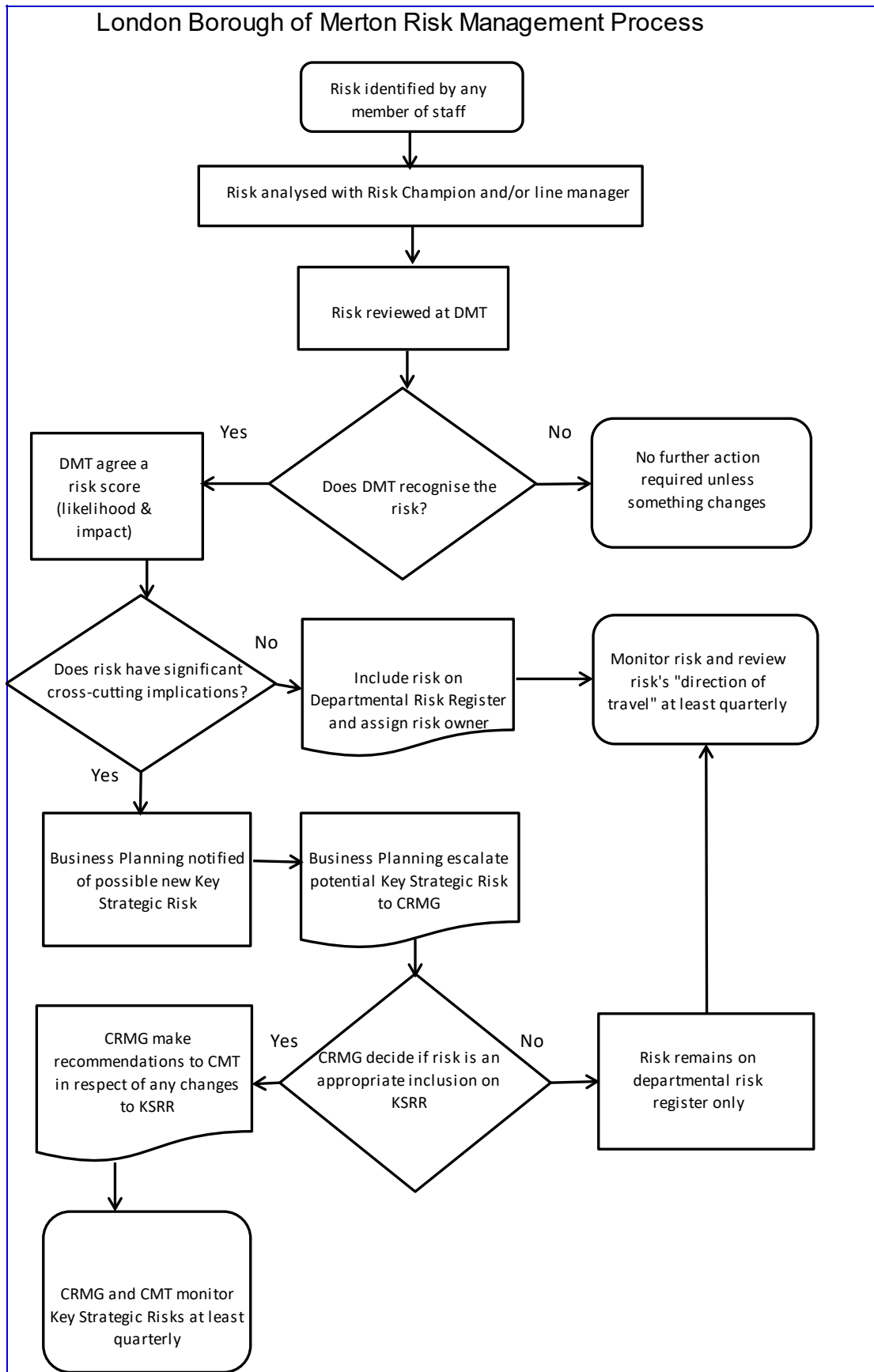
When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course of action. The risk assessment should follow the corporate risk management procedures and be scored using the risk matrix. The report should also give details of any control measures (either proposed or existing) to manage any significant risks identified. Where appropriate, reference should be made to any existing risk(s).

Report authors are advised to consult with the Financial Strategy and Capital team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

Risk Management Practice during Extraordinary Events

It is envisaged that the velocity of change during such an occurrence (i.e. Covid) will require the authority to maintain a separate risks and issues register to ensure an adaptable, flexible and frequent review to accurately track the movement of items. During these periods an additional risk log will be established, where by managers submit and update their risks directly via a secured, interactive shared portal (currently SharePoint). This information will then be reviewed and amended appropriately by senior management, DMTs, CMT and Members.

SECTION 4



SECTION 4

Key Strategic Risk Register ~ Risks only



Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Managing Director South London Legal Partnership/ Interim Assistant Director; Customers, Policy and Improvement	CG05 / KSR79 Data Protection Compliance	Key Strategic Risk	We may fail to comply with the requirements of Data Protection legislation	- inappropriate processing, use, retention, access or inaccuracy of data - staff insufficiently aware of requirements of Act and other legislation	Harm to service users, through breach of privacy (could result in physical harm); loss of services; damage to reputation; financial impact on council through ICO fines; key stakeholders lose confidence & may not share data with the council	FI & R			28-Nov-2023	12
									04-Sep-2023	12
									02-Jun-2023	12
									15-Mar-2023	12
Control Actions	FOI/SARS response rate is improving largely due to weekly reports being sent to EDs re: o/s ones.							Date Provided	07 Dec 2023	
	Dapian/IAR software for online DPIAs and the IAR- contract entered into and training being arranged. The current IAR is in the best shape it has been for some time.							Score without Current Mitigating Actions	20 (Impact 4 x Likelihood 5)	
	ARM redaction software contract entered into, and implementation and preparation for training has begun.							Risk Date Added to Register	30-Apr-2012	
	Audit finalised report on Sharepoint and recommendations have been made.									
	Score rating is the same for the moment									

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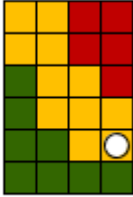
SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Head of Future Merton	ER153/ KSR84 Implementation of the Climate Action Plan	Key Strategic Risk	Merton's Climate Action Plan is prepared by FutureMerton, but the delivery of the Council's climate objectives sits with every team, particularly services with buildings and vehicles specific to their service. The risks associated with the delivery of the climate action plan should remain a corporate risk as the mitigation measures are council-wide.	Due to the complexities and uncertainties of achieving decarbonisation, there are a number of potential causes: (a) National policy framework is uncondusive to local action (either through an ineffective policy framework of through lack of finance) (b) Lack of robust evidence/ expertise to assess greenhouse gas emissions and track progress (c) The estimated costs of implementing the actions are very high or very uncertain (d) Lack of control over the majority of emissions and therefore a reliance on behaviour change of Merton's residence and businesses (e) Lack of commitment/ resources of key Officers in all departments who would need to commit to actions and subsequently implement them	Failure to get an action plan which was fit for purpose may result in Merton not playing its part in mitigating the dangerous effects of climate change – as set out in the declaration of a climate emergency that was unanimously passed at Council. It would also mean not delivering against commitments set out in the (revised) Climate Change Act and the Mayor's 1.5 degree compatible climate action plan. This may result in a loss of public confidence and reputation damage for Merton council.	FI/ R		●	03-Jan-2024	16
								●	18-Sep-2023	16
								●	29-Jun-2023	16
								●	21-Mar-2023	16
Control Actions	Recruitment of retrofit officers was successful, but a new vacancy has emerged and the team are recruiting.							Date Provided	03 Jan 2024	
	Despite full funding and posts and recruitment the following posts to deliver the climate plan remain vacant (outside future Merton):							Score without Current Mitigating Actions	20 (Impact 4 x Likelihood 5)	
	<ul style="list-style-type: none"> • Facilities Management buildings surveyor post. • Fleet management carbon reduction post 									

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History	
Executive Director Finance & Digital/ Assistant Director Infrastructure & Technology Division/ Head of IT Service Delivery	IT30/ KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems	Key Strategic Risk	A cyber attack is any intentional effort to steal, expose, alter, disable, or destroy data, applications or other assets through unauthorized access to a network, computer system or digital device. The Council must facilitate the use of digital information and services whilst providing sufficient protection against a cyber attack. There is an increasing number of successful cyber attacks on public sector bodies. The risk of Merton coming under a cyber attack which eventually is successful is increasing.	To facilitate legitimate data and service usage firewall settings must allow access, this access provides a window of opportunity for cyber attack	<ul style="list-style-type: none"> •An attack could lead to the loss of service and this could be a threat to life for vulnerable clients •An attack could lead to the publication/loss of personal or commercially sensitive data •An attack could lead to the loss of income or legal recompense •An attack would also lead to a loss of reputation for the Council 	R		04-Jan-2024	16
								28-Nov-2023	16
								17-Jul-2023	16
								02-Jun-2023	16
Control Actions	<p>The release of information relating to the equipment and other measures that the council has or is putting in place to minimise the risk and subsequent impact of a Cyber Attack is highly sensitive and could in itself undermine our cyber security strategy and defences.</p> <p>As a minimum the authority endeavours to adhere to NCSC guidance and other recognised industry best practice, which includes providing regular updates and reports on emerging risks and issue to CMT and Members. In addition, the Council have also commissioned a number of independent external cyber security audits, including one in 2023 by the LGA which included a recommendation to create a new Cyber Security managers post to co-ordinate the various workstreams and oversee the delivery of an agreed improvement plan.</p> <p>The risk to a cyber-attack is high, and the Global risk environment is increasing and even with these mitigations we would put the risk at 16</p>							Date Provided	04 Jan 2024
								Score without Current Mitigating Actions	16 (Impact 4 x Likelihood 4) <i>Unchanged due to Global Climate</i>
								Risk Date Added	08-Feb-2021

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Executive Director Children's, Lifelong Learning and Families / Executive Director Adults Social Care, Integrated Care and Public Health	KSR92 Safeguarding of children and vulnerable adults	Key Strategic Risk	Failure to implement Safeguarding good practises and procedures or insufficient allocation of resources results in an avoidable safeguarding incident leading to serious injury or loss of life.	Serious failing in safeguarding duties, practice and procedures resulting in harm to a child / children or vulnerable people. A notable, high profile or systemic safeguarding incident or Local Child Safeguarding Practise Review that draws significant reputational harm to the borough Systemic failings in safeguarding duties under the relevant legislation relating to children and vulnerable adults. Rising demand and/or workforce shortages relating to referral routes (MASH, Children Social Care) or to services managing Safeguarding enquiries and investigations. Failure of referral routes and/or failure by partners to identify risk and refer accordingly.	Serious incidents of harm/abuse of children or vulnerable adults, including deaths or multiple deaths. Reputational damage to LBM. Risk of legal challenge and significant associated costs. Secretary of State intervention OFSTED / CQC intervention Cost of recovery action. Increasing placement costs. Impact on service delivery models and pathways.	R	 <p>Likelihood</p> <p>Impact</p>	▲	08-Jan-2024	8
				▲	18-Sep-2023			8		
				▲	18-Sep-2023			8		
				▲	18-Sep-2023			8		
Control Actions	<ul style="list-style-type: none"> • Robust supervision, regular review of performance information and audit processes in place to ensure effective safeguarding practice. • Continued robust implementation of, and compliance with the London Safeguarding Children Procedures and Practice Guidance and for vulnerable adults the London Multi[1]Agency Safeguarding Policy and Procedures. • Robust Independent Chairing and support arrangements for Children's and Adults Safeguarding Boards • Recruitment of additional resource at times of acute demand increases 							Date Provided	08 Jan 2024	
								Score without Current Mitigating Actions	20 (Impact 4 x Likelihood 5)	
								Risk Date Added	16-Feb-2023	

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Executive Director Housing and Sustainable Development	KSR93 Housing Supply	Key Strategic Risk	Lack of Housing Supply combined with increasing issues of affordability in respect of existing housing stock impacts on the Council's abilities to meet its statutory duties; to achieve the administration's priority ambitions for the borough; and to recruit and retain staff.	Increased Demand via Housing Register, Homeless Applications and Rough Sleepers	Increasing number of households in Temporary Accommodation, including accommodation outside of the borough, and associated General Fund costs.	R, SP			03-Jan-2024	12
				Lack of turnover of existing social housing tenancies	Threat of legal challenge				28-Sep-2023	12
				Lack of new build (across all tenure types)	Increased use of B&B for families for longer than 6 weeks resulting in legal challenge and/or scrutiny from Govt				24-Aug-2023	12
				Increased competition in private rented market	Reputational risk and increasing resident dissatisfaction.				16-Feb-2023	12
				Rising house prices and rents 'price out' an increasing proportion of the population.	Increased numbers of rough sleepers					
	Inability of Council to deliver on administration priority ambitions.									
	Inability to provide a longer term solution for refugees and asylum seekers looking to settle in the borough, which impacts on the Council's ability to maintain credibility as a Borough of Sanctuary.									
Control Actions	<ul style="list-style-type: none"> Working with Clarion to acquire some right to buy buy back properties for use as temporary accommodation Working with L&Q to acquire on long lease some void properties to use as temporary accommodation Investigating potential to work with Capital Letters to acquire a lease on temporary accommodation block in the borough to ensure more residents can be housed temporarily in borough rather than elsewhere Due to increasing number of homelessness presentations and an increasing issue with supply, this may need to be increased to a higher likelihood next quarter.							Date Provided	03 Jan 2024	
								Score without Current Mitigating Actions	20 (Impact 4 x Likelihood 5)	
								Risk Date Added	16-Feb-2023	

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Assistant Director of Public Space / Head of Waste and Street Environment	KSR94 Waste Services Change of Delivery Model & Mobilisation	Key Strategic Risk	Waste Collection Retendering and implementation of the new service may be affected due to the lack of market providers, and this may have the potential to impact street cleansing service mobilisation.	The Authority is tendering its Waste Collection Service the new contract is due to commence on 1st April 2025, this is at the similar timing of three neighbouring boroughs, which has the risk of causing pressure in the marketplace.	There are two primary risks to this process: <ul style="list-style-type: none"> • There are limited or no suitable bidders for the service • The bids submitted for the service are considerably higher than budget provision 	FI & R			18-Dec-2023	9
									22-Sep-2023	9
Control Actions	If there were insufficient interest or bidding was too high the service could be taken back in house – given the lead in time for the contract this would be possible and would be in-line with the return of street cleansing services. This risk remains the same following soft market testing. Procurement due to go live in Quarter 4.							Date Provided	18 Dec 2023	
								Score without Current Mitigating Actions	12 (Impact 3 x Likelihood 4)	
								Risk Date Added to Register		

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History	
Assistant Director Resources	RE02 / KSR49 Corporate Business Plan & Balanced Budget	Key Strategic Risk	We may fail to develop a corporate Business Plan & set a balanced budget for the next financial year & beyond	<ul style="list-style-type: none"> - Reduction in Government Grant - high level of inflation and utilities costs - ensuring DSG deficit is cleared 	<ul style="list-style-type: none"> - continued savings programme may have a negative impact on service provision - failure to set a balanced budget is likely to damage the council's reputation - continued reduction in real terms budget may have a negative impact on staff morale - dissatisfaction of internal & external customers 	FI		30-Nov-2023	15
								05-Sep-2023	15
								16-Jun-2023	12
								20-Mar-2023	12
Control Actions Page 349	<p>A report to Cabinet on 16 November considered the Medium Term Financial Strategy (MTFS) for the Authority 2024-28, this report incorporated proposed savings and growth and balanced the budget for 2024-25. This information was referred to Overview and Scrutiny Panels and Commission in November. The provisional settlement for 2024-25 was received on 18 December 2023 and officers continue to work on the budget position as additional central and local information becomes available.</p> <p>A report to Cabinet on 15 January updated the MTFS and set out the details of the provisional settlement. This included the approval of a second tranche of growth proposals and a decision to include an additional 1% increase in Council Tax so that Council Tax will increase by 5% in 2024/25 (3% core and 2% ASC precept) which is the threshold set in the Government's Council Tax Referendum principles. 2024-25 remains balanced which is a statutory requirement.</p> <p>The final position will be presented to Cabinet on 19 February. This will include a balanced budget for 2024-25 but gaps in future years. Budget setting proposals will then be presented to Council on 6 March 2024 for approval.</p> <p>The risk score remains high as future financial years remain unbalanced, the MTFS will be updated with information from account closure expected in May/June 2024.</p>							Date Provided	18 Dec 2023
								Score without Current Mitigating Actions	24 (Impact 4 x Likelihood 6)
								Risk Date Added to Register	30-Apr-2012

SECTION 4

Key Strategic Risk Register ~ Issues only



Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History	
Executive Director Innovation and Change	CPI41 / KSR53 Equalities duties	Key Strategic Issue	We may be in breach of Equalities legislation regarding new policy development, designing services and decision making (formerly RE11)	- insufficient evidence to demonstrate how equalities implications have been considered	- reputational impact for council - risk of judicial review & litigation - negative impact on service users - loss of savings.	R		01-Dec-2023	12
								05-Sep-2023	12
								02-Jun-2023	12
								17-Mar-2023	12
Control Actions	E,D&I strategy for the period 2-24 to 2026 adopted by Council on 07 February 2024.						Date Provided	18 Dec 2023	
	EIA template and guidance review in progress.						Score without Current Mitigating Actions	15 (Impact 3 x Likelihood 5)	
	No new control measures required.						Risk Date Added to Register	30-Apr-2012	

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History		
Head of HR Advice and Consultancy	HR07/ KSR91 Recruitment and Retention of Staff	Key Strategic Issue	Difficulty recruiting and retaining staff which results in an inability to deliver essential and statutory services	It is a candidate led market at the moment and all organisations are struggling to recruit. Candidates are also looking for high levels of flexibility from their employers. Unemployment rates are very low and there are more jobs being advertised than people available	Inability to attract and retain good quality candidates/staff. Service delivery could be affected especially those to vulnerable clients or to deliver statutory services/activities	SP - Service Provision			29-Nov-2023	12
									04-Sep-2023	12
									02-Jun-2023	12
									13-Mar-2023	12
Control Actions Page 351	Updated website with new branding, easier to use for candidates.						Date Provided	29 Nov 2023		
	Review family friendly policies to make Merton an employer of choice amongst similar organisations.						Score without Current Mitigating Actions	15 (Impact 3 x Likelihood 5)		
	Pay review for senior posts bringing Merton in line with inner London Local Authority pay						Risk Date Added to Register	19-Jan-2023		
	Review of NJC posts planned									
E, D and I focus on recruitment ensuring barriers are removed/mitigated										

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequences(s)	Impact Code	Matrix	Current Score & Review History	
Assistant Director Resources	RE16 / KSR61 Annual Savings Programme	Key Strategic Issue	Failure to deliver the savings which leads to in year overspends and if ongoing impact on the assumptions to set a balanced budget in the MTFS	We are unable to achieve some of our planned savings due to the changing financial and economic environment facing the Council and its residents.	- we are currently delivering approx. 59% of our 23/24 savings (Oct 23 Mon) - if this continues into 2024/25 it will have an adverse impact on the authority's ability to balance its budget in the medium to long term - gap is larger than the contingency - we are required to reinstate reserves	FI		18-Dec-2023	18
								04-Sep-2023	18
								02-Jun-2023	18
								08-Mar-2023	18
Control Actions	Detailed focus via CMT and Cabinet on the delivery of savings together with mitigations or potential replacements for those that are proving challenging. Ultimately resources will need to be redirected should the non-delivery continue. Regular review of progress on delivery via monthly Budget Monitoring reporting, Govt returns etc. Budget Managers are be asked to review options if income shortfalls are continuing Ensuring speedy distribution of Govt grants to those most affected. Routine monitoring of impacted staff. Enhanced Budget Monitoring							Date Provided	18 Dec 2023
								Score without Current Mitigating Actions	24 (Impact 4 x Likelihood 6)
								Risk Date Added to Register	31-Oct-2012

SECTION 5: Budget engagement results.

Introduction

Between 22 November to 21 December 2023, the council ran a budget engagement survey to get the views of residents and community groups on their priorities for our spending. In total there were 560 responses completed, and we also received a direct response from Merton Centre for Independent Living, as well as individuals responding on behalf of Merton Youth Parliament, More Loos for Merton, and Commonsense Community Development Trust.

Issues of Concern

When asked to select the three most important issues Merton is likely to face in the next year, respondents were most likely to choose crime and community safety (45%), cost of living (43%), and care for vulnerable residents (39%)

Respondents were also asked which issues they thought might affect them most personally, and the answers aligned closely with the issues they felt are the borough as a whole is facing, with the top three responses being crime and community safety (46%), cost of living (41%), and litter and fly-tipping (34%).

Priorities

Respondents were asked what they would like to happen to help meet three top council's top priorities: Civic Pride, Sustainable Future, and Borough of Sport. The main themes were as below.

Nurturing Civic Pride

The most commonly mentioned issue for this priority was cleaner streets and neighbourhoods, with almost 26% of the comments received containing words such as clean, clean streets, rubbish and fly tipping. Suggestions included enhanced cleaning in town centres that are in the East of the borough, monthly community skips – similar to the existing Garth Road on the Road scheme – to tackle waste and fly tipping, and more regular street cleaning.

Building a Sustainable Future

The emphasis from our respondents here was clearly on creating more sustainable, energy-efficient and affordable homes, in particular in relation to tackling the Cost-of-Living crisis. Suggestions included a focus on better home insulation, solar panels and heat pumps. Unrelated to housing, there was also a clear desire for fewer cars on the road, less parking, more cycle routes and an emphasis on walking. A few comments also focused on protecting playing fields and open spaces in relation to new builds.

Borough of Sport

The focus for respondents for this priority was on being an inclusive Borough of Sport. Respondents repeatedly mentioned the need to make sport accessible to all, inclusive and affordable – particularly for children in the borough. Suggestions

ranged from more cycle routes to working with grassroots and community sports clubs, improving the sports offer at schools, encouraging more walking and cycling.

Additional priorities

We asked respondents to tell us if they thought there are any other issues we should be prioritising. Of the issues that were raised by multiple respondents, the ones mentioned the most were:

- Social care (22%) – Almost all of the comments focused on a desire for the council to invest in and focus on social care for the vulnerable (elderly, children, disabled). Suggestions included greater support for SEND parents, children and schools, more activities and extracurricular clubs for children with SEND, better accommodation and support for the vulnerable and overall investment in social care.
- Crime (17%) – Comments focused on crime prevention and reduction, police on the streets, tackling Anti-Social Behaviour.
- Housing (11%) – requests for more affordable housing, more social housing, and investing in improvements to existing social housing.
- Fly tipping, rubbish and litter (13%) – respondents were keen to see work done to improve the cleanliness of the streets throughout the borough. Suggestions included stopping fly tipping through cheaper bulky waste collection to more regular waste collection, increased fines for littering and fly tipping, stopping businesses leaving bags of waste on the street and encouraging civic pride with regard to litter.

CHAS funds

In a series of questions, we asked respondents how they would like to prioritise the spending of the money raised from the sale of CHAS.

Investment in homes

We asked what kinds of investments or facilities respondents would like to see that would support the provision of affordable housing. The main focus of comments was requesting that affordable means affordable, whether purchasing or renting, and that there needs to be a higher volume of affordable housing. Beyond that, the main themes that arose were:

- Require developers allocate a larger proportion of their developments to affordable housing.
- Protect tenants' rights to habitable and affordable social housing, for example require Housing Associations keep their rents at the nationally prescribed rate.
- Re-establish council housing by investing in council-owned properties, carrying out compulsory purchase of long-standing vacant properties and using council property that is empty for housing.
- Invest in infrastructure that will support new affordable housing, for example, schools, parks, GP surgeries, street lighting, public transport.
- A greater number of family homes that are affordable.

- Making homes more sustainable/eco-friendly so that bills are lower for those buying affordable homes or in rented accommodation.
- Build on brownfield sites in the borough (disused car parks, offices, factories)

Investment in public spaces

Respondents were asked what kinds of investments or facilities they would like to see that would improve our town centres. Amongst the most frequently mentioned themes were improving the range of shops; improving street cleaning, and reducing litter; improving access for pedestrians; increasing parking; and reducing traffic. In addition, improvements to Morden, Mitcham, Wimbledon town centres were mentioned and the shopping parade in Pollards Hill.

Investment in sport and leisure

We asked what kinds of investments respondents would like to see that would develop new sports and leisure facilities. Among the more frequently mentioned themes were improving facilities in parks and open spaces; making access to facilities affordable; access to gyms; providing facilities for children and young people; and maintaining existing facilities.

In addition, a number of sports were specifically mentioned including swimming, football, tennis, cycling, athletics, basketball, and cricket. However, a minority of respondents either said they did not know what was needed or questioned whether this should be a priority for the council.

Other suggestions

Finally, we asked if respondents had any other comments on the council's plans for 2024/25. Whilst there were a wide range of issues raised the most frequently mentioned were parks and open spaces, housing, health, Council Tax, street cleaning or litter, roads and public transport, and resident or community engagement.

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