Merton Council

Healthier Communities and Older People Overview and Scrutiny Panel

Date: 11 January 2021

Time: 7.15 pm

Venue: This will be a virtual meeting and therefore will not take place in a physical location, in accordance with s78 of the Coronavirus Act 2020.

AGENDA

		Page Number
1	Apologies for absence	
2	Declarations of pecuniary interest	
3	Minutes of the previous meeting	1 - 4
4	Budget and Business Plan 2021-25	5 - 120
5	Impact of COVID-19 in Merton - Verbal update from the Director of Public Health	
6	Impact of COVID-19 in Merton - Verbal update from the Assistant Director of Adult Social Care	
7	Work Programme	121 - 126

This is a public meeting – members of the public are very welcome to view the meeting live on YouTube.

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

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

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

Public Information

Electronic agendas, reports and minutes

Copies of agendas, reports and minutes for council meetings can also be found on our website. To access this, click https://www.merton.gov.uk/council-and-local-democracy and search for the relevant committee and meeting date.

Agendas can also be viewed online in the Borough's libraries and on the Mod.gov paperless app for iPads, Android and Windows devices.

Healthier Communities and Older People Overview and Scrutiny Panel membership

Councillors:
Peter McCabe (Chair)
Thomas Barlow (Vice-Chair)
Nigel Benbow
David Chung
Pauline Cowper
Mary Curtin
Jenifer Gould
Linda Kirby

Substitute Members:
Hina Bokhari
Joan Henry
Andrew Howard
Oonagh Moulton
Dave Ward

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

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that mater and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

What is Overview and Scrutiny?

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

Scrutiny's work falls into four broad areas:

⇒ **Call-in**: If three (non-executive) councillors feel that a decision made by the Cabinet is inappropriate they can 'call the decision in' after it has been made to prevent the decision taking immediate effect. They can then interview the Cabinet Member or Council Officers and make recommendations to the decision-maker suggesting improvements.

⇒ **Policy Reviews**: The panels carry out detailed, evidence-based assessments of Council services or issues that affect the lives of local people. At the end of the review the panels issue a report setting out their findings and recommendations for improvement and present it to Cabinet and other partner agencies. During the reviews, panels will gather information, evidence and opinions from Council officers, external bodies and organisations and members of the public to help them understand the key issues relating to the review topic.

⇒ **One-Off Reviews**: Panels often want to have a quick, one-off review of a topic and will ask Council officers to come and speak to them about a particular service or issue before making recommendations to the Cabinet.

⇒ **Scrutiny of Council Documents**: Panels also examine key Council documents, such as the budget, the Business Plan and the Best Value Performance Plan.

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

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

This page is intentionally left blank

HEALTHIER COMMUNITIES AND OLDER PEOPLE OVERVIEW AND SCRUTINY PANEL
3 NOVEMBER 2020

(7.15 pm - 8.30 pm)

PRESENT: Councillors Councillor Peter McCabe (in the Chair), Councillor Thomas Barlow, Councillor Nigel Benbow, Councillor Mary Curtin, Councillor Jenifer Gould, Councillor Rebecca Lanning, Councillor Dave Ward and Di Griffin

ALSO PRESENT: Caroline Holland (Director of Corporate Services), John Morgan (Assistant Director, Adult Social Care) and Dr Dagmar Zeuner (Director, Public Health) Stella Akintan (Scrutiny Officer).

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Mr Saleem Sheikh

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interests

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

Minutes of the previous meeting were agreed as a true and accurate record

4 BUDGET AND BUSINESS 2020-21 - VERBAL UPDATE FROM THE DIRECTOR OF CORPORATE SERVICES. (Agenda Item 4)

The Director of Corporate Services gave an overview of the September Cabinet report highlighting that in March the budget gap was predicted to be £3.3 million rising to £11 million over the next four years. Due to the impact of COVID-19 and other funding issues, the gap has risen to £16.7 million rising to £19.7 million over the next four years. The Government has announced there will be a one year spending review rather than the usual three years, this will be announced on the 25 November. The Local Government Settlement will be announced during the week commencing the 14th December. Savings proposals will be brought to the November Cabinet Meeting. The Overview and Scrutiny Commission will have the opportunity to review these in the new calendar year.

The Director reported there is a new service planning process, which will include direction of travel, key performance information to enable councillors to get a better understanding of the service.

A panel member asked what the budget gap would have been before Covid, as local government were encouraged to do what was needed to support communities during the pandemic. The Director of Corporate Service reported that it was £1.4 million. The council have been given money for 2020-21 there are resources to offset this financial year, but there are ongoing costs and savings which are not being achieved. The Treasury have been made aware of this and it is hoped this will be reflected in the spending review.

5 IMPACT OF COVID-19 ON MENTAL HEALTH SERVICES - VERBAL UPDATE FROM SOUTH WEST LONDON CLINICAL COMMISSIONING GROUP. (Agenda Item 5)

The chair welcomed Mark Creelman, into the new role as the interim Locality Executive Director, Merton and Wandsworth NHS Southwest London CCG

The Locality Director gave an overview of the mental health services available to support people during the pandemic;
The Primary care Improving Access to Psychological Therapies service deals with common mental health problems. There was a marked drop in referrals in June. The numbers have since risen, there is more demand on services and an increased capacity to meet need. There are more online options but the face to face service still takes place.

In the secondary care psychosis service there are more staff and care co-ordinators, there has been a 69% increase in demand but waiting list targets have been achieved.

The Orchid Suite emergency mental health service is very busy. This is also the case for the mental health Crisis Line however there are more staff and every shift has qualified clinicians.

There are online resources for children and young people. Merton has Off the Record and webinars have been included to meet need.

On the 20th July there was a summit on mental health looking at supporting prevention and mental health promotion. Merton councillors are invited to attend a further session on the 10th November.

A Panel member asked if there has been an increase in the rates of suicide. The Locality Director said it will be determined by longitudinal studies. There is currently no sign of increase. Mental health problems have increased in general. The Assistant Director for Adult Social Care said the Adult Safeguarding Board are monitoring suicide rates to determine if they are connected to COVID

A Panel member said people may not come forward for low level mental health problems during the pandemic therefore are there plans in place for an increase amongst those who didn't want to put pressure on NHS services.
The Locality Director said the key message is the NHS is open. There are national and local campaigns sharing this message. Some services may be accessed in a different way. It is how do we tap into communities and faith groups and build on good engagement work.

The Director of Communications, Stakeholder Engagement and Public Affairs said prevention work looks at community capacity building working with schools, community leaders and what can be put in place to support mental wellbeing and working with partners to develop the offer.

A panel member said many older people are having panic attacks indoors what support is available for them. The Locality Director said people should still use primary care facilities as they are working closely with mental health teams. There are tools that can help people to manage anxiety.
A Panel member asked if the NHS received extra funding to cope with the increased demand on services. The Locality Director said there is some Covid funding but it is anticipated there may be a financial impact in the longer term.

6 COVID-19 UPDATE - VERBAL UPDATE FROM THE DIRECTOR OF PUBLIC HEALTH AND THE ASSISTANT DIRECTOR OF ADULT SOCIAL CARE. (Agenda Item 6)

The Director of Public Health gave a short presentation outlining the most recent data on the number of Covid cases in Merton.

A panel member asked if the number of Covid cases are likely to increase until the effects of lockdown are realised. The Director of Public Health agreed and said the aim is to reduce R number and flatten the infection to prevent it from getting out of control.

A panel member asked how people can be encouraged to wear masks. The Director of Public Health said some people are exempt, so it is important to find the balance between civic duty and enforcement. The Director said she will raise concerns with environmental health who have an enforcement role. Community Marshalls have been deployed to support and encourage people to comply with Covid regulations.

The Assistant Director of Adult Social Care also gave a verbal update and highlighted that they are preparing for shielding and hospital discharge in event of a second lockdown.

There are currently 7,200 people shielding in Merton. The Community hub has been commissioned to provide support since the national programme ended in August.

The Assistant Director said plans are in place in the event of a second surge. There currently increases in hospital admissions and discharge and more people with Covid.

The Assistant Director gave an overview of the Warm and Well Merton campaign, which gives energy advice and helps people to claim benefits. Since March they have assessed 636 people. They are working across the East and West of the borough but there is greater need in East.

In response to a question from the Panel it was reported that long term Covid sufferers can access hub as it is open to any resident who needs support at this time.

7 WORK PROGRAMME 2020-21 (Agenda Item 7)

The work programme was noted.

8 BUSINESS PLAN 2020-2022 (Agenda Item 8)

Committee: Healthier Communities & Older People Overview and Scrutiny Panels

11 January 2021 and 9 February 2021

Children and Young People Overview and Scrutiny Panels

13 January 2021 and 10 February 2021

Sustainable Communities Overview and Scrutiny Panel

19 January 2021

Overview and Scrutiny Commission

20 January 2021 and 17 February 2021

Wards: ALL

Subject: Business Plan Update 2021-2025 (Members are requested to bring the Savings Information Pack with them to these meetings)

Lead officer: Caroline Holland

Lead member: Councillor Tobin Byers

Contact officer: Roger Kershaw

Recommendations:

1. That the Panels consider the proposed amendments to savings previously agreed set out in the Savings Information Pack;
2. That the Overview and Scrutiny Commission also consider the Draft Business Plan 2021-25 report received by Cabinet at its meeting on 18 January 2021;
3. That the Panels consider the draft capital programme 2021-25 and indicative programme for 2024-29 set out in Appendix 9 of the attached report on the Business Plan;
4. That the Panels consider the draft savings/income proposals and associated draft equalities analyses set out in the Savings Information Pack;
5. That the Panels consider the draft service plans set out in the Savings Information Pack;
6. That the Panels consider the contents of the information pack circulated;
7. That the Overview and Scrutiny Commission considers the comments of the Panels on the Business Plan 2021-2025 and details provided in the information pack and provides a response to Cabinet when it meets on the 22 February 2021.

1. Purpose of report and executive summary

1.1 This report requests Scrutiny Panels to consider the latest information in respect of the Business Plan and Budget 2021/22, including proposed amendments to savings previously agreed by Council, the draft capital programme 2021-25, and the draft service plans, and feedback comments to the Overview and Scrutiny Commission.

1.2 The Overview and Scrutiny Commission will consider the comments of the Panels and provide a response on the Business Plan 2021-25 to Cabinet when it meets on the 22 February 2021.

2. Details - Revenue

2.1 The Cabinet of 7 December 2020 received a report on the business plan for 2021-25.

2.2 At the meeting Cabinet

RESOLVED:

1. That Cabinet considers and agrees the draft deferred savings/income proposals (Appendix 4) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
2. That Cabinet considers and agrees the savings and the associated draft equalities analyses for the savings noted in November (Appendices 3 and 5)
3. That Cabinet considers and agrees the draft Capital Programme 2021-2025 and refers it to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
4. That Cabinet agrees the proposed Council Tax Base for 2021/22 set out in paragraph 2.6 and Appendix 1.

3. Alternative Options

3.1 It is a requirement that the Council sets a balanced budget. The Cabinet report on 7 December 2021 sets out the progress made towards setting a balanced budget and options on how the budget gap could be closed. This identified the current budget position that needs to be addressed between now and the report to the provisional Special Cabinet meeting on 22 February 2021, prior to Council on 3 March 2021, agreeing the Budget and Council Tax for 2021/22 and the Business Plan 2021-25, including the MTFS and Capital Programme 2021-25.

4. **Capital Programme 2021-25**

4.1 Details of the draft Capital Programme 2021-25 were agreed by Cabinet on 7 December 2021 in the attached report for consideration by Overview and Scrutiny panels and Commission.

5. **Consultation undertaken or proposed**

5.1 Further work will be undertaken as the process develops.

5.2 There will be a meeting on 17 February 2021 with businesses as part of the statutory consultation with NNDR ratepayers. Any feedback from this meeting will be reported verbally to the provisional special Cabinet on 22 February 2021.

5.3 As previously indicated, an information pack was distributed to all councillors at the end of December with a request that it be brought to all Scrutiny and Cabinet meetings from 11 January 2021 onwards and to Budget Council. This should maintain the improvement for both councillors and officers which makes the Business Planning process more manageable for councillors and ensures that only one version of those documents is available so referring to page numbers at meetings is easier. It also considerably reduces printing costs and reduces the amount of printing that needs to take place immediately prior to Budget Council.

5.4 The information pack includes:

- New Savings proposals 2021-25
- Deferred Savings proposals
- A draft Equality impact assessment for each saving proposal.
- Service plans

6. **Timetable**

6.1 The timetable for the Business Plan 2021-25 including the revenue budget 2021/22, the MTFS 2021-25 and the Capital Programme for 2021-25 was agreed by Cabinet on 7 September 2020 but due to the uncertainty arising from the coronavirus pandemic and the delay in receiving important financial information on funding this has been amended to ensure that the Council's business, including Budget and Council Tax setting for 2021/22, is properly dealt with. The agreed key dates are included in the body of this report.

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

7.1 These are set out in the Cabinet reports for 7 September 2020 (Appendix 1), 9 November 2020 (Appendix 2) and 7 December 2020 (Appendix 3) and the Information Pack.

8. **Legal and statutory implications**

8.1 All relevant implications have been addressed in the Cabinet reports. Further work will be carried out as the budget and business planning process proceeds and will be included in the budget report to the provisional Special Cabinet on the 22 February 2021.

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

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

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

9.2 A draft equalities assessment has been carried out with respect to the proposed budget savings where applicable and is included in the Savings Information Pack circulated to all Members.

10. **Crime and Disorder implications**

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

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

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

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

Appendix 1 - Cabinet report 7 September 2020: Draft Business Plan 2021-25
Appendix 2 - Cabinet report 9 November 2020: Draft Business Plan 2021-25
Appendix 3 - Cabinet report 7 December 2020: Draft Business Plan 2021-25

(NB: These exclude Savings, Service Plans and Equalities Assessments which are included in the Savings Information Pack)

BACKGROUND PAPERS

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

Budget files held in the Corporate Services department.
2020/21 Budgetary Control and 2019/20 Final Accounts Working Papers in the Corporate Services Department.
Budget Monitoring working papers
MTFS working papers

13. **REPORT AUTHOR**

- Name: Roger Kershaw
- Tel: 020 8545 3458

email: roger.kershaw@merton.gov.uk

CABINET

Date: 7 September 2020

Subject: Draft Business Plan 2021-25

Lead officer: Caroline Holland – Director of Corporate Services

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

Contact Officer: Roger Kershaw

Urgent report:
Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2021/22 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2021-2025. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 3 March 2021 and set a Council Tax as appropriate for 2021/22.

Recommendations:

1. That Cabinet notes the approach to rolling forward the MTFS for 2021-25.
2. That Cabinet confirm the latest position with regards to savings already in the MTFS
3. That Cabinet agrees the approach to setting a balanced budget using the unmet balance of last year's savings targets as the basis for the setting of targets for 2021-25.
4. That Cabinet agrees the proposed savings targets based on current assumptions, but keep them under review
5. That Cabinet agrees the timetable for the Business Plan 2021-25 including the revenue budget 2021/22, the MTFS 2021-25 and the Capital Programme for 2021-25.
6. That Cabinet note the process for the Service Plan 2021-25 and the progress made so far.

---

1. **Purpose of report and executive summary**

1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2021/22.

1.2 The report sets out the approach towards setting a balanced budget for 2021-2025 and a draft timetable for the business planning process for 2021/22. It also proposes initial corporate and departmental targets to be met from savings and income over the four year period of the MTFS.

1.3 There is an update on the current information relating to the timetable for the Government's Spending Review 2020, and the Government's proposed changes to Business Rates and the Fair Funding Review which have been deferred from previous years.

1.4 Given the current high level of uncertainty over a range of factors that have the potential to impact significantly on the MTFS there is a sensitivity analysis of a number of issues including the potential impact across the MTFS period of factors affected by the coronavirus pandemic, and the increasing level of DSG deficit .

1.5 Finally, there is an analysis of the potential impact in 2021/22 and possibly beyond, of the coronavirus pandemic which first impacted at the end of the 2019/20 financial year and is still impacting throughout the current financial year.

Details

2. Medium Term Financial Strategy 2021-25

2.1 Background

Council on 4 March 2020 agreed the Budget 2020/21 and MTFS 2020-24. Whilst a balanced budget was set for 2020/21 there was a gap remaining in future years which needs to be addressed, as shown in the following table:-

	2021/22 £m	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
MTFS gap (cumulative)	3,338	6,919	9,031	11,151

2.2 The initial phase of the business planning process is to re-price the MTFS and roll it forward for an additional year. Development of the MTFS in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

Given the scale of the COVID-19 effect, the potential knock-on impact over the MTFS period 2021-25 has been modelled and is included in this analysis.

2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2020/21 as the starting point.

2.3.1 Pay
For 2020/21 the final pay award has now been agreed at 2.75% but provision of 2% was included in the MTFS agreed in March, and for the remaining years of the MTFS (2021/22 onwards), pay provision of 2% was also included.

On 24 August 2020 it was announced that the following had been agreed for the 2020/21 pay award
:

- With effect from 1 April 2020, an increase of 2.75 per cent on all NJC pay points 1 and above
- With effect from 1 April 2020, an increase of one day to the minimum annual leave entitlement. This increase would apply just to those employees whose leave entitlement at 1 April 2020 is twenty one days (plus extra statutory and public holidays)
- joint work on mental health.

The impact of a 2.75% pay increase on the Council's budget will increase employee costs in 2020/21 by c.£0.650m and these will be ongoing and subject to increase for future pay awards.

The change in the estimated provision for pay - Impact of COVID-19:

Forecasts of the impact of the pandemic on the world and UK economies are pessimistic. In the last recession caused by the banking sector, local government bore the brunt of the Government's austerity measures and local government pay control was used as one method of cutting Government spending.
The Government imposed a pay freeze on local government between 2010/11 and 2012/13 and after that up to 2017/18 average annual increases were around 1.2%. These rises represented real terms cuts in pay to local government workers.

If for example, the Government impose similar sanctions and pay awards at an average 1.5% over the MTFS period the following change in the MTFS would result:-

Provision for Pay Inflation:

(Cumulative)	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Pay inflation (%)	**2.0%**	**2.0%**	**2.0%**	**2.0%**
MTFS 2020-24 (Council 4/3/20) (cumulative £000)	1,709	3,413	5,123	6,832
Pay inflation (%)	**1.5%**	**1.5%**	**1.5%**	**1.5%**
MTFS 2021-25 (Latest) (cumulative £000)	1,360	2,720	4,080	5,440
Change (cumulative £000)	**(349)**	**(693)**	**(1,043)**	**(1,392)**

Further details on any progress towards agreeing a pay award for 2021/22, and the impact on the MTFS, will be reported during the Business Planning process as more information becomes available.

Prices
The current assumptions regarding price inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

The MTFS agreed by Council on 4 March 2020 includes the following provision for price inflation

Provision for Prices Inflation:

	2021/22	2022/23	2023/24	2024/25
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Original MTFS 2020-24 (cumulative £000)	2,034	4,066	6,102	8,140

This has been reviewed using the approved budget for 2020/21 and the latest estimate based on 1.5% price inflation is:-

(Cumulative)	2021/22	2022/23	2023/24	2024/25
Price inflation (%)	1.5%	1.5%	1.5%	1.5%
Revised Estimate (cumulative £000)	2,109	4,217	6,326	8,434

Net change in Pay and Price inflation provision:

The overall change in inflation provision since Council in March 2019 is

(Cumulative) (£000)	2021/22	2022/23	2023/24	2024/25
Latest Inflation estimate	3,469	6,937	10,406	13,874
Original MTFS 2020-24 (Council March 2020)	3,743	7,479	11,225	14,972
Change	(274)	(542)	(819)	(1,098)

The latest statistics have been affected by COVID-19. As a result of the ongoing coronavirus (COVID-19) pandemic, however, as the restrictions caused by the ongoing coronavirus (COVID-19) pandemic have been eased, the number of CPIH items that were unavailable to UK consumers in July has reduced to 12; these account for 1.3% of the CPIH basket by weight and the Consumer price inflation dataset made no overall contribution to the change in the CPIH 12-month rate. The number of unavailable items is down from 67 unavailable items for June, and 74 and 90 unavailable items for May and April, respectively. For July, the ONS have collected a weighted total of 82.0% of comparable coverage collected previously (excluding unavailable items).

The Consumer Prices Index (CPI) 12-month rate was 1.0% in July 2020, up from 0.6% in June.

The largest contribution to the 12-month inflation rate in July 2020 came from recreation and culture (0.33 percentage points). Clothing, rising petrol prices, and furniture and household goods made large upward contributions to the change in the 12-month inflation rate between June and July 2020. Falling food prices resulted in a partially offsetting small downward contribution to the change.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.1% in July 2020, up from 0.8% in June.

The RPI rate for July 2020 was 1.6%, which is up from 1.1% in June 2020.

The increase in July was larger than anticipated and one cause is thought to be retailers pushing up prices of some goods in an attempt to recoup some of the earlier losses resulting from the pandemic.

Although inflation is currently low it is not proposed to reduce the provision of 1.5% in the MTFS for price inflation but will be kept under review as we go forward during the Business Planning process.

<u>Outlook for inflation:</u>
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. Previously at a special meeting on 19 March 20020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 4 August 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

The MPC also published its August Monetary Policy Report which sets out projections for activity and inflation. It summarises the overall context of the situation as one in which "although recent developments suggest a less weak starting point for the Committee's latest projections, it is unclear how informative they are about how the economy will perform further out. The outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors."

In the minutes to the meeting the MPC note that "Recent data outturns suggest that the fall in global GDP in 2020 Q2 will be less severe than expected at the time of the May Monetary Policy Report. There are signs of consumer spending and services output picking up, following the easing of Covid-related restrictions on economic activity. Recent additional announcements of easier monetary and fiscal policy will help to support the recovery. Downside risks to the global outlook remain, however, including from the spread of Covid-19 within emerging market economies and from a return to a higher rate of infection in advanced economies. UK GDP contracted by around 20% in April, following a 6% fall in March. Evidence from more timely indicators suggests that GDP started to recover thereafter. Payments data are consistent with a recovery in consumer spending in May and June, and housing activity has started to pick up recently."

In terms of the outlook for inflation the MPC minutes state that "twelve-month CPI inflation increased to 0.6% in June from 0.5% in May. CPI inflation is expected to fall further below the 2% target and average around ¼% in the latter part of the year, largely reflecting the direct and indirect effects of Covid-19. These include the impact of energy prices and the temporary cut in VAT for hospitality, holiday accommodation and attractions. As these effects unwind, inflation rises, supported by a gradual strengthening of domestic price pressures as spare capacity diminishes. In the MPC's central projection, conditioned on prevailing market yields, CPI inflation is expected to be around 2% in two years' time."

In the Monetary Policy Report for August 2020 the MPC conclude that "the reduction in output in recent months has reflected declines in both the demand for goods and services as well as the economy's supply capacity, and the balance between the two is difficult to gauge. Overall, the MPC judges that a material amount of additional spare capacity has emerged, and this will be predominately in the form of increased unemployment towards the end of the year. Although there may also be spare capacity within some firms, others will have a reduced capacity to supply because of new working practices. Spare capacity in the economy is expected to weigh on domestic price pressures. However, the MPC expect the impact of spare capacity on inflation to be a little smaller than usual. In the near term, inflation is expected to remain well below the 2% target, reflecting the continued drag from lower energy prices and the temporary cut in VAT for the hospitality sector. Demand is projected to recover over the forecast period, eroding the degree of spare capacity and causing domestic price pressures to strengthen. Inflation is projected to return to target during 2022."

One of the assumptions made by the MPC in formulating its projections is Key judgement 3. This assumes that inflation is weak in the near term, but it returns to the target (2%) as the drag from temporary Covid-related factors wanes and spare capacity is eroded. The MPC state that "In the near term, there are risks around the extent to which the cut in VAT is passed through to prices. CPI inflation is projected to fall a little further over the second half of the year, in part reflecting the impact of the Government's cut to VAT for some goods and services. The MPC's projections assume that 50% of the cut in VAT is initially passed through to consumer prices, with that effect fading over time. But there are risks around that assumption. The outlook for CPI inflation will be influenced by the sectoral dispersion of the shock to activity. Throughout the forecast period, CPI inflation will be affected by the extent of spare capacity, and the distribution of that spare capacity across sectors. The effects of the pandemic have fallen unevenly across sectors. Those differences may interact with other differences — such as the frequency with which prices are changed, or the mix of inputs used in production — to alter how any spare capacity affects inflation. Bank staff analysis suggests that the hit to output arising from Covid-19 has been concentrated in highly consumer facing services, which tend to exhibit higher price stickiness than the average CPI basket. As a result, any spare capacity might have a smaller downward effect on CPI inflation than is usually assumed, consistent with the judgement underlying the MPC's central projection. Cost pressures are also likely to vary across sectors. " The table shows the MPC's four-quarter CPI inflation rate projections:-

MPC's CPI Inflation Rate Projections "August Monetary Policy Report"			
	Mode	Median	Mean
2021 Q.3	1.8	1.6	1.6
2022 Q.3	2.0	1.9	1.9
2023 Q.3	2.2	2.2	2.1

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

Table 11: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (August 2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	-0.1	1.8	0.5
RPI	0.3	2.2	1.1
LFS Unemployment Rate	5.0	12.7	8.3
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.6	3.2	1.9
RPI	1.1	4.6	2.7
LFS Unemployment Rate	5.0	8.8	6.5

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

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

Source: HM Treasury - Forecasts for the UK Economy (August 2020)					
	2020	2021	2022	2023	2024
	%	%	%	%	%
CPI	0.7	1.5	2.1	2.1	2.1
RPI	1.3	2.2	3.3	3.3	3.2
LFS Unemployment Rate	5.6	7.6	6.2	5.3	4.9

The MPC has used the following projections implied by current data trends:-

	Projections			
	2020 Q.4	2021 Q.3	2022 Q.3	2023 Q3.
GDP	-5.4	8.6	3.0	1.9
CPI Inflation	0.3	1.8	2.0	2.2
LFS Unemployment Rate	7.5	6.6	4.7	4.0
Excess Supply/Excess Demand	-2.25	-0.25	+0.5	+0.75
Bank Rate	0.0	-0.1	-0.1	-0.1

The possibility of negative interest rates could have implications for the Council's investment income in future years. Since the financial crisis, nominal interest rates in the UK and elsewhere have reached historically low levels. As that has happened, central banks have had to make judgements about the 'effective lower bound' (ELB) for their respective policy rates — the point at which further cuts in the policy rate no longer provide stimulus or at which adverse effects, such as in the financial sector, can arise. Some central banks have judged their ELB to be below zero. The MPC is "currently considering whether the ELB for Bank Rate could be below zero; that is whether a negative policy rate could provide economic stimulus. The effectiveness of a negative policy rate will depend, in part, on the structure of the financial system and how the policy transmits through banks to the interest rates facing households and companies. It will also depend on the financial and economic conditions at the time. The MPC will continue to keep under review the appropriateness of a negative policy rate alongside all of its policy tools." This issue will be kept under review to ensure that the MTFS reflects the latest interest rate implications over the MTFS period.

2.3.3 <u>Provision for Excess Inflation:</u>

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

Given the pressure on service budgets it is proposed to lower this provision by £0.200m per year to reduce the gap in the MTFS

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget in MTFS 2020-24	450	450	450	450
Proposed reduction	(200)	(200)	(200)	(200)
Revised Budget	250	250	250	250

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.8m by 2024/25.

2.4 **Income**

2.4.1 The MTFS does not include any specific provision for inflation on income from fees and charges, as these have now been subsumed into the overall gap and therefore approach to targets. However, in the business planning process for recent years, service departments have been able to identify increased income as part of their savings proposals and increased income currently makes up c.19% of future savings.

2.4.2 It is also the case that the Council's income streams have been decimated by COVID-19 in 2020/21 and there is uncertainty about how long it will take to return to pre-COVID19 budgeted levels.

2.5 **Pension Fund**

2.5.1 The Pension Fund is revalued every three years and the last valuation based on the position as at 31 March 2019 was implemented last year in the 2020/21 financial year. The next revaluation will be based on the position as at 31 March 2022 and will be implemented in 2023/24.

In terms of the effect of COVID-19, whilst there was an initial negative impact on the value of investments in the Council's Pension Fund, these have generally rebounded back to levels prior to the pandemic. Clearly this is an ongoing issue and although there are no current concerns that the value of the Fund will be impacted upon given that the next revaluation is about two years away, this will be kept under continual review.

2.6 **Forecast of Resources and Local Government Finance Settlement**

2.6.1 Background
The ongoing COVID19 pandemic has had a major impact on the Government's financial planning processes and inevitably this will also have implications for local authorities. The main elements of financial planning that impact on local government are summarised as follows:-

a) Spending Review 2020

The Chancellor of the Exchequer announced on 24 March 2020 that the Comprehensive Spending Review would be delayed from July 2020 to enable the government to remain focused on responding to the public health and economic emergency. It is likely that the 2020 Spending Review will now be moved to November 2020 to coincide with the Autumn budget, meaning a delay of at least four months to the process. The Spending Review 2020 is expected to set out detailed financial budgets for each government department for a three year period (2021-22 to 2023-24) and four years for capital investment (to 2024-25)

Details from the Spending Review will form the basis of allocations to local authorities for 2021-22 and beyond as announced in the Local Government Finance Settlement 2021-22 which is also likely to be delayed. If the funding announcement is restricted to just one-year, as was the case for 2020-21, this will have a serious impact on the Council's ability to forward plan in a strategic way.

Each year in December, the Ministry of Housing, Communities and Local Government (MHCLG) notifies local authorities of their Provisional Local Government Finance Settlement. The final Settlement figures are published the following January/February but are generally unchanged or very similar to the provisional figures. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit.

Fair Funding Review

Central government funding for local authorities is based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/14. As advised last year, the government is therefore undertaking the Fair Funding Review to update the needs formula and set new funding baselines for the start of the new 75 per cent business rates retention scheme. This was delayed from 2019 to 2020 due to Brexit and has now been delayed until 2022 due to Covid-19.

The MTFS included an adjustment of £3m from 2020/21 on the prudent assumption that the Fair Funding Review and potential Brexit effect would result in a net loss of funding. Given the delay in the review this adjustment can be deferred until 2022/23.

Business Rates Baselines Reset 2020

The business rates retention system was due to be "re-set" for 2020-21 but was deferred due to Brexit to 2021-22 and has now been deferred until 2022 due to covid-19. Notwithstanding the wider reforms to the local government finance and business rates retention systems, the Government currently envisage that the re-set will establish new baseline funding levels and business rates baselines for each local authority that is party to the rates retention system.

Business Rates Retention
In 2018/19, Merton, along with all other London boroughs participated in the 100% London Pilot Pool. This had some financial advantages to London. However, the Government subsequently decided to reduce the level of local government Business Rates Retention to 75% and London piloted this in 2019/20 ahead of the Government's plan to fully implement 75% Business Rates Retention for all local authorities in 2020/21. However, the Government has now deferred the introduction of Business Rates Retention of 75% for England as a whole until 2022 due to Covid-19. In light of this councils in London agreed to continue to pool in 2020/21. There are risks around estimating the level of Business Rates income that can support the Council's budget. These will emanate from the impact of Covid-19 and the pressures on the high street from online retail and possibly the repercussions from Brexit, leading to an increase in empty properties, rates relief defaults, appeals and late payments.

Progress will be reported as part of the Business Planning process. At this stage it is not anticipated that there will be news on funding until the Autumn with no specific funding allocations announced until the Provisional Local Government Settlement 2021/22, probably around mid December 2020 at the earliest.

2.6.2 The current level of resources included in the draft MTFS 2021-25 is as follows :-

DRAFT MTFS 2021-25:				
	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Revenue Support Grant	0	0	0	0
*Business Rates (inc. Section 31 grant)	(41,358)	*(39,185)	*(40,029)	*(40,890)
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant	(2,776)	(3,160)	(3,550)	(3,550)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(1,008)	(800)	(800)	(800)
Corporate Funding in the MTFS	(54,801)	(52,804)	(54,038)	(54,038)

* Net of £3m adjustment for Fair Funding Review/Potential Brexit effect.

These figures currently assume the London Pilot pool does not continue in 2021/22 and that Merton's funding is at the "No Worse Off " safety net level. It assumes that there is an annual 2% uplift for CPI inflation to the Business Rate multiplier. Funding levels have been netted down by £3m p.a. from 2022/23 to reflect the potential loss of funding (government grant and business rates) arising from the potential economic impact of Brexit and the potential redistribution of resources away from London which could result from the Government's Fair Funding Review.

The Government's latest proposal is to allow local authorities to retain 75% of their Business Rates income but this has been deferred until 2022/23 and it is uncertain whether implementation of this proposal will be further deferred.

Updates will be provided in future reports as part of the Business Planning process.

2.6.4 Social Care Funding

Children's Social Care

There was an overspend of £0.416m in Children's Social Care and Youth Inclusion in 2019/20 which was mainly due to

MASH and First Response Staffing	£0.257m
No recourse to public funds	£0.132m
Community Placements	£0.300m

This pressure is continuing in 2020/21 with an overspend of £0.049m forecast as at July 2020 with the main areas of overspend

MASH and First Response Staffing	£0.215m
CWD Placements	£0.096m

In the budget for 2020/21 approved by Council in March 2020, the following growth was approved for Children, Schools and Families

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
CSF	3,847	404	384	390

Adult Social Care

With the provision of growth, government grant and careful management of its budget, the Adult Social Care budget was underspent in 2019/20 by £0.717m and as at July 2020 is forecasting an underspend of £0.443m, net of COVID-19 spending of £3.227m.

For 2021/22 there is a lack of clarity currently over the future levels of grant funding. There is also lack of clarity as to whether the recent practice of allowing councils to levy an Adult Social Care Council Tax precept will be continued. The 2020/21 Local Government Finance Settlement was for one year only. However, based on indications from the Government that sufficient funding for social care will be provided in future years, the following social care funding has been assumed in the MTFS:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant - 2019/20	0	0	0	0
Social Care Grant	(2,776)	(3,160)	(3,550)	(3,550)
Adult Social Care Council Tax Flexibility:				
3% in 2017/18	(2,512)	(2,512)	(2,512)	(2,512)
1% in 2018/19	(862)	(862)	(862)	(862)
2% in 2019/20	(1,780)	(1,780)	(1,780)	(1,780)
2% in 2020/21	(1,866)	(1,866)	(1,866)	(1,866)
TOTAL	(14,658)	(15,042)	(15,432)	(15,432)

There is also an Adult Social Care Grants Reserve which has been formed to enable the service to plan more strategically over the longer term. As at 31 March 2020 the balance on the reserve was £4.062m.

In addition, there is the major concern of COVID-19 which is expected to have continuing major financial implications over the MTFS period. The Government has provided some grant funding for COVID-19 expenditure and there is also a COVID-19 Reserve to contribute towards the impact of the pandemic.

Clearly it would be of great concern if the Government decide not to continue to provide funding at a level sufficient to meet current and future needs. The pressure on social care budgets is a nationwide issue and is expected to increase in the future. There have been continuing delays on government proposals to reform the funding of adult social care and these have continued over the course of 2020 as the pandemic has been at the forefront of the Government's attention. This has meant that the social care funding issue has been dragged out over the course of last year with the green paper, which was originally expected in summer 2018, still not published.

SEN Transport

The SEN transport budget was overspent by £1.289m in 2019/20 but as at July 2020 is forecasting a nil variance for 2020/21, due to reduced transport needs in the early part of the year, offset by additional costs in the latter part of the year as more children are transported with social distancing in place.

Schools Funding

Dedicated School Grant

In 2019/20 DSG funded services overspent by £9.8m. This has been appropriated to the DSG Reserve and, including the deficit brought forward from 2018/19 of £2.9m the deficit on the reserve carried forward as at 31 March 2020 has increased to £12.750m

In the 2019/20 Statement of Accounts the negative DSG balance is clearly disclosed as an earmarked reserve with additional explanatory narrative, and has then effectively been 'charged' to the schools balance reflecting that the cumulative overspend has been borrowed against future year school allocations. This treatment is consistent with the current guidance in terms of disclosure.

Whilst the DSG deficit has been treated in accordance with regulations there has been no clarity from Government as to how this will be funded in the longer term. The size of the deficit is increasing year on year and without further Government support will continue to grow.

In order to adopt a prudent approach to managing the deficit, provision was included within the MTFS 2020-24 on the assumption that the Council will provide for 100% of the deficit up to 2020/21 and 50% thereafter.

Since then the draft Statement of Accounts for 2019/20 have been prepared and the forecast size of the DSG deficit has been reviewed (Based on June 2020)

The forecast year on year deficit based on the latest June 2020 forecast compared to that used in the MTFS approved in March 2020, is shown in the following table:-

DSG Deficit (updated for June 2020 compared to MTFS 2020-24)		Forecast			
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£'m	£'m	£'m	£'m	£'m
MTFS 2020-24	10.6	10.5	12.7	14.3	16.3
June 2020 Update	9.8	12.1	16.1	17.5	19.3
Change	**(0.8)**	**1.6**	**3.4**	**3.2**	**3.0**

Using the same basis that the Council provides for 100% of costs up to 2020/21 and 50% thereafter results in the following change in provision compared to that in the MTFS 2020-24

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS 2020-24	6,354	7,158	8,130	8,130
Latest (June 2020)*	9,156	8,750	9,650	10,550
Change	2,802	1,592	1,520	2,420

* Assumes use of £7.735m Spending Review Reserve
* Assumes use of £16.009m budget in 2020/21 used

This is a national issue and one that it will be difficult for the Government to ignore. Further updates will be provided throughout the Business Planning process to ensure that if no additional funding is forthcoming from Government, then the impact of this important issue is properly reflected in the Medium Term Financial Strategy and budget setting process, with the resulting impact on General Fund services and Council Tax payers.

2.6.5 Business Rates - Update

Despite previous indications that 100% Business Rates Retention was to be introduced and the operation of some 100% pilots such as the London pilot in 2018/19, in December 2017 the Government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalents of 75% in April 2020. The Government decided to operate pilots for the 75% scheme during 2019/20 and implement 75% Business Rates Retention for all local authorities with effect from 2020/21. As a result, the Government and London authorities agreed to pilot 75% business rates retention in 2019/20 and Merton's budget for 2019/20 was set on this basis. However, due to the Government concentrating its attention on Brexit during 2019/20, the timetable for implementing 75% Business Rates Retention throughout England and Wales has slipped further. Following the Spending Round 2019 in September 2019, the Government announced that it was ending the 75% pilot pools, including the London pilot pool, for 2020/21. London boroughs reverted to the arrangement whereby central government receive 33% of business rates, the GLA receive 37% and London boroughs receive 30%. London boroughs agreed to a pooling arrangement based on these proportions in 2020-21.

On 29 April 2020, the Government announced that the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review will not now go ahead in 2021/22, the Ministry of Housing, Communities & Local Government has confirmed.
The Government has also confirmed the planned revaluation of business rates will no longer take place next year due to coronavirus.

Legislation had been introduced to bring the next revaluation forward by one year from 2022 to 2021, but the revaluation has been postponed until April 2022 to give businesses more certainty during the pandemic.

Communities secretary, Robert Jenrick, said: ‘We have listened to businesses and their concerns about the timing of the 2021 business rates revaluation and have acted to end that uncertainty by postponing the change.”

There is currently a great level of uncertainty involved in estimating the level of Business Rates Retention that Merton can expect from 2021/22 onwards, mainly due to COVID-19. This will be largely dependent on when the pandemic is under control and how long it takes for economic recovery to take place and business levels revert to pre-COVID levels.

2.7 Council Tax and Collection Fund

2.7.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in March 2019 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 98.75%. It also assumes the following changes in Council Tax over the MTFS period:-

	2021/22 %	2022/23 %	2023/24 %	2024/25 %
Council Tax increase - General	2.0%	2.0%	2.0%	2.0%
Council Tax increase – ASC*	0%	0%	0%	0%

* Currently no provision to be able to levy an ASC charge

On the basis of these assumptions the Council Tax income included over the period of the MTFS is:-

(Cumulative figures exc. WPCC)	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Council Tax - No change in rate	97,483	97,970	98,489	99,042
Council Tax – General (2%)	1,949	3,919	5,909	7,918
Council Tax income	99,432	101,889	104,398	106,960

The Council Tax Referendum Principles for 2021/22 will not be known until the Provisional Local Government Finance Settlement for 2021/22 is announced, usually around mid-December.

Clearly, COVID-19 has had a major impact on council tax collection rates in 2020/21. There are several main issues that need to be considered when formulating a council tax strategy for the MTFS period 2021-25:-

i) To what extent will COVID-19 continue to have an impact on collection rates?

ii) Will the Government revise the referendum principles to enable Councils to set higher council tax levels as part as a move towards balancing budgets from local taxation?

iii) What impact has COVID-19 had on the level on collection rates in 2020/21 and therefore what level of budget deficit relating to council tax will it be necessary to fund in 2021/22 ? (This will be reflected in a Collection Fund deficit as at 31 March 2021)

The Council Tax Base will be updated later in the year following the return of the Government's CTB statistical return, usually in October, which is based on properties on the valuation list in September. The collection rate will impact on the council tax base.

2.7.2 <u>Collection Fund</u>
In the MTFS approved by Council on 4 March 2020, the shares to preceptors of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2020 are summarised in the following table:-

	Estimated surplus/ (deficit) as at 31/03/20	Estimated surplus/ (deficit) as at 31/03/20	Total surplus/ (deficit) as at 31/03/20
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(947)	(947)
GLA	396	(674)	(278)
Merton	1,524	(1,197)	327
Total	1,920	(2,818)	(898)

2.7.3 Merton's share of the surplus for council tax and NNDR were built into the MTFS agreed by Council in March 2020.

2.7.4 Since then, the Council has produced its draft 2019/20 accounts as at 31 March 2020 which are currently being audited. The draft accounts for 2019/20 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2020:-

	Surplus/ (deficit) as at 31/03/20 Outturn	Surplus/ (deficit) as at 31/03/20 Outturn	Total surplus/ (deficit) as at 31/03/20
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(887)	(887)
GLA	378	(612)	(234)
Merton	1,451	(1,089)	362
Total	1,829	(2,588)	(759)

2.7.5 The overall change in shares of surpluses/deficits is:-

	Surplus/ (deficit) as at 31/03/20	Surplus/ (deficit) as at 31/03/20	Total surplus/ (deficit) as at 31/03/20
	Council Tax £000	NNDR £000	£000
Central Government	N/A	60	60
GLA	(18)	62	44
Merton	(73)	108	35
Total	(91)	230	139

2.7.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/20	Outturn Surplus/ (deficit) as at 31/03/20	Surplus/ (deficit) as at 31/03/20 Change
	£000	£000	£000
Council Tax	1,524	1,451	(73)
NNDR	(1,197)	(1,089)	108
Total	327	362	35

2.7.7 There is no change to the surplus/deficit figures agreed for 2020/21 as all variations are managed via the Collection Fund. However, the net surplus of £0.035m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2021/22.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2021 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the increase in the net surplus carried forward from 2019/20 of £0.035m will be included in the draft MTFS for 2021/22.

2.7.9 COVID-19: Implications for the Collection Fund

On 2 July 2020 the Minister for Regional Growth and Local Government wrote to Councils setting out a range of further proposals to support local authorities This included phased repayment of Collection Fund deficits over the next 3 years.

The letter states:-

"We are also considering how to support you in managing your tax losses. The Secretary of State has committed today to consider the apportionment of irrecoverable Council Tax and Business Rates losses between central and local government. However, as these losses materialise in budgets in 2021-22, details of this measure will be determined at the Spending Review. We have announced today that the repayment of collection fund deficits arising this year will be spread over the next three years rather than the usual one, and I believe that this support will give you considerable additional breathing room in setting budgets for next year before we make a fuller announcement at the Spending Review.
This is part of the "shared financial pain" referred to in the letter. Whilst mitigation over three years of the impact of 2020/21 reductions in council tax and business rates income is a help there are two issues arising that should be considered:-

I. The level of deficit will be much larger than anything experienced before and even if it can be equally spread over three years it will still increase the gap in the MTFS

II. The local taxpayer is paying for the deficit on the Collection Fund due to COVID-19

It is currently estimated that the council's share of the net deficit on the Collection Fund at 31 March 2021 will be c. £11.7m which can be funded over three years.

2.8 Treasury Management: Capital Financing Costs and Investment income

2.8.1 Council in March 2020 approved the following Capital Programme for 2020-24:-

Capital Expenditure	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Capital Expenditure	**47,199**	**28,966**	**14,020**	**23,014**
Slippage*	(12,415)	2,992	3,287	1,015
Leasing Budgets in Programme after Slippage	(600)	0	0	0
Total Capital Expenditure	34,184	31,958	17,307	24,030
Financed by:				
Capital Receipts	900	640	900	900
Capital Grants & Contributions	12,046	10,411	5,469	4,155
Capital Reserves	0	0	0	0
Revenue Provisions	4,032	51	56	30
Other Financing Sources	0	0	0	0
Net financing need for the year	**17,207**	**20,857**	**10,883**	**18,944**
Debt Redemptions	**(2,000)**	**(2,000)**	**(310)**	**(13,700)**
Financing Need (need for financing plus planned debt redemptions)	**19,207**	**22,857**	**11,193**	**32,644**
Internal Financing	19,207	22,857	1,066	(0)
External Financing	0	0	10,126	32,645

2.8.2 Following the closing and preparation of final accounts for 2019/20, the level of slippage required from 2019/20 and the reprofiling of schemes over the programming period has been undertaken to ensure that the level of capital budget is aligned with the Council's capacity to deliver it. In addition new capital projects commencing in 2024/25 may be identified in accordance with achievement of the Council's forward strategic plan. The capital programme will be continually reviewed throughout the financial year and further details including options around financing will be included in future reports as appropriate.

2.8.3 The level, profiling and funding strategy used for the capital programme will have a significant revenue impact that needs to be incorporated into the MTFS. More details on the latest assumptions regarding the Capital Programme 2021-25 are provided in Section 4 of this report.

2.8.4 Investment Income

There are two key factors that impact on the level of investment income that the Council can generate:-

- The amount invested
- The interest rate that is achieved

COVID-19 will inevitably impact on both of these factors. The level of resources available for investment will diminish more quickly as the need to draw on reserves to meet financial pressures created by the pandemic increases. At the same time, interest rates are at historic low levels as the Bank of England alongside international banking institutions have cut interest base rates as part of their economic measures to protect their economies.

Based on latest information, the projected levels of investment income, have been revised. The following table show the latest projections compared with the amounts included in the MTFS approved by Council in March 2020:-

Investment Income	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**
MTFS (Council March 2020)	**(559)**	**(428)**	**(422)**	***(1,405)**
Latest projections	**(682)**	**(639)**	**(450)**	***(1,306)**
Change	**(123)**	**(211)**	**(28)**	**99**

* includes income from Housing Company loan

Currently in the monthly monitoring report for July 2020 it is forecast that investment income will be £0.680m which is £0.027m under the budgeted level of £0.707m.

Work is currently ongoing to produce a cash flow forecast which incorporates a robust estimate of the impact of COVID-19. This will be included in a future report.

2.9 Reserve for Use in Future Year's Budgets

2.9.1 The Business Plan and MTFS for 2020-24 approved by Council on 4 March 2020 forecast that a contribution of £8.385m would be required in 2020/21 with the balance of £0.259m applied in 2021/22.

2.9.2 Following the final accounts process for 2019/20, it was possible to increase the Reserve for use in Future Year's Budgets, mainly because of the receipt of the share of the London Business Rates Pool, and as a result the balance (subject to audit) on the Reserve as at 31 March 2020, excluding the contribution set aside for 2020/21 of £8.385m is £2.817m. This means that there is c. £2.5m more available to balance the budget over the MTFS period.

2.9.3 The reserve will be applied over the period of the MTFS to reduce the budget gap and enable longer term, strategic management of the budget.

2.9.4 It should be recognised that the use of reserves is a one-off form of funding and alternative ongoing savings would need to be identified to address the budget gap over the long-term.

2.9.5 In-year review of Reserves
The use and availability of Reserves is monitored throughout the year as part of the monthly monitoring process. This will receive even greater attention over 2020/21 because of the implications of COVID-19.

2.10 **Review of Outturn 2019/20 and Current Budget and Spending 2020/21**

2.10.1 There may be issues identified during the final accounts process and from monthly monitoring, elsewhere on this agenda, that have on-going financial implications which need to be addressed in setting the budget for 2021-25.

2.10.2 Monitoring 2020/21
At period 4 to 31 July 2020 the year end forecast is a net £23.742m unfavourable variance compared to the current budget. This consists of a net favourable variance of £3.175m excluding COVID-19 and unfavourable variance of £26.917m from COVID-19:-

	Non COVID-19 £000	COVID-19 £000	Total £000
CS	1,089	3,702	4,791
CSF	(2,113)	734	(1,379)
E&R	(310)	9,829	9,519
C&H	(3,270)	3,583	313
Sub-total	**(4,604)**	**17,848**	**13,244**
Corporate	658	8,974	9,632
Total	**(3,946)**	**26,822**	**22,876**

For the purposes of this report this has been separated into NON_COVID-19 and COVID-19 variances.

Non-COVID-19
Based on July 2020 monitoring, although an overall favourable variance is forecast, the following pressures have been flagged:-

a) <u>Corporate Services:</u> Customers, Policy and Improvement (£585k), Human Resources (£137k), Infrastructure and Technology (£49k), Other Corporate budgets (£258k)
b) <u>Children's, Schools and Families:</u> Although a DSG deficit has to be charged to the Schools balance reflecting that a cumulative overspend has been borrowed against future year school allocations, based on July 2020 monitoring, the size of the deficit continues to rise. DSG funded services are forecasting an adverse £13.237m variance, an increase of £3.396m over outturn. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The overspend in the current financial year will be adding to this balance, currently estimated at c.£26m

<u>COVID-19</u>
Hopefully the pandemic will be overcome and the costs and impact on society in general and council services in particular will be largely confined to 2020/21. However, this is unknown at the present time and there will be some impact carried over to the MTFS 2021-25 period. At the same time there will inevitably need to be some changes to how the Council delivers some services and some of the most affected services, particularly those to vulnerable groups will need to be reviewed.

2.11 **Re-priced MTFS 2021-25**

2.11.1 As indicated in the report, there have been a number of changes to information and data to factors which impact on the Council's MTFS and budget gap:-

- Updated inflation using 2020/21 budgets
- Reduction in provision for pay inflation from 2% to 1.5%
- Funding adjustment arising from delay in implementing Fair Funding Review and business Rates revaluation
- Update capital financing charges based on July 2020 Capital Programme
- Collection Fund surplus/deficit change following draft outturn for 2019/20
- Change in balance on Reserve for Use in Future Years' Budgets following draft outturn for 2019/20

2.11.2 The net result of making these adjustments is to amend the forecast budget gap to the following:-

(cumulative)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS Gap (Council March 2020)	**3,338**	**6,919**	**9,031**	**11,151**
- Inflation reprice - pay provision 2% to 1.5%	(274)	(542)	(819)	(1,098)
- Reduce provision for excess inflation	(200)	(200)	(200)	(191)
- Delay Fair funding adjustment by one-year	(3,000)	0	0	0
- Capital financing charges	(119)	(570)	(493)	(1,107)
- Collection fund deficit over three years	3,897	3,897	3,897	0
- balance on reserve for use in future years	(2,338)	0	0	0
Revised MTFS Gap 2021-25	**1,304**	**9,504**	**11,416**	**8,755**

2.11.3 It should be recognised that the Revised MTFS Gap identified in the table in paragraph 2.11.2 only represents a rolling forward and repricing of last year's MTFS, incorporating the implications arising from the final outturn for 2019/20.

2.11.4 It does not incorporate the impact of some key variables which will inevitably have to be addressed in setting the MTFS 2021-25 and budget for 2021/22:-

- Loss of income
- Savings not achieved
- Growth
- DSG Deficit

2.11.5 Sensitivity Analysis
Given the high degree of uncertainty introduced by COVID-19 and the Government's approach to funding the DSG deficit, a more analytical approach has been introduced for a number of key variables and sensitivity analysis undertaken using the following assumptions based on a low level economic bounce back, even level economic bounce back and high level economic bounce back:-

1. **Loss of income** (ongoing result of COVID-19)
   - **High Level Bounce Recovery** (Income levels revert to pre-COVID levels in 2021/22)
   - **Even Level Recovery** (service income is 20% down on 21/22, 10% in 22/23, 5% in 23/24 and 0% in 24/25, Business Rates and Council Tax collection rates are down until 24/25)
   - **Low Level Bounce Recovery** (service income is 20% down on 21/22, 22/23, 23/24 and 0% in 24/25, Business Rates and Council Tax collection rates are down until 24/25)

2. **Savings not achieved**
   - **High Level Bounce Recovery** (All programmed savings are achieved on time)
   - **Even Level Bounce Recovery** (50% of programmed savings are not achieved)

- **Low Level Bounce Recovery** (None of the programmed savings for 2021-25 are achieved)

3. **Growth**
   - **High Level Bounce Recovery** (£0.9m for system support costs, £1.25m in 22/23 rising to £2.5m in 23/24 for contract re-let pressures, £1.1m for internal review)
   - **Even Level Bounce Recovery** (As for Best with £1.8m added to replenish reserves)
   - **Low Level Bounce Recovery** (As for Middle with contract re-let pressures £2.5m w.e.f. 2021/22)

4. **DSG Deficit**
   - **High Level Bounce Recovery , Even Level Bounce Recovery** (General Fund pays all costs up to 31/3/21 and 50% thereafter)
   - **Low Level Bounce Recovery** (General Fund pays all costs)

2.11.6 Impact on MTFS Gap
If these assumptions are fed into the MTFS 2021-25 it produces a wide variation in the forecast budget gap from ALL HIGH LEVEL **Bounce Recovery** to ALL LOW LEVEL **Bounce Recovery**.

Bounce Recovery	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
ALL HIGH LEVEL	6,107	14,346	17,436	15,675
ALL EVEN LEVEL	16,737	21,457	22,942	19,667
ALL LOW LEVEL	33,556	37,285	37,246	33,738

2.12 **Summary**

2.12.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period.

2.12.2 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. However, because of the COVID-19 pandemic and DSG Deficit issue there is still likely to be a sizeable gap over the four year period.

2.12.3 However, whilst recognising the great level of uncertainty about future costs and funding, it is still necessary to forward plan and set savings targets aimed at eliminating this gap on an ongoing basis.

3. Approach to Setting a Balanced Budget

3.1 This is the initial report on the business planning process for 2021/22 and there is a great deal of work to be done.

3.2 Clearly such a wide range of possible budget gaps is extremely difficult to work with going forward in terms of setting savings targets for departments. The major variables relate to COVID-19 and the DSG deficit and for planning purposes the forecast gap has been calculated using the **Even**LEVEL option. This produces a forecast gap as follows:-

(Cumulative)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
MTFS GAP	16,737	21,457	22,942	19,667

3.4 Savings Targets for 2021-25

3.4.1 In previous years the approach to setting savings targets for departments for the Business Planning process has been based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) : (50%), were applied to reduce the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also took into account the level to which departments had achieved savings against targets set for previous years.

3.4.2 Using the same basis as last year, it should be recognised that in setting the 2020/21 budget, proposals to fully meet the savings targets set were not identified and agreed over the duration of last year's budget setting period, leaving a balance still to be found.

3.4.3 Any outstanding balance on previous year's targets should be the first step in forming future targets. If this is not the case, there is no control in the process to get departments to deliver their fair share of savings. Before setting new targets for 2021/22 onwards (using controllable budgets for 2020/21), departments will be required to identify savings/income proposals to meet the balance of the savings targets set in last year's business planning process.

The balance of savings carried forward by each department is as follows:-

SAVINGS TARGETS BY DEPARTMENT	Targets £000	Savings £000	Balance c/f £000
Corporate Services	663	646	17
Children, Schools and Families	2,627	2779	-
Environment and Regeneration	2,606	1,690	916
Community and Housing	4,385	1,902	2,483
Total	**10,281**	**7,017**	**3,416**

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
MTFS 2021-25: Year on Year Gap (March 2020)	16,737	4,720	1,485	(3,275)	19,667
Less:					
Funded by Shortfall 2020/21	3,416	-	-	-	3,416
Balance to be funded by new allocations	13,321	4,720	1,485	(3,275)	16,251

3.4.4 Controllable Budgets

However, the budget gap in the MTFS is much larger than the £3.4m balance to be met from last year's unachieved savings against target.

Therefore, it will be necessary to identify additional savings targets to make up the balance, and the mechanism previously used, and recommended this year is to use departmental controllable budgets.

Using 2020/21 budgets and weighting them using the same levels outlined in paragraph 3.4.1, the controllable budgets for each department are as follows:-

DEPARTMENTAL SAVINGS TARGETS USING 2020/21 CONTROLLABLE BUDGETS	Controllable Expenditure 2020/21 £000	Share Controllable %	Weighting by dept. No.	Weighted Controllable £000	Share Weighted Controllable %
Corporate Services	**25,262**	16.6%	1.50	37,894	21.8%
Children, Schools and Families	**35,925**	23.5%	0.75	26,944	15.5%
Environment and Regeneration	**35,451**	23.2%	1.50	53,177	30.6%
Community and Housing	**55,911**	36.7%	1.00	55,911	32.1%
Total	**152,550**	**100.0%**		**173,925**	100%

The savings target for each department will consist of an amount of savings not met brought forward from last year plus a share of the MTFS gap remaining based on the latest controllable budgets

SAVINGS TARGETS BY DEPARTMENT	Shortfall b/f	Allocation using controllable budgets	Total
	£000	£000	£000
Corporate Services	17	3,541	3,558
Children, Schools and Families	-	2,518	2,518
Environment and Regeneration	916	4,969	5,885
Community and Housing	2,483	5,224	7,707
Total	**3,416**	**16,251**	**19,667**

In order to balance the budget across the period of the MTFS, the savings for each department, which will be kept under review if the assumptions change, are as follows:-

SAVINGS TARGETS BY DEPARTMENT	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	3,028	854	269	(592)	3,558
Children, Schools and Families	2,142	604	190	(419)	2,518
Environment and Regeneration	5,008	1,412	444	(980)	5,885
Community and Housing	6,559	1,850	582	(1,283)	7,707
Total	16,737	4,720	1,485	(3,275)	19,667
Total (cumulative)	**16,737**	**21,457**	**22,942**	**19,667**	

3.5 **Replacement Savings**

3.5.1 Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

3.5.2 If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets. As previously mentioned this will be more difficult in light of COVID-19.

4. Capital Programme for 2021-25

4.1 Since the capital programme was approved by Council in March 2020 and the revenue implications built into the MTFS, there have been a number of amendments arising from outturn 2019/20, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

4.2 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. For example, assuming external borrowing, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2021/22) for the next four years of the MTFS would be approximately:-.

Capital financing costs of £1m over the MTFS period	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Longer life Assets	10	60	60	60
Short-life assets	10	220	220	220

4.3 In light of the current financial situation, there is currently no capital bidding process other than those schemes that can be funded by CIL. 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. The current capital provision and associated revenue implications in the currently approved capital programme, based on June 2020 monitoring information and maximum use of capital receipts, are as follows:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme	28,034	18,061	23,107	12,394
Revenue Implications	11,151	11,943	12,745	13,423

4.5 The potential change in the capital programme since Council in March 2020 is summarised in the following table:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme: - As approved by Council - Revised Position with Slippage revisions	 31,958 28,034	 17,307 18,061	 24,030 23,107	 9,632 12,381
Change	(3,924)	754	(923)	2,749
Revenue impact As approved by Council Revised	 11,491 11,272	 12,733 12,063	 13,464 12,871	 14,718 13,511
Change	(219)	(670)	(593)	(1,207)

4.6 It is considered that these figures represent the worst case subject to there being no in programme bids, with further work currently ongoing to review and challenge the assumptions these figures are based on.

5. Service Planning for 2021-25

5.1 The pilot Service planning process for 2021-25 will be launched in August 2020. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Modernising Merton Programme, its key performance indicators and how its plans will take place within the budget.

5.2 These will be reported to Cabinet and scrutiny.

6. Alternative Options

6.1 The range of options available to the Council relating to the Business Plan 2021-25 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable which is set out in Appendix 1.

7. **Consultation Undertaken or Proposed**

7.1 All relevant bodies have been consulted.

8. Timetable

8.1 In accordance with current financial reporting timetables.

8.2 A chart setting out the proposed timetable for developing the business plan and service plans is provided as Appendix1.

9. Financial, resource and property implications

9.1 As contained in the body of the report.

10. Legal and statutory implications

10.1 As outlined in the report.

11. Human rights, equalities and community cohesion implications

11.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2021 – 2025.

12. Crime and Disorder Implications

12.1 Not applicable.

13. Risk Management and health and safety implications

13.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

14. Appendices – The following documents are to be published with this Report and form part of the Report.

Appendix 1 – Business Plan and Service Planning Timetable 2021-25
Appendix 2 – MTFS 2021-25 Update

15. Background Papers

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

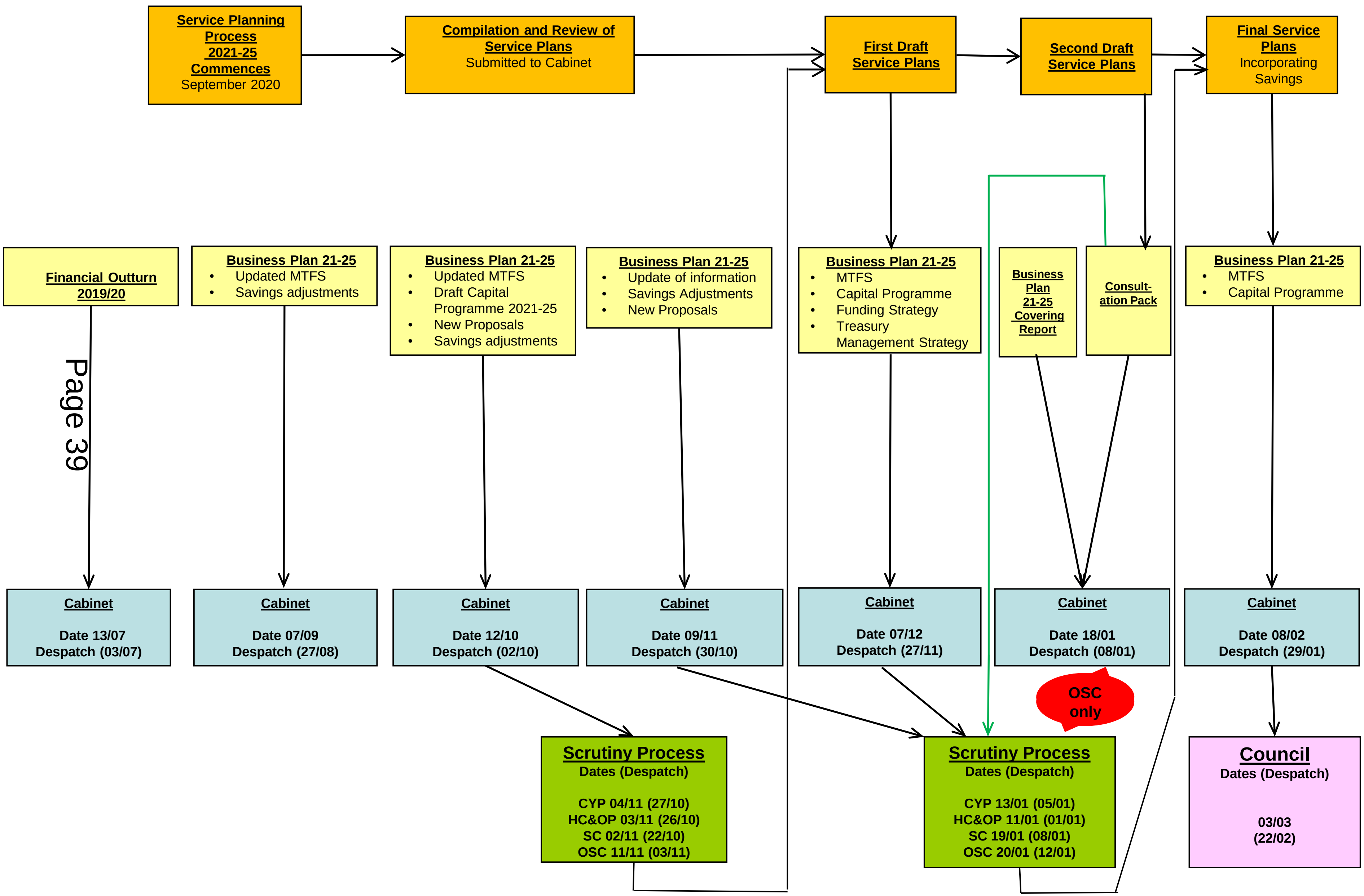
2019/20 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.
2020/21 Budget Monitoring working papers
MTFS working papers

16. **REPORT AUTHOR**

- Name: Roger Kershaw
- Tel: 020 8545 3458
email: **roger.kershaw@merton.gov.uk**

APPENDIX 1

BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2021-25



DRAFT MTFS 2021-25:				
	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Departmental Base Budget 2019/20	**159,038**	**159,038**	**159,038**	**159,038**
Inflation (Pay, Prices)	3,468	6,937	10,405	13,874
Salary oncost increase (15.2% to 17.06%)	23	47	71	95
FYE – Previous Years Savings	(3,887)	(4,252)	(4,448)	(4,448)
FYE – Previous Years Growth	404	788	1,178	1,178
Amendments to previously agreed savings/growth	1,944	2,126	2,224	2,224
Change in Net Appropriations to/(from) Reserves	(392)	(950)	(950)	(950)
Taxi card/Concessionary Fares	450	900	1,350	1,800
Change in depreciation/Impairment (Contra Other Corporate items)	0	0	0	0
Social Care - Additional Spend offset by grant and precept	154	150	150	150
Growth	3,768	5,018	6,268	6,268
Provision - DSG Deficit	9,156	8,750	9,650	10,550
Other	733	813	893	973
Re-Priced Departmental Budget	**174,859**	**179,365**	**185,829**	**190,752**
Treasury/Capital financing	11,282	12,082	12,899	13,539
Other Corporate items	(21,149)	(20,731)	(21,082)	(21,086)
Levies	609	609	609	609
Sub-total: Corporate provisions	**(9,258)**	**(8,040)**	**(7,574)**	**(6,938)**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**165,601**	**171,325**	**178,255**	**183,814**
Savings/Income Proposals 2020/21	0	0	0	0
Sub-total	**165,601**	**171,325**	**178,255**	**183,814**
Appropriation to/from departmental reserves	(2,497)	(1,935)	(1,935)	(1,935)
Appropriation to/from Balancing the Budget Reserve	(2,597)	0	0	0
ONGOING IMPACT OF COVID-19 (NET)	6,919	3,217	1,514	0
BUDGET REQUIREMENT	**167,427**	**172,607**	**177,834**	**181,879**
Funded by:				
Revenue Support Grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(41,358)	(39,185)	(40,029)	(40,890)
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant	(2,776)	(3,160)	(3,550)	(3,550)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(1,008)	(800)	(800)	(800)
Council Tax inc. WPCC	(99,785)	(102,242)	(104,751)	(107,313)
Collection Fund – (Surplus)/Deficit	3,896	3,896	3,896	0
TOTAL FUNDING	**(150,690)**	**(151,150)**	**(154,892)**	**(162,212)**
GAP including Use of Reserves (Cumulative)	**16,737**	**21,457**	**22,942**	**19,667**

Cabinet

Date: 9 November 2020

Subject: Draft Business Plan 2021-25

Lead officer: Caroline Holland – Director of Corporate Services

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

Contact Officer: Roger Kershaw

Urgent report:
Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2021/22 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2021-2025. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 3 March 2021 and set a Council Tax as appropriate for 2021/22.

Recommendations:

DRAFT

1 That Cabinet considers and agrees the proposed new savings to meet the non-Covid gap, and refers them to the Overview and Scrutiny Commission. That Cabinet agrees to ratify these savings at a future Cabinet meeting, with the draft Equality Assessments (EAs) subject to scrutiny comments.

2 That Cabinet notes that any proposed amendments to previously approved savings previously agreed (replacements and deferrals) will be reported to the Cabinet meeting in December.

3 That Cabinet note the decision in principle to continue with the Business Rate Pool for 2021/22

4. That Cabinet note the summary of the COVID-19 Impact, along with details of funding received to date, at Appendix 2

1. **Purpose of report and executive summary**

1.1 This report provides an update on the Council's progress towards developing a Business Plan for 2021-25. In particular, it sets out the latest financial information relating to the MTFS 2021-25 and its impact on the requirement to set a balanced budget and Council Tax for 2021/22.

1.2 Details of savings proposals identified by service departments are set out in the report.

1.3 Any replacement/deferred savings will be reported to the next meeting of Cabinet.

Details

2. Background

2.1 The last report to Cabinet on 7 September 2020 set out the approach towards setting a balanced budget for 2021-2025 and a draft timetable for the business planning process for 2021/22. It also proposed initial corporate and departmental targets to be met from savings and income over the four year period of the MTFS.

2.2. The report emphasised the high degree of economic and financial uncertainty which surrounds local government finance at the present time and presented an updated MTFS 2021-25 based on an even level economic recovery (assuming an even level economic bounce post-Covid).

2.3 In particular the report provides updates on two major areas of uncertainty that could have major financial implications for Merton's MTFS 2021-25: DSG and Covid-19.

2.4 The report to Cabinet in September presented an updated MTFS which rolled forward the previous year's by one year and re-priced for the latest inflation forecasts. On this basis the MTFS gap was as follows:-

(Cumulative)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
MTFS GAP	1,304	9,504	11,416	8,755

2.5 The September report then set out the financial implications of options which were based on assumptions around a low, even and high level bounce economic recovery following Covid-19.

2.6 Based on the even level recovery the revised gap in the MTFS 2021-25 was estimated as set out in the table below, and savings targets for each service department were set on this basis.

(Cumulative)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
MTFS GAP	16,737	21,457	22,942	19,667

2.7 Since Cabinet in September there have been a number of major developments that will inevitably impact on the financial forecasts over the MTFS period:-

2.7.1 **DSG Deficit** - Discussions have been ongoing between CIPFA, the DfE and the National Audit Office in respect of the large and increasing DSG Deficit and treatment in the council's accounts. This was discussed at the Standards and General Purposes meeting on 22 September 2020 which considered the

Council's Statement of Accounts for 2019/20. The Authority has followed the guidance issued by CIPFA following clarification of the DfE guidance which allows the Authority to disclose a negative DSG deficit without this being charged to the General Fund. A statutory instrument is currently being prepared by the Ministry of Housing, Communities and Local Government which would allow cumulative DSG deficits to be accounted for as an unusable reserve. The statutory instrument will apply prospectively from 1 April 2020 and therefore has no impact on the Council's 2019/20 financial statements.

Currently, the Council's accounts, budget and draft MTFS 2021-22 provide for 100% of the DSG deficit up to 2020/21 and 50% thereafter. The guidance expected could allow Merton to release the amounts currently set aside in the General Fund and apply them to other service demands.

However, it must be emphasised that this action would be taken at some risk as there is no indication at the current time that the Government is willing to provide any additional resources to fund the deficit, which continues to increase and would be larger than our GF and earmarked balances combined.

2.7.2 <u>Spending Review 2020</u>
The Government had originally planned to issue a three-year Spending Review for 2021-2024 but on 21 October 2020 it was announced that "In order to prioritise the response to Covid-19, and our focus on supporting jobs, the Chancellor and the Prime Minister have decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2021-22, and Devolved Administration's block grants for the same period. Multi-year NHS and schools' resource settlements will be fully funded, as will priority infrastructure projects."

This announcement was not unexpected but it makes forward strategic financial planning in an effective and efficient way extremely difficult.

2.7.3 <u>COVID-19</u>
On 31 October 2020, the Government announced that there would be a second lockdown from Thursday 5 November until Wednesday 2 December due to COVID-19 case numbers rising rapidly across the whole of the UK and in other countries. The second lockdown is part of the government's measures to control the spread of the virus but it will probably have implications for the Council's finances in the current and future financial years which will need to be taken into account when setting the budget 2021/22 and MTFS 2021-25.

2.7.4 As a result the assumptions made with respect to COVID-19 will need to be revisited and reported in future Business Plan reports as part of the Business Planning process.

2.7.5 A summary of the COVID-19 Impact on our expenditure and income is included at Appendix 2, along with details of funding received to date. The expenditure summary is based on the September MHCLG monitoring return and does not take into account the impact of the second lockdown measures.

2.8 Business Rates Retention – future of London Pool

2.8.1 The Government set a deadline of 23 October 2020 for local authorities to confirm whether existing business rates pools want to continue in 2021-22 and for any expressions of interest to form new pools.

2.8.2 The October deadline is to give MHCLG enough time to prepare the provisional settlement in December 2020. However, this is not the final deadline by which boroughs must decide whether to continue to pool. As with last year, each authority will have until 28 days after the provisional settlement (i.e. likely by mid-January) to decide formally whether it wishes to continue to pool, and each must agree that decision individually through local governance arrangements and sign a Memorandum of Understanding (MOU).

2.8.3 All London boroughs have provisionally agreed to continue pooling in 2021/22 and updates will be provided throughout the Business Planning process.

2.9 Summary
Given the uncertainty and constantly changing scenario arising from COVID-19 it is considered prudent to update the MTFS gap based on non-COVID costs and non-government funded services at this stage and to update for revised COVID-19 and DSG implications in a future report when more information is known.

(cumulative)	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
MTFS Gap 2021-25 (exc. COVID-19) Cabinet September 2020	**1,304**	**9,504**	**11,416**	**8,755**
Adjustment to Collection Fund deficit (updating for September MHCLG monitoring)	372	(3,897)	(3,897)	0
Revised MTFS Gap 2021-25 (exc. COVID-19)	1,676	5,607	7,519	8,755

This MTFS gap will provide an interim savings target for service departments to aim for pending development of further savings which will be included in future Business Planning reports to Cabinet as part of the agreed timetable.

3. **New Savings 2021-25: Progress**

3.1 In the report to Cabinet in September, in order to be able to set a balanced budget for 2021/22 as required by statute, savings targets were set out based on the initial update of the MTFS 2021-25 as follows:-

SAVINGS TARGETS BY DEPARTMENT	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	3,028	854	269	(592)	3,558
Children, Schools and Families	2,142	604	190	(419)	2,518
Environment and Regeneration	5,008	1,412	444	(980)	5,885
Community and Housing	6,559	1,850	582	(1,283)	7,707
Total	16,737	4,720	1,485	(3,275)	19,667
Total (cumulative)	**16,737**	**21,457**	**22,942**	**19,667**	

3.2 As indicated in paragraph 2.7 of this report, given the developments since September, the assumptions made in the financial forecasts on which this MTFS gap is based will need to be reviewed and updated once the Local Government Settlement has been published and the ongoing implications of Covid-19 and DSG assessed.

3.3 Since September service departments have been reviewing their budgets in order to identify savings proposals to meet their targets. As the government has indicated that it will meet councils' costs for dealing with the pandemic, in the first instance departments have focused on achieving savings that would balance the "non-Covid" gap (in para 2.9 above). Therefore the following progress has been made:-

"Non-Covid" Savings Proposals	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	374	0	0	0	374
Children, Schools and Families	450	200	0	0	650
Environment and Regeneration	930	750	(50)	(85)	1,545
Community and Housing	55	1,299	0	0	1,354
Total	1,809	2,249	(50)	(85)	4,493
Total (cumulative)	**1,809**	**4,058**	**4,008**	**3,923**	
Less: Contribution to Balancing the Budget Reserve *	(133)	133	0	0	0
Total (cumulative)	1,676	4,191	4,008	3,923	

* To be kept under review pending identification of the level of replacement and deferred savings caused by Covid-10

3.4 Details of the "non-Covid" savings proposals are set out in Appendix 3. Associated draft Equalities Assessments will be included with the Business Plan presented to the December Cabinet, along with comments from the Overview and Scrutiny Commission. These savings will be further scrutinised by Overview and Scrutiny Panels and the Commission during January 2021 and will be included in the Member's Information pack that will be despatched to all Members at the end of December 2020.

3.5 Departments are looking at options that may be required to meet the budget gap once the settlement has been announced in late December, should this settlement not cover the council's Covid-related costs or address the DSG issues. These savings would be brought forward to the January Cabinet following the Spending Review, when this would be known.

3.6 If all of the savings proposals are agreed and there is no further funding for the council's Covid-related costs or a solution for the DSG, the revised gap would be as follows:-

REVISED MTFS GAP	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Revised Gap (para.2.8 refers)	16,737	21,457	22,942	19,667
"Non-Covid" savings proposals (Net)	(1,676)	(4,191)	(4,008)	(3,923)
Revised Gap including Savings	15,061	17,266	18,934	15,774

A revised MTFS is included as Appendix 1.

3.7 **Replacement and Deferred Savings**

3.7.1 Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

3.7.2 If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets. As previously mentioned this will be more difficult in light of COVID-19. Members will recall that in determining the MTFS gap reported to Cabinet in September it was assumed that 50% of programmed savings will be achieved in line with the original forecast.

3.7.3 Any replacement/deferred savings will be reported to the next meeting of Cabinet to enable the latest position to be reported as the situation is subject to more change than in previous years.

4. Capital Programme for 2021-25

4.1 There was not a capital bidding round for 2021-25 due to the financial situation, but departments were able to bid for CIL funded schemes which have previously been reported to Cabinet. The programme is kept under constant review.

5. Service Planning for 2021-25

5.1 The pilot Service planning process for 2021-25 was launched in August 2020. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Modernising Merton Programme, its key performance indicators and how its plans will take place within the budget.

5.2 These will be reported to Cabinet and scrutiny.

6. Alternative Options

6.1 The range of options available to the Council relating to the Business Plan 2021-25 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable which was approved by Cabinet on 7 September 2020.

7. **Consultation Undertaken or Proposed**

7.1 All relevant bodies have been consulted.

8. Timetable

8.1 In accordance with current financial reporting timetables approved by Cabinet on 7 September 2020.

9. Financial, resource and property implications

9.1 As contained in the body of the report.

10. Legal and statutory implications

10.1 As outlined in the report.

11. Human rights, equalities and community cohesion implications

11.1 Draft Equalities assessments of the savings proposals will be included in the report referred to the Overview and Scrutiny Commission.

12. Crime and Disorder Implications

12.1 Not applicable.

13. Risk Management and health and safety implications

13.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

14. Appendices – The following documents are to be published with this Report and form part of the Report.

Appendix 1 – Updated MTFS 2021-25
Appendix 2 – Covid-19 Expenditure/Income Pressures and Grant Funding
Appendix 3 – Details of departmental savings proposals 2021-25
(INFORMATION PACK)

15. Background Papers

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

2019/20 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.
2020/21 Budget Monitoring working papers
MTFS working papers

16. **REPORT AUTHOR**

- Name: Roger Kershaw
- Tel: 020 8545 3458
email: **roger.kershaw@merton.gov.uk**

APPENDIX 2

APPENDIX 1

DRAFT MTFS 2021-25:				
	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Departmental Base Budget 2020/21	**159,038**	**159,038**	**159,038**	**159,038**
Inflation (Pay, Prices)	3,468	6,937	10,405	13,874
Salary oncost increase (15.2% to 17.06%)	23	47	71	95
FYE – Previous Years Savings	(3,887)	(4,252)	(4,448)	(4,448)
FYE – Previous Years Growth	404	788	1,178	1,178
Amendments to previously agreed savings/growth	1,944	2,126	2,224	2,224
Change in Net Appropriations to/(from) Reserves	(392)	(950)	(950)	(950)
Taxi card/Concessionary Fares	450	900	1,350	1,800
Change in depreciation/Impairment (Contra Other Corporate items)	0	0	0	0
Social Care - Additional Spend offset by grant and precept	154	150	150	150
Growth	3,768	5,018	6,268	6,268
Provision - DSG Deficit	9,156	8,750	9,650	10,550
Other	733	813	893	973
Re-Priced Departmental Budget	**174,859**	**179,365**	**185,829**	**190,752**
Treasury/Capital financing	11,282	12,082	12,899	13,539
Other Corporate items	(21,149)	(20,731)	(21,082)	(21,086)
Levies	609	609	609	609
Sub-total: Corporate provisions	**(9,258)**	**(8,040)**	**(7,574)**	**(6,938)**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**165,601**	**171,325**	**178,255**	**183,814**
Savings/Income Proposals 2021/22	(1,676)	(4,191)	(4,008)	(3,923)
Sub-total	**163,925**	**167,134**	**174,247**	**179,891**
Appropriation to/from departmental reserves	(2,497)	(1,935)	(1,935)	(1,935)
Appropriation to/from Balancing the Budget Reserve	(2,597)	0	0	0
ONGOING IMPACT OF COVID-19 (NET)	6,919	3,217	1,514	0
BUDGET REQUIREMENT	**165,751**	**168,416**	**173,826**	**177,956**
Funded by:				
Revenue Support Grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(41,358)	(39,185)	(40,029)	(40,890)
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant	(2,776)	(3,160)	(3,550)	(3,550)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(1,008)	(800)	(800)	(800)
Council Tax inc. WPCC	(99,785)	(102,242)	(104,751)	(107,313)
Collection Fund – (Surplus)/Deficit	3,896	3,896	3,896	0
TOTAL FUNDING	**(150,690)**	**(151,150)**	**(154,892)**	**(162,212)**
GAP including Use of Reserves (Cumulative)	**15,061**	**17,266**	**18,934**	**15,744**

APPENDIX 2

SUMMARY OF COVID-19 IMPLICATIONS AS PER MHCLG MONTHLY RETURN

Service area	Full Financial Year 2020-21
ESTIMATED SPENDING PRESSURES (General Fund)	£m
Adult social care	***6.839***
Children's Social Care	***1.036***
Education	***0.050***
Highways and Transport	***0.000***
Public Health	***1.007***
Housing sub total excluding HRA	***0.476***
Cultural & related	***0.663***
Environment & regulatory	***1.574***
Planning & development	***0.000***
Finance & corporate	***0.892***
Other (includes Shielding)	***7.263***
TOTAL ESTIMATED SPENDING PRESSURES (General Fund)	***19.800***
Loss of Income - Sales, Fees, Charges	
Highways and Transport Sales, Fees & Charges (SFC) - Parking services losses	***3.628***
Highways and Transport Sales, Fees & Charges (SFC) losses - other	***0.247***
Cultural & Related (SFC) - Recreation and sport losses	***1.045***
Cultural & Related (SFC) losses - other	***0.406***
Planning & Development SFC losses	***0.391***
SFC income losses - other	***5.265***
Sales, Fees & Charges (SFC) income losses subtotal	***10.982***
TOTAL SPENDING PRESSURES + SFC INCOME LOSSES	***30.782***
Commercial Income losses	***0.899***
Other income losses	***0.000***
SPENDING PRESSURES + SFC INCOME + NON-COLLECTION FUND INCOME LOSS	***31.681***
Funding:	
CCG	***(0.465)***
Government Grant Funded	***(14.643)***
	(15.108)
NET	***16.573***
COLLECTION FUND	
Business rates losses - Deferrals (Delay)	***5.572***
Business rates losses- Other	***6.924***
Business Rates Losses - excluding reliefs	***12.496***
Council Tax receipt losses - working age LCTS	***2.300***
Council Tax receipt losses - payment failure	***2.778***
Council Tax receipt losses - other	***0.000***
Council Tax receipt losses sub total	***5.078***

APPENDIX 2

NEW FUNDING FOR COVID 19	TOTAL NOTIFIED	RECEIVED 2019/20	RECEIVED 2020/21	Balance not yet received	Notes:
Business Support Grant	29,318,000	-	29,318,000	-	2,122 payments totalling £28.120m (1/9/20)
Local Authority Discretionary Grant Fund Allocation	1,312,750	-	-	1,312,750	Only if main allocation exceeded
New burdens Funding to support administration of the Business Support scheme	-	-	130,000	-	For Admin. Costs
COVID 19 Relief-Local Authority Support Grant	14,643,266	4,964,977	7,184,321	2,493,968	Balance =Tranche 4 notified 22/10/20
Council Tax Hardship fund	1,483,740	-	1,483,740	-	
Rough Sleeping Initiative 2020-21 **Rough Sleeping Initiative 2020-22: Covid-19 Contingency Fund** **Additional Support to Rough sleepers - share of £10m Cold Weather fund** **Next Steps Accommodation Programme**	151,750 - Share of £10m 173,550	- - -	151,750 11,250 - -	- - 173,550	 Awaiting details Not yet received
Infection control Fund for Adult Social Care	2,834,641	-	2,834,641	-	
Test, Track and Contain	964,982	-	964,982	-	
Self-isolation payments funding	-	-	155,534	-	£500 support for those on lower incomes required by law to self-isolate.
Support to extremely vulnerable	£94k per 28 days	-	-	£94k	Not yet received
Local Welfare Assistance Fund	176,472		176,472	-	
Local Authority Compliance and Enforcement Grant	92,943	-	92,943	-	
Emergency Active travel Fund	100,000		100,000	-	£90k capital, £10k revenue
Reopening High Streets Safely Fund	182,103	-	-	182,103	EU/ERDF funding Subject to legitimate claim

Cabinet

7 December 2020

Agenda item:

Business Plan Update 2021-2025

Lead officer: Caroline Holland

Lead member: Councillor Tobin Byers

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

Contact officer: Roger Kershaw

Recommendations:

1. That Cabinet considers and agrees the draft deferred savings/income proposals (Appendix 4) put forward by officers and refers them to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
2. That Cabinet considers and agrees the savings and the associated draft equalities analyses for the savings noted in November (Appendices 3 and 5)
3. That Cabinet considers and agrees the draft Capital Programme 2021-2025 and refers it to the Overview and Scrutiny panels and Commission in January 2021 for consideration and comment.
4. That Cabinet agrees the proposed Council Tax Base for 2021/22 set out in paragraph 2.6 and Appendix 1.

1. **PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 This report provides an update to Cabinet on the Business Planning process for 2021-25 and in particular on the progress made so far towards setting a balanced revenue budget for 2021/22 and over the MTFS period as a whole.

1.2 Specifically, the report provides details of deferred revenue savings which are proposed due to changes in circumstances since the proposals were previously approved as part of previous budget setting.

1.3 The report also represents the savings previously agreed in November 2020 and provides associated draft equalities analyses where applicable together with feedback from the Overview and Scrutiny Commission in October 2020 which considered the savings proposals.

1.4 The report also provides an update on the capital programme for 2021-25 and the financial implications for the MTFS.

1.5 The first draft of the service plans for 2021-25 will be included within the information pack for consideration at Scrutiny and then reported back to Cabinet.

1.6 The report provides a general update on all of the latest information relating to the Business Planning process for 2021-25 and an assessment of the implications for the Medium Term Financial Strategy 2021-25.

1.7 This report is one of the budget updates through the financial year and will be referred to the Overview and Scrutiny Panels and Commission in February 2021 as part of the information pack.

1.8 Due to COVID19 and the delay in the Local Government Finance Settlement and lack of clarity over future funding there have been revisions to the timetable which are designed to ensure that Members receive as much opportunity as possible to give the budget setting process the attention it deserves. These changes are set out in paragraph 11.

2. DETAILS

Introduction

2.1 A review of assumptions in the MTFS was undertaken and reported to Cabinet on 7 September 2020. As a result Cabinet agreed departmental savings targets and a further report to Cabinet on 9 November 2020 set out an initial tranche of savings proposals. The report referred them to the Overview and Scrutiny Commission on 11 November 2020 for consideration.

2.2 Taking into account the information contained in the November 2020 Cabinet report, the overall position of the anticipated COVID and other government funding shortfall MTFS reported to Cabinet on 9 November 2020 was as follows:-

(Cumulative Budget Gap)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS Gap (Cabinet October 2020)	15,061	17,266	18,934	15,774

2.3 Review of Assumptions

Since Cabinet in November, work has been continuing to review assumptions, identify new savings/income proposals and analyse information which has been received since then. This has continued to prove difficult given the continuing impact of COVID19 and the imposition of a second lockdown. The flow of information from the government about future funding has continued to be sparse.

2.3.1 Pay

For 2020/21 the final agreed pay award was 2.75%. Union's are currently consulting their members regarding the approach to the 2021/22 pay claim.

The UNISON NJC Committee met on 5 October 2020 to consider the contents of the NJC pay claim for 2021/22, as well as the process for consulting members.

The NJC Committee have formulated three options for the 'headline' claim for the 2021 pay claim.

- Option A: 5% or a £10 an hour pay rate, whichever is greater
- Option B: 8% or a £10 an hour pay rate, whichever is greater
- Option C: 10%

On 21 October 2020 when announcing that the Spending Review 2020 will cover one year only (2021/22), the Chancellor of the Exchequer stated that "As outlined in July in the interest of fairness we must exercise restraint in future public sector pay awards, ensuring that across this year and the spending review period, public sector pay levels retain parity with the private sector."

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

(Cumulative)	2021/22	2022/23	2023/24	2024/25
Pay inflation (%)	1.5%	1.5%	1.5%	1.5%

Further details on the pay negotiations for 2021/22 and beyond, and the impact on the MTFS will be reported when they are known.

London Living Wage

Officers have been working with contractors to understand the implications of paying the London Living Wage (LLW) when contracts come up for renewal, and the potential impact on budgets. Contracts that are likely to have the largest staffing contingent across the organisation have been reviewed and, where possible has projected the implications of London Living Wage adoption.

This work is ongoing but initial financial implications have been produced and are summarised in the following table:-

(Cumulative)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Additional cost of LLW on major contracts based on contract renewal date	266	521	711	2,382

2.3.2 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:-

(Cumulative)	2021/22	2022/23	2023/24	2024/25
Price inflation (%)	1.5%	1.5%	1.5%	1.5%

The Consumer Prices Index (CPI) 12-month rate was 0.7% in October 2020, up from 0.5% in September.

The largest contribution to the 12-month inflation rate in October 2020 was from recreation and culture (0.26 percentage points). Clothing, food, furniture, furnishings and carpets made the largest upward contributions (with the contribution from these three groups totalling 0.16 percentage points) to the change in the 12-month inflation rate between September and October 2020. These were partially offset by downward contributions of 0.06 and 0.04 percentage points, respectively, from the recreation and culture, and transport groups.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.9% in October 2020, up from 0.7% in September 2020.

The RPI rate for October 2020 was 1.3%, which is up from 1.1% in September 2020.

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

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (November2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.1	1.2	0.6
RPI	0.7	1,7	1.2
LFS Unemployment Rate	4.5	9.1	6.4
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.4	3.9	1.9
RPI	0.9	5.2	2.6
LFS Unemployment Rate	5.0	9.6	7.2

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from COVID19 and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

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

Source: HM Treasury - Forecasts for the UK Economy (November 2020)					
	2020	2021	2022	2023	2024
	%	%	%	%	%
CPI	0.9	1.7	2.2	2.1	2.1
RPI	1.5	2.3	3.1	3.3	3.2
LFS Unemployment Rate	4.8	7.2	6.1	5.1	4.7

Outlook for inflation over the MTFS period (to be included in Cabinet report)

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Inflation exceeding 1.5%	250	250	250	250

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.8m by 2024/25.

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

2.3.5 Taxicards and Freedom Passes
These schemes are administered by London Councils on behalf of London boroughs. COVID19 has significantly reduced the use of public transport in London, including among concessionary fares passengers. However, because of the methodology used for settlement of the Freedom Pass scheme with TfL, the full effect of the reduction in journeys will not be realised in savings immediately. The settlement methodology uses journey data for the previous two years to calculate the next year's cost. For example, the settlement for 2021/22 will use the average number of journeys that took place between July and June 2019-20 and 2018-19.

This means that the effects of COVID19 will work through the settlement over the next three years. London Councils has not yet concluded its annual negotiations with transport operators and therefore it is not possible to provide definite costs at this time.

The costs of Freedom Passes are driven by two key factors:-

- The likely numbers of journeys over the years
- Fare increases and the rate of inflation

London Councils have advised that based on current available information there will be a significant reduction in the concessionary fares settlement over the next three years, They conclude that it is difficult to quantify this precisely, and current estimates will be subject to change, but the baseline estimate for London is for total savings of £182 million (c. 18%), with an upper estimate of £252 million and a lower estimate of £113 million over the three-year period.

For Merton, the estimated cost estimates over the next three years are as follows:-

	2021/22 £m	2022/23 £m	2023/24 £m
Baseline	7.930	6.503	7.747
+20%	7.930	7.134	8.335
-20%	7.930	5.872	7.158
+30%	7.930	7.449	8.629
-30%	7.930	5.556	6.864

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

	Current Estimate 2020/21 £000
Freedom Passes	9,060
Taxicards	113
Total	**9,173**
Uplift in MTFS	450
Provision in MTFS for 2021/22	**9,923**

Clearly there is scope for significant savings to be taken arising from the reduction in use of freedom passes due to COVID19. At this stage the most prudent option is to assume that demand for freedom pass journeys will bounce back by 30% from the baseline figure.

This will reduce the budget gap by the following amounts over the MTFS period:-

(cumulative)	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
MTFS (Cabinet November 2020)	9,623	10,073	10,523	10,973
+ 30% projection (inc. Taxicards)	8,045	7,567	8,749	9,752
Change in MTFS Gap	1,578	2,506	1,774	1,221

Future years savings are more likely to change as the longer term implications of the Transport for London (TfL) bailout will need to be worked through.

2.3.6 Revenuisation
In recent budgets it has been recognised that some expenditure formerly included in the capital programme could no longer be justified as it did not meet the definition of expenditure for capital purposes. Nevertheless, it is important that some of this expenditure takes place and the following amounts have been included in the latest MTFS for 2021-25:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Revenuisation	143	213	213	213

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

2.3.7 **Budgetary Control 2020/21**

There may be issues identified from monthly monitoring, elsewhere on this agenda, that have on-going financial implications which need to be addressed in setting the budget for 2021-25.

Monitoring 2020/21
At period 7 to 31 October 2020 the year end forecast is a net £8.202m unfavourable variance compared to the current budget when all COVID19 costs are included after applying the remaining government emergency COVID19 grant. This consists of a net favourable variance of £4.217m excluding COVID19 and unfavourable variance of £12.419m from COVID19:-

	Non COVID19 £000	COVID19 £000	Total £000
CS	924	3,229	4,153
CSF	(2,187)	923	(1,264)
E&R	13	9,259	9,272
C&H	(2,548)	2,733	185
Sub-total	**(3,798)**	**16,144**	**12,346**
Corporate	(419)	(3,725)	(4,144)
Total	**(4,217)**	**12,419**	**8,202**

For the purposes of this report this has been separated into NON-COVID19 and COVID19 variances.

Non-COVID19

Based on October 2020 monitoring, although an overall favourable variance is forecast, the following pressures have been flagged:-

a) Corporate Services: Customers, Policy and Improvement (£562k), Human Resources (£156k), Resources (£73k), Infrastructure and Technology (£14k), Other Corporate budgets (280k)

b) Children's Schools and Families: Although a DSG deficit has to be charged' to the schools balance reflecting that a cumulative overspend has been borrowed against future year school allocations, based on October 2020 monitoring, the size of the deficit continues to rise. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The overspend in the current financial year will be adding to this balance, currently estimated at £27.639m.

c) Environment and Regeneration: Public Space, mainly Household, Reuse, Recycling Centre (HRRC) (£155k)

d) Community and Housing: Libraries and heritage (£55K), Housing General Fund (£607k)

COVID19

Hopefully the pandemic will be overcome and the costs and impact on society in general and council services in particular will be largely confined to 2020/21. However, this is unknown at the present time and there will be some impact carried over to the MTFS 2021-25 period. At the same time there will inevitably need to be some changes to how the Council delivers some services and some of the most affected services, particularly those to vulnerable groups will need to be reviewed.

2.3.8 Growth

The MTFS reported to Cabinet in September 2020 included new provision for growth from 2021/22 to 2024/25 as follows and this will be reviewed in January 2021 when the outcome of the draft settlement will be known:-

Cumulative	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Growth (Cabinet September)	3,768	3,768	3,768	3,768

2.3.9 **Capital Programme for 2021-25**

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. For example, assuming external borrowing, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2021/22) for the next four years of the MTFS would be approximately:-.

Capital financing costs of £1m over the MTFS period	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Longer life Assets	10	60	60	60
Short-life assets	10	220	220	220

As previously reported, in light of the current financial situation, there is currently no capital bidding process other than those schemes that can be funded by CIL. 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. The current capital provision and associated revenue implications in the currently approved capital programme, based on October 2020 monitoring information and maximum use of capital receipts, are as follows:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme	34,270	16,565	13,812	21,648
Revenue Implications	10,297	11,181	11,885	12,832

The potential change in the capital programme since Council in March 2020 is summarised in the following table:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Programme:				
- As approved by Council	31,958	17,307	24,030	9,632
- Revised Position with Slippage revisions	46,056	23,433	14,842	21,821
Change	14,098	6,126	(9,188)	(12,189)
Revenue impact				
As approved by Council	11,491	12,733	13,464	14,718
Revised	10,399	12,016	13,022	12,917
Change	(1,092)	(717)	(442)	(1,801)

It is considered that these figures represent the worst case subject to there being no in programme bids, with further work currently ongoing to review and challenge the assumptions these figures are based on.

2.4 Forecast of Resources and Provisional Local Government Finance Settlement

2.4.1 Spending Review 2020

The Chancellor has decided to conduct a one-year Spending Review on 25 November 2020 in order to prioritise the response to Covid19, and our focus on supporting jobs.

The Government state that the Spending Review will confirm multi-year capital spending for key programmes where certainty is needed to ensure no time is lost in delivery. Its aim is to set budgets for 2021/22, with a total focus on tackling Covid and delivering the Government's Plan for Jobs. Areas, including the NHS, schools and infrastructure, which are regarded as crucial to the nation's economic recovery will have their budgets set for further years so they can plan.

There will be a verbal update at the meeting on the main issues arising from the Spending Review. A summary published by the LGA of the main issues included in the Spending Review is attached as Appendix 7. The financial implications of the Spending Review for Merton will be included in the Cabinet report in January 2021.

2.4.2 Provisional Local Government Finance Settlement

The timing of the Spending Review announcement and the fact it will provide certainty for only one-year will have implications for the scope of the Local Government Finance Settlement which is now expected in late December and will also be for one year only.

A date for the announcement of the Provisional Local Government Finance Settlement is currently unknown. An analysis on the potential financial impact of the provisional Settlement will be included in the report to Cabinet in January 2021.

2.5 **London Business Rates 2021-22**

2.5.1 As advised in the report to Cabinet in November, all London boroughs have provisionally agreed to continue pooling in 2021/22 and updates will be provided throughout the Business Planning process.

2.5.2 Regardless of whether there is a London pool or not, final projections for Business Rates retention in 2021/22 will be based on London Boroughs NNDR1 returns for 2020/21 which are due to be returned to Central government by 31 January 2021.

2.6 **Council Tax Base**

2.6.1 The Council Tax Base is a key factor which is required by levying bodies and the Council for setting the levies and Council Tax for 2021/22. The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax Base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent). This will be used to set the Council Tax at Band D for 2021/22. The Council is required to determine its Council Tax Base by 31 January 2021.

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

2.6.3 The Council Tax Base Return to central Government takes into account reductions in Council Tax Base due to the Council Tax Support Scheme and also reflects the latest criteria set for discounts and exemptions. The CTB Return for October 2020 is the basis for the calculation of the Council Tax Base for 2021/22.

2.6.4 Details of how the Council Tax Base is calculated are set out in Appendix 1. A summary of the Council Tax Bases for the Merton general area and the addition for properties within the Wimbledon and Putney Commons Conservators area for 2021/22 compared to 2020/21 is set out in the following table:-

Council Tax Base	**2020/21**	**2021/22**	**Change**
			%
Whole Area	75,989.9	74,220.0	(2.3)%
Wimbledon & Putney Common Conservators	11,604.6	11,381.8	(1.9)%

2.7 Proposed Amendments to Previously Agreed Savings

2.7.1 Replacement and Deferred Savings

Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

Where this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets and it is accepted that this has been more prevalent in the current financial year due to COVID19.

In the report to Cabinet in September, it was assumed that 50% of the agreed savings in the MTFS period 2021-25 would not be achieved. Now that service departments have had more time to review their approved savings this estimate will be removed and actual requests for replacements and deferrals that Cabinet agree will be substituted.

Service departments have currently identified the following previously agreed savings which they need to defer:-

Deferred Savings	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	620	(520)	(100)	0	0
Children, Schools and Families	0	0	0	0	0
Environment and Regeneration	65	10	(75)	0	0
Community and Housing	0	0	0	0	0
Total	685	(510)	(175)	0	0
Total (cumulative)	685	175	0	0	

Further details are provided in Appendix 4.

3. SAVINGS PROPOSALS 2021-25

3.1 Cabinet on 9 November 2020 agreed an initial tranche of savings proposals identified by service departments over the period 2021-25 as follows:-

"Non-Covid" Savings Proposals	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Corporate Services	374	0	0	0	374
Children, Schools and Families	450	200	0	0	650
Environment and Regeneration	930	750	(50)	(85)	1,545
Community and Housing	55	1,299	0	0	1,354
Total	1,809	2,249	(50)	(85)	4,493
Total (cumulative)	**1,809**	**4,058**	**4,008**	**3,923**	

3.2 These were referred to the Overview and Scrutiny Commission on 11 November 2020.

3.3 A further tranche of new savings will be presented to Cabinet in January 2021 when more information will be known from the Local Government Finance Settlement and the latest information on the implications of COVID19 will be available.

4. FEEDBACK FROM THE OVERVIEW AND SCRUTINY PROCESS IN NOVEMBER 2020

4.1 The information available on the Business Planning process reported to Cabinet on 9 November 2020 was reviewed by the Overview and Scrutiny Commission on 11 November 2020.

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

5. SERVICE PLANNING 2021-25

5.1 First draft revised Service Plans will be included within the information pack for consideration at Scrutiny and then reported back to Cabinet.

6. DSG DEFICIT

6.1 As reported to Cabinet as part of the monthly monitoring report, based on September 2020, DSG funded services are forecast to overspend by £14.889m in 2020/21 bringing the cumulated deficit at year end to £27.639m, although this is expected to increase by year end, and to continue to increase in future years.

6.2 The Government has issued a statutory instrument to implement an adjustment account for DSG deficits. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ("the 2003 Regulations") make provision about the accounting practices to be followed by local authorities, including (in particular) with respect to the charging of expenditure to revenue accounts. These Regulations insert a new regulation into the 2003 Regulations that provides that where a local authority has a deficit on its school budget, the authority must not charge any such deficit to its revenue account. Instead, the new regulation provides that local authorities must charge any such deficit to a separate account, established and usable solely for that purpose. The new regulation will apply to accounts prepared for the financial years beginning in 2020, 2021 and 2022, and provides formulas for calculating whether a local authority has a schools budget deficit in relation to each such financial year.

6.3 Whilst the Government has moved to address the DSG issue it still leaves two vital questions unresolved:-

- How will the DSG deficit be funded?
- Why does the Regulation only apply for 2020, 2021, 2022?

6.4 Currently, the Council's accounts, budget and draft MTFS 2021-22 provide for 100% of the DSG deficit up to 2020/21 and 50% thereafter. The new Regulation allows for Merton to release the future amounts currently set aside in the MTFS and apply them to other service demands. The DSG deficit will be moved to a newly created separate account.

6.5 However, it must be emphasised that this action would be taken at some risk as there is no indication at the current time that the Government is willing to provide any additional resources to fund the deficit balance on the separate account, which will continue to increase and at the end of the three years is likely to be larger than our GF and earmarked balances combined and come back to the General Fund to be funded.

7. BUDGET STRATEGY

7.1 The council has a statutory duty to set a balanced budget.

7.2 The MTFS reported to Cabinet in November 2020 assumed a 2% general Council Tax increase in 2021/22.

7.3 The budget gap in the MTFS reported to Cabinet in November was summarised as follows:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Gap in MTFS 2021-25 exc. COVID19	**1,676**	**5,607**	**7,519**	**8,755**
Provision for Covid19 and DSG Deficit	**13,385**	**11,659**	**11,415**	**6,989**
Total MTFS Gap 2021-25 (Cabinet – November 2020)	**15,061**	**17,266**	**18,934**	**15,744**

7.4 The substantial the budget gap is due to assumptions made in the September Cabinet report about potential ongoing financial implications of COVID19 and a substantial set-aside of resources to cover for the DSG deficit.

7.5 Since Cabinet in November the Government have imposed a second lockdown to suppress COVID19 and issued a statutory instrument relating to treatment of DSG deficits. It is unreasonable to agree substantial additional savings in the absence of Government funding notified via the Local Government Finance Settlement which will not be known until the end of December.

7.6 For this reason any further savings required will not be presented to Cabinet until January 2021 with scrutiny taking place in February 2021, coming back to a special Cabinet in February before Council in March.

8. UPDATE TO MTFS 2021-25

8.1 The estimated budget gap in 2021/22 reported to Cabinet in November 2020 was £15.061. Incorporating the latest information discussed in this report, the latest budget gap forecast is:-

	2021/22 £000	2022/23 £000	2023/24 £000	2024/2 £000
Budget Gap (Cabinet 9 November 2020)	**15,061**	**17,266**	**18,934**	**15,744**
Deferred Savings/Change to Covid assumptions	**(1,258)**	**(1,951)**	**(2,224)**	**(2,224)**
Council Tax Base implications	**2,764**	**1,812**	**1,102**	**1,190**
Freedom Pass/Taxicard update	**(1,577)**	**(2,506)**	**(1,774)**	**(1,221)**
Change to growth assumptions	**266**	**(729)**	**(1,789)**	**(118)**
Change to income assumptions	**(2,644)**	**(1,079)**	**(540)**	**0**
Revenue effects of Capital	**(873)**	**(47)**	**151**	**(594)**
Budget Gap (Cabinet 7 December 2020)	**11,739**	**12,766**	**13,860**	**12,777**

8.2 A more detailed MTFS is included as Appendix 2.

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

9. GLA BUDGET AND PRECEPT SETTING 2021-22 – PROVISIONAL TIMETABLE

9.1 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.

9.2 The GLA's provisional timetable for its precept setting process is as follows:-

Mid to late December 2020	Following the publication of the provisional Local Government, Fire and Police Settlements, issue the Mayor's Consultation Budget.
27 January 2021	Assembly to consider Draft Consolidated Budget.
24 February 2021	Assembly to consider Final Draft Consolidated Budget.
8 February 2021	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan published.

9.3 NNDR1 returns will be required to be submitted to the MHCLG by 31 January 2021 and, with the addition of information required for the London pilot pool, it is essential that all authorities meet this deadline for the GLA to be able to achieve its timetable. It is anticipated that the percentage shares for 2021-22 used for the returns for London authorities will be 37% GLA, 33% central government and 30% London boroughs. This is expected to be confirmed in the provisional local government finance settlement.

10. CONSULTATION UNDERTAKEN OR PROPOSED

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

10.2 In accordance with statute, consultation is taking place with business ratepayers and a meeting will be arranged for February 2021.

10.3 As previously indicated, a savings proposals information pack will be prepared and distributed to all councillors at the end of December 2020 that can be brought to all Scrutiny and Cabinet meetings from 13 January 2021 onwards and to Budget Council. As it was last year, this should be an improvement for both councillors and officers - more manageable for councillors and it will ensure that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also keep printing costs down and reduce the amount of printing that needs to take place immediately prior to Budget Council.

10.4 The pack will include:

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

11. TIMETABLE

11.1 Due to the delays in the Spending Review and Local Government Finance Settlement and also the need to ensure that the Budget 2021/22 and MTFS 2021-25 decisions are based on the best information available , it has been agreed that there will be a variation to the budget timetable previously agreed by Cabinet on 7 September 2020.

11.2 The key deadlines are as follows:-

7 December 2020	Cabinet
Late December	Provisional Local Government Finance Settlement
End of December	Member's Information Pack circulated
18 January 2021	Planned Cabinet
13-20 January 2021	Planned Overview and Scrutiny Panels and Commission
8 February 2021	Planned Cabinet
17 February 2021	Special Overview and Scrutiny Commission
22 February 2021	Provisional Special Cabinet
3 March 2021	Council approves Council Tax 2021/22 and MTFS 2021-25

12. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

12.1 All relevant implications have been addressed in the report.

13. LEGAL AND STATUTORY IMPLICATIONS

13.1 All relevant implications have been addressed in the report.

14. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

14.1 Draft Equalities assessments of the savings proposals are included in Appendix 5.

15. **CRIME AND DISORDER IMPLICATIONS**

15.1 Not applicable.

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

16.1 Not applicable.

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

Appendix 1: Council Tax Base 2021/22
Appendix 2: MTFS Update
Appendix 3: Savings Proposals – November Cabinet New proposals (INFORMATION PACK)
Appendix 4: Savings Proposals – December Cabinet **(INFORMATION PACK)**

(a) Deferred savings (INFORMATION PACK)
Appendix 5: Equalities Assessments (INFORMATION PACK)

(a) November Cabinet Savings Proposals (INFORMATION PACK)
Appendix 6: Draft Capital Programme 2021-25
Appendix 7: LGA briefing on the Spending Round 2020

BACKGROUND PAPERS

Budget files held in the Corporate Services department.

REPORT AUTHOR

– *Name: Roger Kershaw*
– *Tel: 020 8545 3458*

email: roger.kershaw@merton.gov.uk

Council Tax Base 2021/22

1. INTRODUCTION

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

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

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

1.4 The relevant amounts are calculated as

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

1.5 All authorities notify the MHCLG of their unadjusted Council Tax Base using a CTB Form using valuation list information as at 14 September 2020. The deadline for return was 16 October 2020 and Merton met this deadline.

1.6 The CTB form for 2020 includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.

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

2. UNADJUSTED COUNCIL TAX BASE 2021/22

2.1 Information from the October 2020 Council Tax Base Return

2.1.1 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.

2.1.2 From the CTB Returns, prior to incorporating an assumed collection rate, the unadjusted council tax bases are

Unadjusted Council Tax Base	**2021/22**
Merton – General	76,515.1
Wimbledon & Putney Common Conservators	11,733.8

3. ASSUMPTIONS IN THE MTFS ADJUSTING FOR COVID19

3.1 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

3.2 The MTFS approved by Council in March 2020 assumed that the Council Tax Base increases by 0.5% per year and that the collection rate is 98.75% in each of the years.

3.3 Due to the coronavirus, an initial review of the assumptions was made as part of the Cabinet report in September 2020 which repriced the MTFS and rolled it forward a year.

3.3.1 For Council Tax yield it was assumed that there would be a reduction of 2.5% in 2021/22, 1% in 2022/23 and 0.5% in 2023/24, before returning to pre-covid levels in 2024/25. The reduction was based on the 2020/21 estimate of c. £97m so losses of £2.425m in 2021/22, £0.970m in 2022/23 and £0.485m in 2023/24.

3.3.2 Before updating for the new council tax base, the estimated Council Tax yield in 2021/22 is calculated as follows:-

	Council Tax (Band D) 2020/21 2% CT increase	£1,276.92 £25.54
A	Council Tax (Band D) 2021/22	£1,302.46
	Council Tax Base 2020/21 (Assuming Collection Rate 98.75%) 0.5% increase	75,989.9 379.9
B	Assumed Council Tax Base 2021/22	76,369.8
C=A x B	Yield prior to Covid adjustment	£99.469m
Less	Loss due to Covid	(£2.425m)
D	Estimated Council Tax Yield 2021/22 (MTFS – September Cabinet)	c. £97.0m
E	Unadjusted Council Tax Base 2021/22	76,515.1
F= A x E	Yield Based on Unadjusted Council Tax Base	£99.658m
G=D/F	Implied Collection Rate Based on Council Tax Base 2021/22	97.3%

4. REVIEW OF EXPECTED COLLECTION RATE 2021/22

4.1 It is several months since the initial estimate of the effect of COVID19 on council tax collection was made. It continues to be difficult to guage what the ongoing impact on collection rates will be.

4.2 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

4.3 For the 2021/22 council tax base calculation, a collection rate of 97% will be assumed and this will result in a Council Tax base 2021/22 as follows :-

	2021/22
Estimated Council Tax Collection Rate	97%
<u>Council Tax Base 2021/22</u> Merton – General	74,220.0
Wimbledon & Putney Common Conservators	11,381.8

5. IMPLICATIONS FOR COUNCIL TAX YIELD 2021/22

5.1 Based on a collection rate of 97% (paragraph 4 refers), on a like for like basis (i.e. assuming council tax charges do not change) the estimated income in 2021/22 compared to 2020/21 is summarised in the following table:-

Council Tax: Whole area	**2020/21**	**2021/22**
Tax Base	75,989.9	74,220.0
Band D Council Tax	1,276.92	1,276.92
Estimated Yield	**£97.033m**	**£94.773m**
Change: 2020/21 to 2021/22 (£m)		(£2,260m)
Change: 2020/21 to 2021/22 (%)		(0.4%)

5.2 Analysis of changes in yield 2020/21 to latest 2021/22

5.2.1 There are a number of reasons for the change in estimated yield between 2020/21 and the latest estimate based on the CTB data.

5.2.2 Over this period the Council Tax Base reduced by 1,769.9 from 75,989.9 to 74,220 which multiplied by the Band D Council Tax of £1,302.45 results in reduced yield of £0.365m

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

a) Number of Chargeable Dwellings and Exempt Dwellings
Between years the number of properties increased by 317 from 85,295 to 85,612 and the number of exempt dwellings increased by 113 from 898 to 1,011. This means that the number of chargeable dwellings increased by 204 between years. Based on a full charge, this equates to additional council tax of £0.260m.

b) Amount of Council Tax Support Reduction
Based on October 2019 there was a reduction of 7,688.1 to the Council Tax Base for local council tax support. This has increased to 8,320.7 in based on October 20120 which is a change of 632.6 and equates to a reduction in council tax of about £0.808m.

This is the first time since the scheme was introduced that the adjustment for reduction in taxbase as a result of local council tax support has increased as demonstrated in the table below:-

	CTB Oct.2013	CTB Oct.2014	CTB Oct.2015	CTB Oct.2016	CTB Oct.2017	CTB Oct.2018	CTB Oct.2019	CTB Oct.2020
Reduction in Council Tax Base due to Local Council Tax Support Scheme	10,309.31	9,686.64	9,099.90	8,639.20	8,192.10	8,177.10	7,688.10	8,320.70
Change in CT Base		(622.67)	(586.74)	(460.70)	(447.10)	(15.00)	(489.00)	632.60
% Change		-6.04%	-6.06%	-5.06%	-5.18%	-0.18%	-5.98%	8.23%

c) Changes in Discounts, Exemptions and Premiums
Overall, the number of properties subject to discounts or exemption increased by 193 and those subject to premiums reduced by 9 between October 2019 and October 2020.

d) Change in collection rate
There has been a change made to the estimated collection rate of (1.75)%, which has reduced from 98.75% to 97%

Summary
The following puts the individual elements together to show how the potential council tax yield changes between 2020/21 and 2021/22:-

	Approx. Change in Council Tax Base	**Approx. Change in Council Tax yield**
		£m
Increase in number of chargeable dwellings	204	0.260
Change in Council Tax Support Reductions	(633)	(0.808)
Change in discounts, exemptions, premiums and distribution	(8)	(0.010)
Change in collection rate	**(1,333)**	**(1.702)**
Total	**(1,770)**	**(2.260)**

5.3 **Council Tax Yield 2021/22**

5.3.1 The draft MTFS assumes a Council Tax increase of 2% in 2021/22. Assuming this the estimated Council Tax yield for 2021/22 is:-

Council Tax: Whole area	**Tax Base**	**Band D 2021/22**	**Council Tax Yield 2021/22**	**Council Tax Yield 2020/21**
Merton	74,220.0	£1,302.45	£96.668m	£97.033m

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

	2021/22	2022/23	2023/24	2024/25
Increase in CT Base	0.5%	0.5%	0.5%	0.5%
Collection Rate	97%	98%	98.75%	98.75%
Council Tax - General	2%	2%	2%	2%
Council Tax – Adult Social Care	0%	0%	0%	0%

5.3.3 Based on the new Council Tax Base but using the same assumptions as in the MTFS set out in the table in 5.3.2 above, the change in Council Tax Yield is as follows:-

MTFS Council Tax Yield (excluding WPCC)	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
CT Yield (Cabinet 7 September 2020)	97,007	100,919	103,913	106,960
CT Yield (New Council Tax Base)	96.668	100,076	103,295	105,771
Change in CT Yield from new Base	**(0.339)**	**(0.843)**	**(0.618)**	**(1.189)**

6. SUMMARY

6.1 Based on the information discussed, the council tax bases for 2021/22 and compared to 2020/21 are summarised in the following table:-

Council Tax Base	**2020/21**	**2021/22**	**Change**
Whole Area	75,989.9	74,220.0	(2.3)%
Wimbledon & Putney Common Conservators	11,604.6	11,381.8	(1.9)%

APPENDIX 2

DRAFT MTFS 2021-25:				
	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Departmental Base Budget 2020/21	**159,038**	**159,038**	**159,038**	**159,038**
Inflation (Pay, Prices)	3,734	7,458	11,116	16,256
Salary oncost increase (15.2% to 17.06%)	23	47	71	95
FYE – Previous Years Savings	(3,887)	(4,252)	(4,448)	(4,448)
FYE – Previous Years Growth	404	788	1,178	1,178
Amendments to previously agreed savings	685	175	0	0
Change -Net Appropriations to/(from) Reserves	(392)	(950)	(950)	(950)
Taxi card/Concessionary Fares	(1,128)	(1,606)	(424)	579
Social Care - Extra Spend offset by grant/precept	154	150	150	150
Growth	3,768	3,768	3,768	3,768
Provision - DSG Deficit	9,156	8,750	9,650	10,550
Other	733	813	893	973
Re-Priced Departmental Budget	**172,289**	**174,178**	**180,042**	**187,189**
Treasury/Capital financing	10,409	12,035	13,050	12,945
Other Corporate items	(21,149)	(20,731)	(21,082)	(21,086)
Levies	609	609	609	609
Sub-total: Corporate provisions	**(10,131)**	**(8,087)**	**(7,423)**	**(7,532)**
Sub-total: Repriced Departmental Budget + Corporate Provisions	**162,158**	**166,092**	**172,620**	**179,657**
Savings/Income Proposals 2021/22	(1,676)	(4,191)	(4,008)	(3,923)
Sub-total	**160,482**	**161,901**	**168,612**	**175,734**
Appropriation to/from departmental reserves	(2,497)	(1,935)	(1,935)	(1,935)
Appropriation to/from Balancing the Budget Reserve	(2,597)	0	0	0
ONGOING IMPACT OF COVID19 (NET)	4,276	2,138	974	0
BUDGET REQUIREMENT	**159,665**	**162,104**	**167,651**	**173,799**
Funded by:				
Revenue Support Grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(41,358)	(39,185)	(40,029)	(40,890)
Adult Social Care Grants inc. BCF	(4,862)	(4,862)	(4,862)	(4,862)
Social Care Grant	(2,776)	(3,160)	(3,550)	(3,550)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(1,008)	(800)	(800)	(800)
Council Tax inc. WPCC	(97,021)	(100,429)	(103,648)	(106,124)
Collection Fund – (Surplus)/Deficit	3,896	3,896	3,896	0
TOTAL FUNDING	**(147,926)**	**(149,338)**	**(153,790)**	**(161,022)**
GAP including Use of Reserves (Cumulative)	**11,739**	**12,766**	**13,860**	**12,777**

Capital Investment Programme - Schemes for Approval Annex 1

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services	19,225	9,220	4,545	13,734
Community and Housing	1,828	1,429	652	280
Children, Schools and Families	8,520	1,900	1,900	1,900
Environment and Regeneration	15,789	8,382	7,516	5,324
Total	**45,362**	**20,931**	**14,613**	**21,238**

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services				
Customer Policy and Improvement	2,218	0	0	0
Facilities	1,470	1,250	1,675	950
Information Technology	1,836	1,270	2,870	2,055
Resources	0	700	0	0
Corporate	13,701	6,000	0	10,729
Total Corporate Services	**19,225**	**9,220**	**4,545**	**13,734**
Community and Housing				
Adult Social Care	30	0	0	0
Housing	1,598	1,289	652	280
Libraries	200	140	0	0
Total Community and Housing	**1,828**	**1,429**	**652**	**280**
Children, Schools and Families				
Primary	3,065	1,900	1,900	1,900
Secondary	82	0	0	0
Special	5,153	0	0	0
Other	220	0	0	0
Total Children, Schools and Families	**8,520**	**1,900**	**1,900**	**1,900**
Environmental and Regeneration				
Public Protection and Development	1,918	480	0	60
Street Scene and Waste	496	664	324	324
Sustainable Communities	13,375	7,238	7,192	4,940
Total Environmental and Regeneration	**15,789**	**8,382**	**7,516**	**5,324**
Total Capital	**45,362**	**20,931**	**14,613**	**21,238**

Please Note

1. Excludes budgets relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements of Transport for London Grant

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

FUNDING THE CAPITAL PROGRAMME 2020-25

Merton	Capital Programme £000s	Funded by Merton £000s	Funded by grant and capital contributions £000s
2020/21 Current Budget	**36,308**	**15,042**	**21,266**
Potential Slippage b/f	0	0	0
2020/21 Revised Budget	**36,308**	**15,042**	**21,266**
Potential Slippage c/f	(9,480)	(5,283)	(4,198)
Potential Underspend not slipped into next year	(1,509)	(1,321)	(189)
Total Spend 2020/21	**25,319**	**8,439**	**16,880**
2021/22 Current Budget	**45,362**	**25,897**	**19,465**
Potential Slippage b/f	9,480	5,283	4,198
2021/22 Revised Budget	**54,843**	**31,180**	**23,663**
Potential Slippage c/f	(7,235)	(3,972)	(3,262)
Potential Underspend not slipped into next year	(1,552)	(1,196)	(355)
Total Spend 2021/22	**46,056**	**26,009**	**20,045**
2022/23 Current Budget	**20,931**	**15,560**	**5,372**
Potential Slippage b/f	7,235	3,972	3,262
2022/23 Revised Budget	**28,166**	**19,532**	**8,634**
Potential Slippage c/f	(3,306)	(2,275)	(1,031)
Potential Underspend not slipped into next year	(1,426)	(1,128)	(298)
Total Spend 2022/23	**23,433**	**16,128**	**7,304**
2023/24 Current Budget	**14,613**	**11,168**	**3,445**
Potential Slippage b/f	3,306	2,275	1,031
2023/24 Revised Budget	**17,919**	**13,444**	**4,476**
Potential Slippage c/f	(1,735)	(1,231)	(504)
Potential Underspend not slipped into next year	(1,342)	(1,152)	(190)
Total Spend 2023/24	**14,842**	**11,060**	**3,782**
2024/25 Current Budget	**21,238**	**18,038**	**3,200**
Potential Slippage b/f	1,735	1,231	504
2024/25 Revised Budget	**22,973**	**19,269**	**3,704**
Potential Slippage c/f	(724)	(633)	(90)
Potential Underspend not slipped into next year	(429)	(334)	(95)
Total Spend 2024/25	**21,821**	**18,302**	**3,519**

Detailed Capital Programme 2010-25

Annex 3

Corporate Services	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Customer, Policy and Improvement					
Customer Contact Programme	*OSC*	2,218	0	0	0
Facilities Management					
Other Buildings - Capital Building Works	*OSC*	650	650	650	650
Replacement Boilers	*OSC*	267	0	0	0
Civic Centre Lightning Upgrade	*OSC*	0	300	0	0
Combined Heat and Power (CHP) System Replacement	*OSC*	0	0	450	0
Absorption Chiller Replacement	*OSC*	0	0	275	0
Invest to Save schemes	*OSC*	498	300	300	300
Photovoltanics & Energy Conserv	*OSC*	55	0	0	0
Information Technology					
Aligned Assets	*OSC*	75	0	0	0
Environmental Asset Management	*OSC*	0	240	0	0
Revenue and Benefits	*OSC*	400	0	0	0
School Admission System	*OSC*	0	125	0	0
Planning&Public Protection Sys	*OSC*	341	0	0	550
Ancillary IT Systems	*OSC*	50	0	0	0
Youth Justice IT Systems	*OSC*	100	0	0	100
Replacement SC System	*OSC*	0	0	2,100	0
Project General	*OSC*	870	705	770	1,405
Network Switch Upgrade	*OSC*	0	200	0	0
Resources					
Financial Systems - e5.5 Project	*OSC*	0	700	0	0
Corporate					
Acquisitions Budget	*OSC*	0	0	0	6,985
Capital Bidding Fund	*OSC*	0	0	0	1,000
Multi-Functioning Device (MFC)	*OSC*	0	0	0	600
Westminster Coroners Court	*OSC*	0	0	0	0
Housing Company	*OSC*	10,558	6,000	0	0
Corporate Capital Contingency	*OSC*	0	0	0	2,144
Compulsory Purchase Order - Clarion	*OSC*	3,144	0	0	0
Total Corporate Services		**19,225**	**9,220**	**4,545**	**13,734**

Please Note

1. Excludes budgets relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements of Transport for London Grant

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

Community and Housing	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Adult Social Care					
Telehealth	HCOP	30	0	0	0
Housing					
Disabled Facilities Grant	SC/HCOP	827	827	507	280
Learning Dsbility Aff Housing	SC/HCOP	771	462	145	0
Libraries					
West Barnes Library Re-Fit	SC	200	0	0	0
Library Management System	SC	0	140	0	0
Total Community and Housing		**1,828**	**1,429**	**652**	**280**

Children, Schools and Families	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Primary					
Hillcross - Schools Capital maintenance	CYP	53	0	0	0
Dundonald School Expansion	CYP	50	0	0	0
Garfield - Schools Capital maintenance	CYP	6	0	0	0
Poplar - Schools Capital maintenance	CYP	5	0	0	0
Wimb. Park - Schools Capital maintenance	CYP	40	0	0	0
Abbotsbury - Schools Capital maintenance	CYP	7	0	0	0
Malmesbury - Schools Capital maintenance	CYP	35	0	0	0
Gorringe - Schools Capital maintenance	CYP	50	0	0	0
Liberty - Schools Capital maintenance	CYP	34	0	0	0
Links - Schools Capital maintenance	CYP	137	0	0	0
St Marks - Schools Capital maintenance	CYP	85	0	0	0
Lonesome - Schools Capital maintenance	CYP	7	0	0	0
Sherwood - Schools Capital maintenance	CYP	24	0	0	0
William Morris - Schools Capital maintenance	CYP	28	0	0	0
Unallocated - Schools Capital maintenance	CYP	2,505	1,900	1,900	1,900
Secondary					
Rutlish - Schools Capital maintenance	CYP	12	0	0	0
Harris Academy Wimbledon New School	CYP	71	0	0	0
Special					
Perseid - Schools Capital maintenance	CYP	107	0	0	0
Perseid School Expansion	CYP	22	0	0	0
Melrose SEMH 38 Places (formerly Melrose Primary SEMH an	CYP	1,837	0	0	0
Harris Morden Sec Autism Unit	CYP	1,360	0	0	0
Further SEN Provision	CYP	186	0	0	0
Primary ASD base 1-20 places	CYP	18	0	0	0
Melbury College - Schools Capital maintenance	CYP	13	0	0	0
Secondary SEMH/medical PRU	CYP	1,340	0	0	0
New ASD Provision	CYP	270	0	0	0
Other					
Bond Road Family Centre Pmay Equip	CYP	50	0	0	0
Pollards Hill Digital Divide	CYP	170	0	0	0
Total Children, Schools and Families		**8,520**	**1,900**	**1,900**	**1,900**

Please Note
1. Excludes budgets relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements of Transport for London Grant
OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Heathier Communities and Older People
and SC = Sustainable Communities

Detailed Capital Programme 2010-25 Annex 3

APPENDIX 6

Environment and Regeneration	Scrutiny	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Indicative Budget 2024-25
Public Protection and Development					
P&D machines for emission-based charging	*SC*	400	0	0	0
Pay and Display Machines	*SC*	0	0	0	60
Car Park Upgrades	*SC*	784	0	0	0
CCTV cameras and infrastructure upgrade	*SC*	699	480	0	0
Public Protection and Developm	*SC*	35	0	0	0
Street Scene and Waste					
Replacement of Fleet Vehicles	*SC*	417	300	300	300
Alley Gating Scheme	*SC*	24	24	24	24
Street Cleansing Sub Depot	*SC*	55	0	0	0
Replacement of Fleet Vehicles	*SC*	0	340	0	0
Sustainable Communities					
Street Tree Programme	*SC*	60	60	60	60
New street tree planting programme	*SC*	50	0	0	0
Street Lighting Replacement Pr	*SC*	290	290	290	290
Traffic Schemes	*SC*	150	150	150	150
Surface Water Drainage	*SC*	60	60	60	60
Repairs to Footways	*SC*	1,000	1,000	1,000	1,000
Maintain AntiSkid and Coloured Surface	*SC*	85	70	70	70
Borough Roads Maintenance	*SC*	1,200	1,200	1,200	1,200
Highways bridges & structures	*SC*	410	260	260	260
Bishopsford Bridge	*SC*	1,202	0	0	0
Cycle and Roadway Works around Bishopsford Bridge	*SC*	130	0	0	0
Culverts Upgrade	*SC*	508	0	0	0
Street Lighting Wimbledon	*SC*	670	0	0	0
Unallocated TfL	*SC*	1,300	1,300	1,300	1,300
Haydons Road Public Realm Improvements	*SC*	350	0	0	0
Wimbledon Public Realm Implementation	*SC*	500	500	0	0
Morden Town Centre Improvements	*SC*	200	0	0	0
Morden TC Regeneration Match Funding	*SC*	2,190	1,608	2,152	0
42 Graham Road	*SC*	50	0	0	0
Lost Rivers Repairs	*SC*	100	100	100	0
Wimbledon Park Lake Reservoir Safety	*SC*	1,157	0	0	0
Leisure Centre Plant & Machine	*SC*	410	250	250	250
Parks Investment	*SC*	363	300	300	300
Resurface Tennis Courts (Wimb Pk)	*SC*	75	0	0	0
Morden Rec Hockey Pitch	*SC*	135	0	0	0
Paddling Pools (borough wide) OPTION 1	*SC*	135	90	0	0
Paddling Pools (borough wide) OPTION 2	*SC*	113	0	0	0
Total Environmental and Regeneration		**15,789**	**8,382**	**7,516**	**5,324**
Total Capital		**45,362**	**20,931**	**14,613**	**21,238**

Please Note

1. Excludes budgets relating to future year announcements of Better Care Fund
2. Includes indicative budgets relating to future year announcements of Transport for London Grant

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

Annex 4

Growth/(Reductions) against Approved Programme 2021-24 and Indicative Programme 2024-25

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services	0	0	(10,129)	10,129
Community and Housing	0	0	0	0
Children, Schools and Families	0	0	0	0
Environment and Regeneration	0	0	0	1,300
Total	**0**	**0**	**(10,129)**	**11,429**

Department	Proposed Budget 2021-22	Proposed Budget 2022-23	Proposed Budget 2023-24	Proposed Budget 2024-25
Corporate Services				
Customer Policy and Improvement	0	0	0	0
Facilities	0	0	0	0
IT Infrastructure	0	0	0	0
Resources	0	0	0	0
Corporate	0	0	(10,129)	10,129
Total Corporate Services	**0**	**0**	**(10,129)**	**10,129**
Community and Housing				
Adult Social Care	0	0	0	0
Housing	0	0	0	0
Libraries	0	0	0	0
Total Community and Housing	**0**	**0**	**0**	**0**
Children, Schools and Families				
All Sectors	0	0	0	0
Secondary	0	0	0	0
Special	0	0	0	0
Other	0	0	0	0
Total Children, Schools and Families	**0**	**0**	**0**	**0**
Environmental and Regeneration				
Public Protection and Development	0	0	0	0
Street Scene and Waste	0	0	0	0
Sustainable Communities	0	0	0	1,300
Total Environmental and Regeneration	**0**	**0**	**0**	**1,300**
Total Capital	**0**	**0**	**(10,129)**	**11,429**

Capital Programme 2025-30 - October 2020 Monitoring

	Department		Department		Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30
71	Corporate Services	71	Corporate Services		4,186	9,089	3,280	8,580	3,130
72	Community and Housing	72	Community and Housing		630	280	420	280	280
73	Children, Schools and Families	73	Children, Schools and Families		1,900	1,900	1,900	1,900	1,900
74	Environment and Regeneration	74	Environment and Regeneration		7,962	3,999	3,964	3,964	4,304
	Total		**Total**		**14,678**	**15,268**	**9,564**	**14,724**	**9,614**

Indicative Capital Programme 2025-30 **Annex 5**

			Corporate Services		Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30
			Customer, Policy and Improvement						
710001	Customer Contact Programme	00000006	Customer Contact Programme	*OSC*	1,000	1,000	1,000	0	0
			Facilities Management						
710101	Works to other buildings	00000627	Other Buildings - Capital Building Works	*OSC*	650	650	650	650	650
710130	Invest to Save schemes	00000000	Invest to Save schemes	*OSC*	300	300	300	300	300
			Information Technology						
710002	Business Systems	00000005	Aligned Assets	*OSC*	0	0	75	0	0
710002	Business Systems	00000008	Environmental Asset Management	*OSC*	0	0	250	0	0
710002	Business Systems	00000009	Revenue and Benefits	*OSC*	400	0	0	0	0
710002	Business Systems	00000010	Capita Housing	*OSC*	100	0	0	0	0
710002	Business Systems	00000013	ePayments Project	*OSC*	125	0	0	0	0
710002	Business Systems	00000053	School Admission System	*OSC*	125	0	0	0	125
710002	Business Systems	00000698	Planning&Public Protection Sys	*OSC*	0	0	0	0	550
710002	Business Systems	00000729	Kofax Scanning	*OSC*	100	0	0	0	0
710002	Business Systems	00000763	Spectrum Spatial Analyst Repla	*OSC*	200	0	0	0	0
710002	Business Systems	00001377	Parking System	*OSC*	126	0	0	0	0
710002	Business Systems	00001505	Ancillary IT Systems	*OSC*	0	50	0	0	0
710004	Social Care IT System	00000011	Replacement SC System	*OSC*	0	0	0	2,100	0
710202	Planned Replacement Programme	00000000	Project General	*OSC*	1,060	970	1,005	770	1,405
			Resources						
710301	Financial System	00001370	Financial Systems - e5.5 Project	*OSC*	0	0	0	700	0
			Corporate						
710404	Multi-Functioning Device (MFC)	00000000	Multi-Functioning Device (MFC)	*OSC*	0	0	0	600	0
71040?	Compulsory Purchase Order	????????	Compulsory Purchase Order - Clarion	*OSC*	0	6,119	0	3,460	0
Corporate Services			**Total Corporate Services**		**4,186**	**9,089**	**3,280**	**8,580**	**3,130**
			Community and Housing		Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30
			Housing						
720100	Disabled Facilities Grant	00000000	Disabled Facilities Grant	SC/HCOP	280	280	280	280	280
			Libraries						
720201	Major Library Projects	00000040	Library Self Service	SC	350	0	0	0	0
720230	Libraries IT	00000039	Library Management System	SC	0	0	140	0	0
Community and Housing			**Total Community and Housing**		**630**	**280**	**420**	**280**	**280**
			Childrens, Schools and Families		Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30
730099	Unlocated Primary School Pro	00000880	Unallocated - Schools Capital maintenance	CYP	1900	1900	1900	1900	1900
Children, Schools and Families			**Total Children, Schools and Families**	**0**	**1,900**	**1,900**	**1,900**	**1,900**	**1,900**

			Environment and Regeneration		Indicative Budget 2025-26	Indicative Budget 2026-27	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30
			Public Protection and Development						
740040	Public Protection and Developm	00000000	Public Protection and Developm	*SC*	0	35	0	0	0
			Street Scene and Waste						
740101	Fleet Vehicles	00000643	Replacement of Fleet Vehicles	*SC*	300	300	300	300	300
740152	Alley Gating Scheme	00000000	Alley Gating Scheme	*SC*	24	24	24	24	24
740154	Waste SLWP	00000000	Waste SLWP IT & Premises	*SC*	42	0	0	0	0
740154	Waste SLWP	00000643	Replacement of Fleet Vehicles	*SC*	3,956	0	0	0	340
			Sustainable Communities						
740300	Street Trees	00000642	Street Tree Programme	*SC*	60	60	60	60	60
740308	Highways & Footways	00000101	Street Lighting Replacement Pr	*SC*	290	290	290	290	290
740308	Highways & Footways	00000117	Traffic Schemes	*SC*	150	150	150	150	150
740308	Highways & Footways	00000144	Surface Water Drainage	*SC*	60	60	60	60	60
740308	Highways & Footways	00000634	Repairs to Footways	*SC*	1,000	1,000	1,000	1,000	1,000
740308	Highways & Footways	00000638	Maintain AntiSkid and Coloured Surface	*SC*	70	70	70	70	70
740308	Highways & Footways	00000639	Borough Roads Maintenance	*SC*	1,200	1,200	1,200	1,200	1,200
740308	Highways & Footways	00000645	Highways bridges & structures	*SC*	260	260	260	260	260
740504	Sports Facilities	00000640	Leisure Centre Plant & Machine	*SC*	250	250	250	250	250
740552	Parks Investment	00000635	Parks Investment	*SC*	300	300	300	300	300
Total Environmental and Regeneration			**Total Environmental and Regeneration**		**7,962**	**3,999**	**3,964**	**3,964**	**4,304**
Total Capital			**Total Capital**		**14,678**	**15,268**	**9,564**	**14,724**	**9,614**

Local Government Association
2020 Spending Review: On the Day Briefing
25 November 2020

Briefing

The 2020 Spending Review outlines the Government's spending plans for 2021/22 by setting budgets for each central government department. The full set of documents is available on the Treasury website.

The LGA has published a media statement responding to the announcements. We have also published press releases on the following:

- LGA responds to Spending Review rough sleeping and homelessness funding
- LGA responds to Spending Review children's services funding
- LGA responds to Spending Review social care and public health announcements
- LGA responds to Spending Review housing funding announcement
- LGA responds to additional Spending Review funding for road repairs
- LGA responds to Spending Review Levelling Up Fund
- LGA responds to Spending Review Restart programme for long term unemployed
- LGA responds to Spending Review UK Shared Prosperity Fund announcement

Key messages

- This year's Spending Review provides more certainty for councils next year, but the long-term outlook remains unclear. Public finances will undoubtedly be under huge strain in the years ahead but investment in our local public services is critical to our national recovery next year and beyond.

- It is good that the Spending Review has provided a potential increase of 4.5 per cent in council core spending power to support vital local services. However, this assumes that council tax bills will rise by 5 per cent next year, and this will place a significant financial burden on households in a year of economic uncertainty.

- We welcome new funding for adult and children's social care which have been particularly impacted by the pandemic. This will help address some - but not all - of the pressures these services face next year as councils will still have to find savings to already stretched budgets. In addition, council tax rises – particularly the adult social care precept – have never been the answer to the long-term pressures faced by councils, particularly in social care and is not the long-term solution which is desperately needed.

- For children's social care, significant additional funding will be needed if we are to provide the support children, young people and their families need. This includes early help funding to avoid families reaching crisis point, and sufficient funding for those children and families who need more intensive child protection responses. As a starting point, the £1.7 billion removed from the Early Intervention Grant since 2010 should be reinstated.

Lee Bruce, Head of Public Affairs and Stakeholder Engagement
Email lee.bruce@local.gov.uk
Tel 020 7664 3097
www.local.gov.uk

- We have warned about record numbers of households already claiming a discount on their council tax, so we are pleased the Government will provide funding to help councils provide vital support for those on low incomes who may struggle to pay.

- It is disappointing that the Spending Review did not include additional funding for public health. This runs contrary to addressing the stark health inequalities exposed by COVID-19 and levelling up our communities. Keeping people healthy and well throughout their lives reduces pressure on the NHS and social care.

- Council services have been critical in the fight against COVID-19 and it is good that the Chancellor has provided further funding for councils to manage the cost pressures they face as a result of the pandemic.

- Councils will continue to face demand pressures on day-to-day services - some pre-existing and others made more significant by the impact of COVID-19 – amid substantial income losses. The Chancellor's pledge to compensate for 75 per cent of irrecoverable council tax and business rates income and to extend the scheme to fund a portion of councils' lost income from fees and charges during the early part of the next year provides some much-needed stability but will need to be kept under review and probably extended.

- It is good that the Government is introducing a new Levelling Up Fund which will help to tackle our complex and fragmented funding system for local areas, which we have long warned about. Councils are concerned about the prospect of a competitive bidding process at a time when they are focused on protecting communities and businesses from the impact of the pandemic. Decisions about local investments are best made by working with councils, who know the needs of their areas best. Government should ensure that this fund produces the best possible outcomes by working closely with councils and local communities. The cut in the Public Works Loan Board lending rate, which councils and the LGA have campaigned for, is also positive.

- We recognise that in addressing the urgency of the support needed for councils and their communities, Government has used many existing centralised processes and funding streams to ensure speed. In the coming months, we must refresh the debate on English devolution. We have stated that Brexit cannot result in a centralisation of powers in Whitehall and we must take the opportunity to devolve real power to our diverse communities through local government. We offer to work with the Government to co-produce the delayed White Paper on devolution.

- The Government's investment of £1.6 billion for local road repairs is also positive as it will help councils support their communities and help tackle our local road repairs backlog. Going forward, it is important for councils to have more long-term certainty of funding support so they can make the most of this new infrastructure strategy.

- The announced funding for building safety remediation will be helpful however, it will not be enough to protect leaseholders. The cladding crisis affects hundreds of thousands of leasehold residents who are utterly blameless. Not only will the costs of fixing buildings often be beyond their means, but leaseholders face the cost of waking watches and insurance hikes, while trapped in flats they are unable to sell or remortgage. Government should act soon to avoid this crisis spreading throughout the housing market and damaging the economy.

- We welcome the additional funding from the Government to tackle rough sleeping which will help councils to continue their ongoing efforts to support people at risk. Councils have done an incredible job getting people sleeping rough off the streets and have accommodated more than 29,000 people who have faced homelessness since the start of the year.

- We also urge the Government to temporarily remove the No Recourse to Public Funds condition. This would reduce public health risks and ease the pressure on homelessness services by enabling vulnerable people to access welfare benefits, who are currently unable to do so because of their immigration status. We continue to call for a long-term shift towards investing in homelessness prevention services and for councils to be given powers to kickstart a post-pandemic building boom of 100,000 new social homes for rent each year, including reform of Right to Buy.

- Only with the right funding and freedoms, can councils lead local efforts to level up the stark inequalities the pandemic has exposed and level up the economy so that it benefits everyone.

The Spending Review in detail

Public finances and general funding for local government

The Chancellor announced that:

- The Government has set Total Revenue Departmental Spending in 2021/22 at £384.6 billion, a 4 per cent increase in cash terms from 2020/21. *(Page 43, paragraph 4.3)*

- Local authority core spending power is projected by the Government to rise by 4.5 per cent in cash terms, or £2.2 billion in 2021/22. This increase is largely due to the ability of social care authorities to increase their council tax bills by up to 5 per cent (this is covered in more detail elsewhere in the briefing). Revenue Support grant will increase in line with inflation. *(Page 6, paragraph 31; Page 75, paragraph 6.66)*

- The underlying general funding to local government (also known as the local government Departmental Expenditure Limit (LG DEL)) will rise by £0.5 billion, or 5.8 per cent in cash terms. This compares to a 4.8 per cent cash terms increase to NHS England, a 4.3 per cent cash terms increase to education and a 2.6 per cent cash terms increase to defence.

Measure	2020/21, £bn	2021/22, £bn	Change, £bn	% change, cash terms
Local government core spending power*	49.0	51.2	2.2	4.5%
Local Government Department Expenditure Limit	8.6	9.1	0.5	5.8%

NHS England, day-to-day	129.9	136.1	6.2	4.8%
Department for education, day-to-day	67.8	70.7	2.9	4.3%
Defence, day-to-day	30.7	31.5	0.8	2.6%
Total Revenue Departmental Spending	369.9	384.6	14.7	4.0

Note: The figures in the table are for core funding and do not include COVID-19 funding.
* Subject to data changes, the final figures will be published in the 2021/22 local government finance settlement
Source: (LGA analysis of Spending Review book figures: page 6, paragraph 31; table 1.2, page 19; table 6.3, page 61; table 6.11, page 67; table 6.16, page 74; table C.3, page 106-107.)

LGA view

- It is good that that today's Spending Review provides a potential increase of 4.5 per cent in council core spending power next year to support vital local services. However, this assumes council tax bills will rise by 5 per cent next year which will place a significant burden on households.

- Councils will still have to find savings to already stretched budgets in order to plug funding gaps and meet their legal duty to set a balanced budget next year.

- Council tax rises have never been the answer to the long-term pressures faced by councils, particularly in social care, raising different amounts of money in different areas, unrelated to need. It is not the long-term solution which is desperately needed. We have warned about record numbers already claiming a discount on their council tax due to the pandemic and are pleased the Government will provide funding to help councils provide vital support for those on low incomes who may struggle to pay.

- Overall, the Spending Review provides more certainty for councils next year but the long-term outlook remains unclear. Public finances will undoubtedly be under huge strain in the years ahead but investment in our local public services is critical to our national recovery next year and beyond. Only with the right funding and freedoms, can councils lead local efforts to level up the stark inequalities the pandemic has exposed and level up the economy so that it benefits everyone.

Funding for local authority COVID-19 pressures

The Chancellor announced that:

- To support local authorities in England with COVID-19 pressures next year, the Government expects to provide over £3 billion in additional support. The additional support includes £1.55 billion to meet additional expenditure pressures as a result of COVID-19, £670 million to support households that are least able to afford council tax payments, £762 million to compensate for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020/21, and extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021 *(Page 75, paragraph 6.65)*

LGA view

- Council services have been critical in the fight against COVID-19 and it is good that the Chancellor has provided further funding for councils to manage the cost pressures they face as a result of the pandemic.

- The Chancellor's pledge to compensate for 75 per cent of irrecoverable council tax and business rates income and to extend the scheme to fund a portion of councils lost income from fees and charges during the early part of the next year provide some much-needed stability but will need to be reviewed and probably extended.

Fair Funding Review

The Chancellor confirmed that:

- As announced earlier this year, the implementation of the fair funding review has been delayed. (*Page 75, paragraph 6.70)*

- The Spending Review does not specify when the review will be revisited.

LGA view

- The impact of the pandemic has not changed the way general Government grants are distributed between councils and remains complex, opaque and out of date. It is not possible to succinctly explain why the funding allocations for different councils are what they are. However, it is also clear that any review of distribution arrangements puts a multi-year local government finance settlement at risk, with an impact on certainty.

- We are calling on the Government to resume the Fair Funding Review, but with a guarantee that the transitional mechanisms ensure that no councils experience a loss of income.

- Councils had to revisit and revise many of their services to react to the impact of the pandemic and it is yet to be seen how permanent some of those shifts are. This means that, when the Fair Funding Review is relaunched, the Government needs to review progress made to date to ensure that it is still fit for purpose, or flexible enough to deal with any such shifts in council service models.

Business Rates

The Chancellor announced that:

- The Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021. *(Page 75, paragraph 6.69)*

- The Government has decided to freeze the business rates multiplier in 2021/22, saving businesses in England an estimated £575 million over the next five years. Local authorities will be fully compensated for this decision. *(Page 75, paragraph 6.69)*

- The Government is also considering options for further COVID-19 related support through business rates reliefs. In order to ensure that any decisions best meet the evolving challenges presented by COVID-19, the Government will outline plans for 2021/22 reliefs in the New Year. *(Page 26, paragraph 2.10)*

- Earlier this year, the Government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. In order to provide further stability to the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100 per cent business rates pilots for a further year. *(Page 75 paragraph 6.70)*

LGA view

- We welcome the fact that local government will be fully compensated for the freezing of the business rates multiplier in 2021/22. However, this decision reduces buoyancy in the business rates system, and without alternative means of funding, council income would reduce.

- In our response to the Call for Evidence for the Business Rates Review, we stated that although property continues to provide a good basis for a local tax on business, we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system.

- The move to 75 per cent business rates retention should only be revisited, if appropriate, once the business rates review concludes. We call on the Government to take early and decisive steps to provide councils with as much certainty as possible after the conclusion of the Business Rates Review in Spring 2021.

- Not resetting the business rates baseline will provide councils with some of the funding certainty and stability they need for next year.

Council tax

The Chancellor announced that:

- Local authorities will be able to levy a three per cent adult social care precept. *(Page 75, paragraph 6.67)*

- The referendum threshold for increases in council tax will remain at two per cent in 2021/22. MHCLG will set out full details of the council tax referendum principles and adult social care precept flexibility as part of the consultation on the detailed methodology for the Local Government Finance Settlement for 2021/22. *(Page 75, paragraph 6.68)*

- Police and Crime Commissioners (PCCs) in England will have the flexibility to increase funding in 2021/22 with a £15 council tax referendum limit on a Band D property. *(Page 64, paragraph 6.23)*

LGA view

- Whilst it is good that there will be flexibility for councils to raise the adult social care precept by a further 3 per cent in 2021/22, this is not a sustainable solution.

- An increase in council tax of up to 5 per cent will place a significant burden on households. In addition, increasing council tax raises different amounts of money in different parts of the country, unrelated to need.

- We have always maintained that the council tax referendum limit should be abolished so councils and their communities can decide how local services are paid for, with residents able to democratically hold their council to account through the ballot box.

New Homes Bonus

The Chancellor announced that:

- The Government will maintain the existing New Homes Bonus scheme for a further year with no new legacy payments *(Page 75, paragraph 6.66)*

- The Government will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23. *(Page 75, paragraph 6.70)*

LGA view

- The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities. The Government needs to work closely with councils as part of its review of housing incentives in order to ensure it helps us deliver more homes and works for local government. It is important that sufficient clarity about the outcome of the review, is provided to councils as soon as possible to allow them to plan their 2022/23 budgets and beyond.

Public Sector Pay and the National Living Wage

The Chancellor announced that:

- In order to protect jobs and ensure fairness, pay rises in the public sector will be restrained and targeted in 2021/22. Given the unique impact of COVID-19 on the health service, and despite the challenging economic context, the Government will continue to provide for pay rises for over 1 million NHS workers. In setting the level for these rises the Government will need to take into account the challenging fiscal and economic context. The NHS Pay Review Body and Doctor and Dentist's Review Body will report as usual next spring, and the Government will take their recommendations into account. The Government will also prioritise the lowest paid, with 2.1 million public sector workers earning less than £24,000 receiving a minimum £250 increase. *(Page 21, paragraph 1.31)*

- For the rest of the public sector the Government will pause pay rises in 2021/22. The pay bill represents around 25 per cent of total Government expenditure. Pausing headline pay awards next year for some workforces will allow the Government to protect public sector jobs and investment in public services to respond to spending pressures from COVID-19. It will also avoid further expansion of the gap between public and private sector reward. *(Page 21, paragraph 1.32)*

- The Government also remains committed to continuing to support the low-paid. Therefore, following the recommendations of the independent Low Pay Commission (LPC), the Government will increase the National Living Wage (NLW) for individuals aged 23 and over by 2.2 per cent from £8.72 to £8.91, effective from April 2021. This follows the Government's acceptance of a previous recommendation from the LPC that the NLW apply to those 23 and over from April 2021. *(Page 21, paragraph 1.33)*

- The Government has also accepted the LPC's recommendations for the other National Minimum Wage (NMW) rates to apply from April 2021, including increasing the rate for apprentices by 3.6 per cent from £4.15 to £4.30 per hour. *(Page 22, paragraph 1.35)*

LGA view

- The Government has no formal role in the decisions around annual local government pay increases which are developed through negotiations with the trade unions.

- Calculations around the affordability of pay increases take full account of the financial settlement given overall to local government but this is not the only factor involved. Thus, the Government cannot automatically impose a pay freeze in local government unless it uses a legislative route to do so.

- This means also that the announcement of an increase of £250 for employees earning less than the national median wage of £24,000 per annum does not apply automatically for local government staff (30 per cent of whom earn below this salary), as was made clear after a similar announcement by the then Chancellor in 2010/11.

- If applied in local government, an increase of £250 to each employee earning £24 thousand or less would cost in the region of £100 million.

- A pay claim for 2021/22 is expected from the trade unions very soon and the negotiations will need to take account of a variety of factors, including the redundancy programmes that have already begun as a result of the financial effects of the pandemic.

- The LGA will be seeking clarity on which groups of local authority employed staff such as health visitors and school nurses, if any, will be covered by the announced pay increase for health staff including nurses.

- Pay for teaching staff is set by a pay review body following a remit set by the Government. Teachers have been a key part of the community response during the pandemic, ensuring schools remained open for key workers, providing a safe haven for priority children and finding innovative ways to keep children learning. A pay freeze for teachers may exacerbate existing recruitment and retention challenges, particularly for teachers in key subject areas.

- The LGA will work with partners to understand the costs in social care of the announced increase in the National Living Wage (NLW) as around 50 per cent of social care workers are paid around the NLW level.

Adult social care

The Chancellor announced that:

- Announcements at SR20 enable local authorities to access over £1 billion of spending for social care through £300 million of social care grant and the ability to levy a 3 per cent adult social care precept. This funding is additional to the £1 billion social care grant announced last year which is being maintained. The Government expects to provide local authorities with over £3 billion to address COVID-19 pressures, including in adult social care. This will support councils to maintain care services while keeping up with rising demand and recovering from the impact of COVID-19. *(Page 44, paragraph 4.10)*

- In the longer term, the Government is committed to sustainable improvement of the adult social care system and will bring forward proposals next year. *(Page 44, paragraph 4.10)*

- £2.1 billion provided to local authorities through the improved Better Care Fund which will be pooled with the NHS to help meet adult social care needs and reduce pressures on the NHS. *(Page 48, paragraph 4.29)*

- SR20 will support the delivery of the Long Term Plan for the NHS. It also provides significant funding for the adult social care sector. This spending disproportionally benefits older individuals. *(Page 94, paragraph A.7)*

LGA view:

- As welcome as the measures are for enabling councils to have access to additional funding for adult social care, and the continuation of improved Better Care Fund funding, only £300 million appears to be genuinely new grant funding and is for both children's and adult social care. The social care precept provides limited means to raise additional funding, but it is not sustainable; it raises different amounts of money in different parts of the country, is unrelated to need and adds an extra financial burden on households.

- Much of it will also be immediately used to fund care providers to enable them to fund increases in the National Living Wage and National Minimum Wage (see Workforce section for further commentary).

- Adult social care faces cost pressures of £4.8 billion in 2021/22, including £533 million pressures arising just from COVID-19, which continue into 2021/22. And a one-year deal provides absolutely none of the certainty social care desperately needs to be able to plan for beyond the next twelve months. This will make it difficult for the NHS and local government to invest jointly in integrated services aimed at improving health outcomes, reducing health inequalities and increasing the resilience and wellbeing of our communities.

- This is a continuation of the sticking plaster approach to funding adult social care. The Prime Minister promised to 'fix social care' in July 2019 and everyone connected to social care is frustrated by the lack of progress on this crucial agenda; there must be no further delays to the process of reform.

- The pandemic has demonstrated to the public the immense value of adult social care to lead the life they want to lead, and it is disappointing that the Spending Review has not recognised the crucial role it plays. The pandemic has also demonstrated the enormous contribution made by our committed and dedicated care workforce. The Spending Review has missed the opportunity to recognise this contribution and to deliver parity of esteem with the equally invaluable workforce of the NHS.

Health (NHS)

The Chancellor announced:

- £52 billion for frontline health services to tackle the pandemic including £22 billion for the Test and Trace programme, over £15 billion for the procurement of personal protective equipment (PPE) and £2.7 billion to support the development and procurement of vaccines. *(Page 27, paragraph 2.12)*

- The Government will provide an additional £3 billion next year to support the NHS recovery from the impacts of COVID-19. This includes around £1 billion to begin tackling the elective backlog, enough funding to enable hospitals to cut long waits for care by carrying out up to one million extra checks, scans and additional operations or other procedures. The remainder of the funding will address waiting times for mental health services, give more people the mental health support they need, invest in the NHS workforce and help ease existing pressures in the NHS caused by COVID-19. The Government also remains committed to providing PPE to frontline workers to protect them from COVID-19 and reduce transmission. On top of over £15 billion for PPE purchases and logistics already provided in this financial year, SR20 provides £2.1 billion to purchase and store PPE, sufficient funding to meet expected demand and maintain a 4 month stockpile across 2021/22. *(Page 28, paragraph 2.18)*

- £4.2 billion for NHS operational investment next year to allow hospitals to refurbish and maintain their infrastructure, and £325 million of new investment in NHS diagnostics equipment to improve clinical outcomes. *(Page 33, paragraph 3.4)*

LGA view:

- We welcome the additional resources to support frontline health services to continue to respond effectively to the pandemic, and to rapidly roll out an extensive vaccination programme. However, it is crucial that this is planned and delivered in partnership with local councils, who will also need additional resources.

- We welcome the additional funding to the NHS in order to get back on track with the treatment backlog that has built up since March 2109. However it is important to note the starkly different funding context for the NHS, compared with local government, before SR20.

- The settlement for the NHS from 2019/20 to 2023/24 represented an annual average 3.4 per cent real terms increase when it was announced in

2019. In addition, in April 2020, the Government announced that NHS debt affecting over 100 hospitals and amounting to £13.4 billion would be written off to allow them to invest in maintaining services and longer-term infrastructure improvements. In comparison, no such concessions have been made to local government, despite having to face the same demanding situation as the NHS.

- We welcome investment in NHS infrastructure, but this needs to be matched with investment in community support, including adult social care, to ensure that all people requiring care and support get the right care, in the right place, at the right time. This should be in, or as close to, their own homes as possible. Investing in hospitals will not achieve the NHS Long Term Plan objective of rebalancing investment towards community and primary care.

Public Health

The Chancellor announced that:

- SR20 confirms an additional £25.8 million to increase the value of Healthy Start Vouchers to £4.25 in line with the recommendation of the National Food Strategy. *(Page 60, paragraph 6.9)*

- Local authority spending through the public health grant will also continue to be maintained and the Government will set out further significant action that it is taking to improve the population's health in the coming months. *(Page 60, paragraph 6.9)*

LGA view

- We are pleased that the Government has recognised the importance of improving access to vitamins, milk and fresh fruit and vegetables, for disadvantaged and low-income families. The Government should now commit to accelerating the digitalisation of the voucher scheme to ensure the vouchers are accessible and non-stigmatising for those that need them most.

- It is positive that the Government has issued its firm commitment to improving the health of the nation as part of the COVID-19 recovery. It is, however, extremely short-sighted to accompany this with no increase to the public health grant.

- Despite councils' good work, the current funding model for public health is not sustainable. We have warned repeatedly that local authorities' public health grant funding has reduced by over £700 million in real terms between 2015/16 and 2020/21. The lack of new funding for public health runs contrary to the aim of addressing the stark health inequalities exposed by COVID-19 and levelling up our communities. It is also out of step from increases in funding for the NHS. Keeping people healthy and well throughout their lives reduces pressure on the NHS and social care.

- Over the coming months the Government should consult in detail with local public health systems to ensure the correct capacity and resource to continue to provide essential public health services.

Disabled Facilities Grant and Care and Support Specialised Housing Fund

The Chancellor announced that:

- SR20 includes an investment of £573 million in Disabled Facilities Grants and £71 million in the Care and Support Specialised Housing Fund, supporting people to live independently. *(Page 60, paragraph 6.11)*

LGA view:

- We are pleased that Government has listened to our call to increase Disabled Facilities Grants which will go some way towards meeting demand for adaptations. The funding will enable councils to adapt more of the existing housing stock to help older people and disabled adults and children to live independently in their own homes for longer, improving wellbeing and preventing further pressure on social care and health systems. We continue to encourage Government also to consider improvements other aspects of people's homes that help people to live healthier lives, such as tackling damp and cold homes.

- Today's boost to the Care and Support Specialised Housing Fund is a step in the right direction for improving the supply of affordable of specialist housing for older people and adults with disabilities or mental health problems. The provision of suitably designed housing that meets people's practical and care needs is a vital part of ensuring that more people can live well in communities. Whilst our population continues to age, we also need to continue supporting people with disabilities or mental health needs, so it is vital that the capital and revenue costs of different types of supported housing are fully funded.

Mental Health

The Chancellor announced that:

- The additional £3 billion to support the NHS's recovery from the impact of COVID-19 includes around £500 million to address waiting times for mental health services, give more people the mental health support they need, and invest in the NHS workforce. *(Page 60, paragraph 6.4)*

- The DHSC settlement provides further investment in the NHS workforce. This includes £260 million for Health Education England to continue to grow our NHS workforce and support commitments made in the NHS Long Term Plan. This includes training more new nurses and doctors, delivering some of the biggest undergraduate intakes ever, and funding to increase the mental health workforce and deliver training to highly valued NHS staff. *(Page 60, paragraph 6.8)*

LGA view

- Additional funding for NHS mental health services should ensure that more people with higher levels of mental health needs can access timely support. Key to tackling the COVID-19 pandemic has been how to support the public's mental wellbeing, and maintaining the funding focus on treating mental ill-health means a missed opportunity to develop locally-led approaches to helping people stay mentally well as we emerge from the pandemic and throughout their lives. Councils' statutory children's and adults mental health services and wider public health responsibilities need parity of esteem with NHS mental health services, so that councils can help the whole population to be mentally healthy, prevent the escalation to clinical services and work with health colleagues to support people of all ages who are mentally unwell.

- It is important to recognise that a significant proportion of the mental health workforce, in particular professionals working in early intervention and community support, are employed in local government. It is crucial that the whole of the mental health workforce is properly supported, whether employed by local government, by private and voluntary providers and the NHS. Therefore, the LGA is calling for equivalent investment in the mental health of social care staff. Creating workplaces and working cultures where care staff are supported, motivated and nurtured to thrive is essential to supporting their wellbeing and mental health.

Preparations for the end of the Transition Period

The Chancellor announced that:

- £363 million to recruit 1,100 Border Force officers to deliver transit customs arrangements and to continue supporting law enforcement cooperation with EU member states from 1 January 2021. *(Page 53, box 5.1)*

- £572 million to the Department for Environment, Food and Rural Affairs to seize the opportunities resulting from environmental, regulatory and economic independence for the UK, including ambitious regulatory reforms which will enable the UK to take ownership of its own agenda. *(Page 53, box 5.1)*

LGA view

- Councils face many challenges this winter, including the priority to support and protect their communities during the COVID epidemic. Councils' capacity and resources are fully stretched. Additional work resulting from the end of EU transition must be seen in this context.

- Through their regulatory work at ports, councils will be on the frontline of changes to import and export controls following the end of the transition period, but additional funding has only been provided until March 2021. It is vital that the Government commits to extending funding beyond this period, given that the greatest impact of these changes will be in July 2021, and that this funding ensures councils do not experience funding shortfalls until additional revenue can be generated to support additional work.

- There will also be increased demands on councils to support businesses navigating their way through a changing regulatory environment. COVID-19 has highlighted the vital work local regulatory services do, and the capacity issues these services are already experiencing, with a shortage of existing trained officers and limited pipeline of new officers coming through to support additional work linked to transition.

- Maintaining sufficient capacity and resilience in local regulatory services to enable councils to support local businesses must therefore be a fundamental part of post-transition planning.

UK Shared Prosperity Fund (UKSPF)

The Chancellor announced that:

- The Government is supporting the regeneration of towns and communities by targeting further investment at places most in need by supporting places, such as former industrial areas, deprived towns and coastal communities, by setting out what the UK Shared Prosperity Fund (UKSPF) will invest in and how it will be targeted (see Box 3.1) *(Page 36, paragraph 3.16 and page 37, box 3.1)*

- SR20 sets out how the UK Shared Prosperity Fund (UKSPF) will help to level up and create opportunity for people and places across the UK and provides £220 million additional funding to help local areas prepare over 2021/22 for the introduction of the UKSPF *(Page 73, paragraph 6.60)*

LGA view

- Since the referendum, the LGA has been lobbying Government to ensure that there was a domestic replacement for EU funds. The SR contains the "Heads of Terms" for the UKSPF (the Government's replacement of the European Structural and Investment Funds) and confirms that the fund will be at least £1.5 billion a year. We welcome the clarity this announcement has brought to local government, and we look forward to further detail.

- Local government has made an offer to co-design the programme with Government and the investment framework for local areas that sits behind this. The investment proposals and specific outcomes defined in the UK-wide investment framework need to be locally determined by councils and combined authorities, who have a democratic mandate to represent their communities, as well as respect current local decision making and devolution agreements.

- The additional £220 million to help local areas transition to the UKSPF in 2021/22 by running pilots and new approaches is welcomed and prevents a financial cliff edge. The Government must now work with all local areas to ensure there is a smooth transition to the new funding regime.

- We will be working with the Welsh LGA to ensure that the new funds meets the needs of councils in Wales.

Digital Connectivity

The Chancellor announced:

- Over £260 million for transformative digital infrastructure programmes, including the Shared Rural Network for 4G coverage, Local Full Fibre Networks, and the 5G Diversification and Testbeds and Trials Programmes. *(Page 33, paragraph 3.4)*

- £1.2 billion to subsidise the rollout of gigabit-capable broadband, as part of the Government's £5 billion commitment to support rollout to the hardest to reach areas of the UK. *(Page 34, paragraph 3.5)*

LGA view

- As the last few months have highlighted, access to fast and reliable digital connectivity is a necessity for communities and businesses across the country and will be essential to keeping pace with developments across the globe as we emerge from the pandemic.

- We welcomed the previously announced Shared Rural Network as good news for our communities. It is now vital that mobile network operators and the Government work with local authorities to deliver this ambitious programme.

- It is positive that the Government has confirmed the first four years of funding for the £5 billion Gigabit Broadband programme. We continue to be concerned by the Government's intention to manage this programme centrally from Whitehall. We believe that the success of the Superfast Broadband Programme demonstrates how councils' local knowledge and expertise can make all the difference to a well-managed roll out. We remain committed to working with Government to help design an approach to roll out that will benefit from the local expertise of councils.

- Finally, we note the Government has revised down its target of rolling out 100 per cent gigabit-capable broadband by 2025. It will now aim for a minimum of 85 per cent gigabit capable coverage, but will seek to accelerate roll-out further to get as close to 100 per cent as possible. We had previously outlined our reservations as to whether the Government's original 100 per cent ambition was achievable by 2025.

Freeports

The Chancellor announced that:

- The Government is supporting the regeneration of towns and communities by targeting further investment at places most in need by delivering 10 Freeports across the UK – at least one in each of England, Scotland, Wales and Northern Ireland – to bring jobs, investment and prosperity to some of the most deprived communities. The programme aims to establish Freeports as national hubs for global trade and investment across the UK, promote regeneration and job creation and create hotbeds for innovation. *(Page 36, paragraph 3.16)*

LGA view

- Following our calls to Government, we welcomed its commitment in the Freeports Bidding Prospectus to consider more than 10 freeports if bids are particularly strong. It is also positive that seed capital will be provided to winning areas to address local infrastructure constraints. It will be vital that freeports create new jobs and opportunities for local people. We have therefore asked that Government remains alive to the risk of domestic economic displacement of UK domestic businesses in its assessment of bids and as it progresses with winning areas.

Levelling Up Fund

- The Government is launching a new Levelling Up Fund worth £4 billion for England. Moving away from a fragmented landscape with multiple funding streams, this new cross-departmental fund for England will invest in a broad range of high value local projects up to £20 million, or more by exception, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture. *(Page 36, paragraph 3.16)*

- It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. Spending Review 2020 makes available up to £600 million in 2021/22. The Government will publish a prospectus for the fund and launch the first round of competitions in the New Year. *(Page 72, paragraph 6.57)*

LGA view

- Councils across the country work hard to invest in improvements in their local communities so it is good that the Government is introducing this new Levelling Up Fund.

- It is good news that this fund moves to tackle our complex and fragmented funding system, which we have long warned about. However, we are concerned by the prospect of a competitive bidding process at a time when councils want to be fully focused on protecting communities and businesses from the impact of the pandemic.

- The best way to make decisions about local investment is by working with councils, who know the needs of their areas best. We want to work with the Government to ensure this fund produces the best possible outcomes for local communities.

National Infrastructure Strategy

The Chancellor announced that:

- Increased infrastructure investment is supported by a new National Infrastructure Strategy, which sets out the Government's plans to transform the UK's economic infrastructure. It is based around three central objectives: economic recovery, levelling up and unleashing the potential of the Union, and meeting the UK's net zero emissions target by 2050 *(Page 4, paragraph 22)*

LGA view

- We welcome the Government clearly setting out its infrastructure strategy in response to the National Infrastructure Assessment carried out by the National infrastructure Commission.

- We supported the Commission's recommendation, as set out in their National Infrastructure Assessment, that all transport authorities, including those without metro mayors, should have long term funding settlements in order to clearly plan their own infrastructure programmes. It is disappointing that the Government has not implemented this recommendation.

Borrowing framework and Public Works Loans Board

The Chancellor announced that:

- The Government will reform the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield. (*Page 76, paragraph 6.71*).

- The Government will cut PWLB lending rates to gilts + 100 base points for Standard Rate and gilts + 80 base points for Certainty Rate. (*Page 76, paragraph 6.71*)

- The Government has also announced the outcome of the Local Infrastructure Rate competition. Six authorities will benefit from £336 million in discounted lending for local infrastructure priorities *(Page 76, paragraph 6.71)*

- Alongside the Spending Review, the Government is publishing revised lending terms for the PWLB and guidance to support local authorities to determine if a proposed project is an appropriate use of PWLB loans. These new terms will apply to all loans arranged from 9am on 26 November. *(Outcome of PWLB consultation)*

LGA view

- The cut in the PWLB lending rates reverses the increase in rates made in October 2019. This is something we have called for since the rate was increased and is welcomed.

- Under the revised lending terms, in order to qualify for any PWLB loans, council Finance Directors will be required to certify that that there is no intention to buy investment assets primarily for yield at any point in the next three years. It is disappointing that this restriction applies on a 'whole plan' basis rather than linking specific spending with specific loans. There is a danger that this will make it difficult for local authorities to continue to access PWLB borrowing to support service delivery including housing and regeneration, or to refinance existing debt.

Road maintenance funding

The Chancellor announced:

- £1.7 billion in 2021/22 for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity *(Page 77, paragraph 6.74)*

LGA view

- We welcome the Government delivering this boost to roads maintenance spending by including last year's additional pothole fund top up into the baseline for ongoing maintenance funding.

- Going forward, it is important for councils to have more long term certainty of funding support so they can make the most of this new infrastructure strategy.

Electric Vehicle Charging Infrastructure

The Chancellor announced:

- £90 million to fund local electric vehicle (EV) charging infrastructure to support the roll out of larger on-street charging schemes and rapid hubs in England. *(Page 39, paragraph 3.26)*

LGA view

- We welcome the Government's continued commitment to fund charging infrastructure which is crucial in order to meet our net zero targets.

- In order to accelerate uptake to meet the Government's new phase out date of petrol and diesel vehicles, we need a step change in the pace of delivery. We offer to work with Government to develop a much clearer role for councils in delivery and ensure that as well as grants for physical infrastructure, support and resources are given to build skills and capacity for local delivery.

Active Travel Infrastructure

The Chancellor announced that:

- To encourage more active travel, the Government has provided £257 million for cycling and walking in 2021/22, part of the Prime Minister's £2 billion commitment to cycling and walking across the parliament *(Page 39, paragraph 3.27)*

LGA view

- The long-term commitment of £2 billion across the Parliament to walking and cycling was a step in the right direction. The £257 million announced earlier this month is a welcome step for increasing walking and cycling provision.

- Councils need maximum flexibility and certainty in order to ensure that this money is spent quickly and effectively and to support engagement and consultation with local residents.

Review of Green Book appraisals

The Chancellor announced that:

- Alongside SR20 the Government has published a review of the Green Book (*page 48, paragraph 4.31*)

LGA view

- The new Green Book introduces changes to the way that business cases for projects are appraised. While the process remains mostly centralised, it is good that there will be a new requirement that business cases should be developed to align with relevant local strategies and major interventions in the area. This is something we called for in our CSR submission and represents a step in the right direction.

Children's services

The Chancellor announced that:

- SR20 additionally provides capital investment in the education estate to support levelling up education across England, including £24 million in 2021/22 to start a new programme to maintain capacity and expand provision in secure children's homes. *(Page 63, paragraph 6.18)*

- The underlying core settlement for local authorities in 2021/22 includes £300 million of new grant funding for adult and children's social care, in addition to the £1 billion announced at SR19 that is being maintained in 2021/22 in line with the Government's commitment. *(Page 75, paragraph 6.66)*

- £165 million for local authorities through the Troubled Families programme, providing intensive support to families facing multiple interconnected problems. Funding is distributed by the Ministry of Housing, Communities and Local Government, with input from the Department for Education, the Department of Health and Social Care, the Ministry of Justice, HM Treasury and the Home Office. *(Page 48, paragraph 4.29)*

LGA view:

- The LGA has been highlighting the challenges facing councils in finding suitable homes for children with complex or challenging needs for some time, so the additional funding to maintain capacity and expand provision in secure children's homes is very welcome.

- It will be important for the Government to work closely with local authorities on the programme of expansion to ensure that settings are established where they are most needed and provide the best possible care for children and young people. It is also important to note that placement sufficiency is a challenge across the children's social care system and we are keen to work with the Government to find solutions to ensure all children in care have the homes they need.

- While it is positive that additional funding has been allocated for adult and children's social care, this will not be enough to tackle the challenges facing children's social care, which was already under strain prior to the pandemic as a result of increasing demand and long-term funding reductions. Significant additional funding for children's social care is urgently required, including for early help to avoid families reaching crisis point, and for those children and families who need more intensive child protection responses. As a starting point, the £1.7 billion removed from the Early Intervention Grant since 2010 should be reinstated.

- We are pleased that funding is being maintained for the Troubled Families programme. The programme has delivered real outcomes, demonstrating the benefits of cross-departmental support for a preventative, council-led approach to support.

- It is vital that we use this year to build on the learning and outcomes from the programme so far to further embed a locally-led and integrated approach to addressing multiple problems.

- The programme has demonstrated that investing in early help leads to genuinely improved outcomes and reduces pressure on frontline crisis support. This year provides an opportunity to review and develop the evidence base for sustained investment in 2022 and beyond.

Day-to-day school funding

The Chancellor confirmed that:

- At SR19 the Government set out a commitment to increase the core schools budget by £7.1 billion by 2022/23, compared to 2019/20 funding levels. SR20 reaffirms this commitment, with the Government's three-year investment representing the biggest school funding boost in a decade. The schools budget will increase from £47.6 billion in 2020/21 to £49.8 billion in 2021/22 – an uplift of £2.2 billion. *(Page 44, paragraph 4.12)*

LGA view

- The LGA welcomes the Government's announcement to increase schools budgets by £7.1 billion by 2022/23. The Government must now urgently confirm council high needs block allocations for 2021/22 and use the on-going review of Special Educational Needs and Disability (SEND) to give councils the powers and long-term certainty of funding to support children and young people with SEND.

- It is however disappointing that additional funding has not been made available to help cover the exceptional costs incurred by schools in responding to COVID-19 since they reopened in September.

School capital

The Chancellor announced that:

- SR20 additionally provides capital investment in the education estate to support levelling up education across England, including further detail on the Government's ten-year school rebuilding programme. The programme will launch with a commitment to 50 new school rebuilding projects a year across England. *(Page 63, paragraph 6.18)*

- Investment of £1.8 billion in 2021/22 to maintain and improve the condition of school buildings *(Page 63, paragraph 6.18)*

- £300 million in 2021/22 for new school places for children with special educational needs and disabilities, almost four times as much as the Government provided to local authorities in 2020/21 *(Page 63, paragraph 6.18)*

LGA view

- The LGA welcomes the announcement of funding for school rebuilding projects and an investment of £1.8 billion to maintain and improve the condition of school buildings during 2021/22. To ensure this funding is easily accessible to those schools that need it, the Government must replace the existing, fragmented school capital funding arrangements with a single, local school capital fund.

- The LGA welcomes the £300 million for new school places for children with SEND during 2021/22. This funding recognises that councils continue to struggle to meet the year-on-year increase in demand for SEND support and we await further detail on how these places will be created.

- The DfE's review of SEND must deliver legislative reforms that increase levels of inclusion in mainstream schools and reduce the use of special and independent and non-maintained special school places, which are more expensive.

Early years

The chancellor announced:

- £44 million for early years education in 2021/22 to increase the hourly rate paid to childcare providers for the Government's free hours offer. *(Page 63, paragraph 6.19)*

LGA view

- The LGA has repeatedly raised concerns about the underfunding of the early entitlements, so additional funding is welcome.

- However, with many early years providers struggling in the light of COVID-19, it is disappointing that this is not a more significant and immediate investment to support providers during this time. It is crucial we retain the good quality early education and childcare that improves children's outcomes and reduces the disadvantage gap.

Youth services

The chancellor announced:

- Almost £100 million to deliver the National Citizen Service (NCS) and invest in youth facilities. The Government will review its programmes to support youth services including the NCS in the spring. *(Page 81, paragraph 6.88)*

LGA view

- COVID-19 has shown the importance of youth services and young people having safe spaces to go to, so we welcome additional funding to invest in youth facilities. However, more than 4,500 youth work jobs have been lost since 2010/11 due to funding reductions, therefore funding for staff and training is urgently needed in addition to funding for facilities.

- Local government and local youth services need confirmation of the £500 million promised to youth services in 2019 which will provide essential investment into the sector and support young people to achieve good outcomes.

- The LGA has repeatedly called for devolution of some NCS funding to local youth services, which can provide the year-round support that many young people need rather than a time-limited programme. We will look to work with the NCS Trust to consider how the NCS works with councils, and with Government on its review of programmes to support youth services, ensuring that funding is targeted towards areas it will be most effective.

Supporting jobs

The Chancellor announced that:

- £2.9 billion Restart programme will provide intensive and tailored support to over 1 million unemployed people and help them find work, with approximately £0.4 billion of funding in 2021/22 *(Page 29, paragraph 2.20)*

- Funding the £2 billion Kickstart scheme which will create hundreds of thousands of new, fully subsidised jobs for young people at risk of long-term unemployment across Great Britain. The SR20 settlement includes £1.6 billion in 2021/22 which will ensure funding for over 250,000 Kickstart jobs. *(Page 29, paragraph 2.20)*

- Investment of £375 million from the National Skills Fund in 2021/22, which will provide £138 million for the Government's commitment to fund in-demand technical courses for adults, equivalent to A level, and to expand the employer-led boot camp training model. *(Page 62, paragraph 6.17)*

- On Apprenticeships, the Government is:
  - making available £2.5 billion of funding for apprenticeships and further improvements;
  - allowing levy paying employers to transfer unspent levy funds in bulk to Small and Medium-sized Enterprises (SMEs) with a new pledge function from August 2021.
  - confirming unspent Levy funds will continue to expire after 24 months;
  - introducing a new online service to match levy payers with SMEs that share their business priorities for the purposes of Levy transfer from August 2021;
  - allowing employers in construction and health and social care to front-load training for certain apprenticeship standards from April 2021 and explore whether this offer can be extended to other sectors;
  - testing approaches to supporting apprenticeships in industries with more flexible working patterns in 2020/21, including considering how to best support apprenticeship training agencies;
  - extending incentive payments for hiring a new apprentice introduced in the Plan for Jobs to 31 March 2021.
    (Page 62, paragraph 6.17)

LGA view

- The Chancellor has rightly prioritised jobs in this Spending Review. With millions displaced from the labour market and needing to find work and reskill due to the COVID-19 crisis, we need to align job creation and employability measures including skills, so no community is left behind.

- The economic and social challenges facing our communities will vary across the nation. National and local government should combine resources and expertise to deliver for people and businesses hard hit by the crisis and co-design the solutions.

- Investment in the low-carbon economy provides an opportunity to create further employment opportunities. In 2030 across England there could be as many as 694,000 direct jobs employed in the low-carbon and renewable energy economy, rising to over 1.18 million by 2050.

Restart

- We face a growing and stark unemployment challenge. Support for people who are long term unemployed is urgently needed and Restart must be delivered in the right way to reduce the scarring effect of unemployment on communities. There is strong evidence that localised and devolved programmes deliver more sustained outcomes and that centralised employment and skills schemes struggle to deliver for the economy, employers or individuals.

- Support to the long-term unemployment needs to be as close as possible to local communities and the local services they rely on including housing, health, training and debt management. Local government offers to work with the Government to plan, commission and deliver Restart so it can align with local services and training opportunities. Councils are in the unique position locally to bring together a range of local organisations including charities, housing associations, councils, and training providers as well as Department for Work and Pensions (DWP) prime providers.

- Local government stands ready to make this happen with the right level of resource. The Government should work with us to plan Restart so it is delivered to optimal impact for people and places.

Kickstart

- Local government is already working hard to make a success of and coordinate the Kickstart scheme locally, working with providers and Jobcentre Plus. The first phase excluded 16-17 year olds at risk of unemployment. We believe this next phase of Kickstart should be extended to this group, and that local government should be able to refer this group into the Scheme.

- Kickstart will work best for young people, businesses and communities if it is planned and delivered in partnership locally. That requires real collaboration at a local authority level between national Government and its agencies, local government, employers and providers to ensure the offer is coordinated, promoted, signposted, targeted and delivered. DWP must build local government into the further iterations of the Scheme as we have already set out.

In-demand technical courses for adults

- Using the National Skills Fund to fund free Level 3 courses for adults not yet qualified to these levels is welcome. We encourage the Chancellor to go further by devolving and localising this support so that it is customised to local need and can offer a clear pathway to further learning and work in places where people live.

- We continue to recommend the Government at least doubles funding for the Adult Education Budget to increase support for the nine million people across England that lack basic literacy and numeracy skills.

Apprenticeships

- The Government has listened to employers and is introducing some long overdue reforms to the apprenticeship levy. The extension of the £2,000 apprenticeship incentive payments and the introduction of a new service to match levy payers with SMEs that want to receive a transfer of funds should both help to create more apprenticeship opportunities.

- We continue to urge the Government to go further and deliver the root and branch reform of the apprenticeship levy. Local government should be offered more local freedom and flexibility to maximise the use these funds, for example to widen participation to disadvantaged groups. We look forward to receiving more information on the Government's plan to allow employers to make levy transfers to SMEs and we hope that it will provide the opportunity for local government to work with employers to take a more strategic approach to apprenticeships locally and pool funds so we can maximise support to our communities.

- It is disappointing that the Government has confirmed that the 24-month expiry policy for unspent levy funds will remain in place. We urge the Treasury to reconsider and pause this policy to prevent employers from losing funds through no fault of their own. The Government should also introduce a levy payment holiday of up to six months for businesses struggling with cashflow problems.

Building Safety

The Chancellor announced that:

- SR20 confirms £1.6 billion of capital to remove unsafe cladding from high rise buildings. *(Page 73, paragraph 6.61)*

LGA view

- The LGA has been asking the Government to address this issue for over three years. Although these Government funds for remediation will be helpful, the Housing Communities and Local Government Select Committee, the Public Accounts Committee and the LGA have all said that the current level of funding (£1.6 billion) will not be enough to protect leaseholders.

- The LGA wants the Government to meet remediation costs upfront, taking a building-wide, risk-based approach to remedial works. They should then pursue those responsible for shoddy products or workmanship in order to protect the taxpayer.

- The cladding crisis affects hundreds of thousands of leasehold residents who are utterly blameless; not only will the costs of fixing buildings often be beyond their means, but leaseholders face the cost of waking watches and insurance hikes, while trapped in flats they are unable to sell or remortgage. The Government needs to act soon to avoid the effects of this crisis spreading throughout the housing market and damaging the economy.

Housing

The Chancellor announced that:

- SR20 also provides nearly £20 billion in multi-year capital investment to underpin the Government's long-term housing strategy:
    - a National Home Building Fund (NHBF), with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes, including:
        - confirming £4.8 billion of capital grant funding, including for land remediation, infrastructure investment, and land assembly
        - delivery of the Brownfield Fund, announced at Budget 2020 for Mayoral Combined Authorities (MCAs)
        - an additional £100 million for non-Mayoral Combined Authorities in 2021/22 to support housing delivery and regeneration, including unlocking brownfield sites, regenerating estates and releasing public sector land – including serviced plots for self and custom builders
        - £2.2 billion of new loan finance to support housebuilders across the country. This includes delivering Help to Build for custom and self-builders, and funding for SMEs and modern methods of construction
        - further funding for the NHBF will be confirmed at the next multi-year spending review, delivering on the Government's commitment to provide £10 billion to unlock homes through provision of infrastructure
    - reconfirming £12.2 billion for the Affordable Homes Programme (AHP). The new AHP will deliver up to 180,000 new homes for affordable homeownership and rent, with a greater proportion outside of London than the previous programme.
      (Page 73, paragraph 6.59)

LGA view

- It is positive to see further Government investment to support the building of new homes. We welcome the additional funding for non-Mayoral Combined Authorities to support housing delivery and regeneration. In our view, all councils should have access to funding to support their ambitions to bring forward brownfield sites, estate regeneration projects and the release of public sector land.
- With more than one million households on council waiting lists, and now more than 98,000 households in temporary accommodation, it is vital that the Affordable Homes Programme is re-focused towards support for truly affordable homes, including those for social rent. Councils also need to be

able to retain all Right to Buy receipts, combine them with other funding sources and set discounts locally, to support them in building homes to meet the needs of local communities.

Planning

The Chancellor announced that:

- SR20 provides an additional £12 million to take forward the Government's radical planning reform agenda and £4 million towards its ongoing Oxford-Cambridge Arc programme, building on the Government's commitments to accelerate housing and infrastructure delivery. (*Page 74, Paragraph 6.61*)

LGA view

- The LGA's response the Planning White Paper is: https://www.local.gov.uk/parliament/briefings-and-responses/lga-submission-ministry-housing-communities-and-local-2

- Additional investment will be vital in taking forward any proposed reforms to the planning system. We await further details on how the £12 million will be allocated.

- Councils need to have the resources, tools, powers and flexibilities required to make locally-led planning decisions for their current and future residents. This includes having the ability to set planning fees locally. These fees should also help to cover the cost of wider planning functions. This will ensure that these can continue to support the decision and plan-making process.

- The Government will also need to ensure that councils have access to the right capacity, skills and training support to implement any changes to the planning system. Any new burdens should also be fully funded.

Homelessness

The Chancellor announced that:

- SR20 also provides £254 million of additional resource funding, including £103 million announced earlier this year for accommodation and substance misuse, to support rough sleepers and those at risk of homelessness during COVID-19. This takes total resource funding in 2021/22 to £676 million, a 60 per cent cash increase compared to SR19. This additional funding will support frontline services through the Rough Sleeping Initiative and enable local authorities to fund their statutory duties to prevent homelessness. The Government will also provide new funding to support prison leavers at risk of homelessness into private rental tenancies and will commit £87 million of capital funding in 2021/22 primarily to support the delivery of long-term accommodation for rough sleepers. *(Page 72, paragraph 6.58)*

LGA view

- Councils have done an incredible job getting people sleeping rough off the streets and have accommodated more than 29,000 people who have faced homelessness since the start of the coronavirus pandemic. It is good the Government has recognised this with additional funding today, which will help councils to continue their ongoing efforts to support people at risk of rough sleeping and homelessness.

- As we fight a second wave of coronavirus, we would also urge the Government to temporarily remove the No Recourse to Public Funds condition, which would reduce public health risks and ease the pressure on homelessness services by enabling vulnerable people to access welfare benefits, who are currently unable to do so because of their immigration status.

- In the longer-term, it is also important that there is a shift towards investing in homelessness prevention services. With council housing waiting lists set to potentially nearly double as a result of COVID-19, we are calling for councils to be given powers to kickstart a post-pandemic building boom of 100,000 new social homes for rent each year, including reform of Right to Buy.

Welfare support

The Chancellor confirmed that:

- A £20 per week increase to the Universal Credit (UC) standard allowance and Working Tax Credit basic element for 2020/21. This means that for a single UC claimant (aged 25 or over), the standard allowance has increased from £317.82 to £409.89 per month until April 2021. *(Page 26, paragraph 2.8)*

- There was an increase in the Local Housing Allowance (LHA) rates for UC and Housing Benefit claimants so that it covers the lowest third of local rents. This increase will mean nearly £1 billion of additional support for private renters claiming UC or Housing Benefit in 2020/21 and benefits over 1 million households, including those in work. Claimants will gain on average an additional £600 per year in increased housing support. *(Page 26, paragraph 2.8)*

LGA view

- We welcomed the £20 per week increase in Universal Credit, which is providing vital support to many people whose livelihoods have been affected by the pandemic. However, it is clear that the economic impact of COVID-19 on low income households will be with us for some time to come, and that additional support in the employment system will take time to deliver. It is therefore disappointing that the Government did not take this opportunity to offer councils and communities much-needed certainty by committing now to sustaining vital uplifts in the benefits system.

- The LGA has long campaigned for Local Housing Allowance rates to be maintained at least at the 30th percentile of market rents. We were therefore pleased when Government restored LHA rates earlier this year. We recognise that, at present, the uplift in LHA rates will be retained in cash terms (as laid out in point 22, table 1.1 on page 12). This means, however, that LHA rates will once again begin to fall in real terms, as rents continue to rise. This is likely to present challenges for households renting in the private sector at a time when increasing numbers of people are struggling to meet their housing costs and may in turn place pressure on councils’ housing and homelessness services.

Flooding and coastal erosion

The Chancellor announced that:

- A doubling of flood and coastal investment across England investing £5.2 billion over six years. *(Page 82, paragraph 6.92)*

- This includes a £200 million six-year flood and coastal erosion resilience innovation programme which will support over 25 local areas to take forward wider innovative actions that improve their resilience to flooding and coastal erosion, and up to £155 million to accelerate 22 shovel-ready flood defence schemes announced earlier this year. (*Page 82, paragraph 6.92)*

LGA view:

- The LGA has welcomed the investment, which has been announced previously.

- Councils are well placed to lead a local approach to managing the risks from flooding and coastal erosion. Funding for flood defences needs to be devolved to local areas and sit within a new national framework for addressing the climate emergency.

- We will be seeking further information on funding for the role of councils as Lead Local Flood Authorities (LLFAs). Grant funding runs out at the end of this financial year and councils need clarity on how this critical statutory role will be funded.

The natural environment

The Chancellor announced that:

- Investment will include £90 million for the Nature for Climate Fund – to increase tree planting and peatland restoration in England. *(Page 41, paragraph 3.41)*

- A doubling of the Green Recovery Challenge Fund with a further £40 million to fund a second round of natural capital projects next year. *(Page 41, paragraph 3.41)*

- £7 million to improve public access to green space by taking forward the Coast to Coast National Trail and England Coast Path and more than £75 million in funding for National Parks and Areas of Outstanding Natural Beauty. *(Page 41, paragraph 3.41)*

- The Government is also funding the implementation of key Environment Bill measures including biodiversity net gain for development, Local Nature Recovery Strategies and the Office for Environmental Protection. *(Page 41, paragraph 3.42)*

LGA view

- The investment in natural capital is welcome. We will be seeking further information on how councils can access this funding for their communities.

- We have raised concerns about the impact of disease and climate change on mature trees in public spaces. Dealing with tree disease is a cost pressure on councils and we will continue to press for this to be fully funded.

- The LGA has highlighted the need for councils to be given funding and capacity to carry out the new biodiversity functions set out in the Environment Bill. We will be working with the Department for Environment, Food and Rural Affairs to ensure that the new burdens are fully funded.

Green investment and infrastructure

The Chancellor announced that:

- The NIS, published alongside SR20, is rooted in the expert advice of the highly respected National Infrastructure Commission (NIC), and responds to its ground-breaking 2018 assessment of the country's infrastructure needs. The NIS sets out how we will deliver the greener infrastructure that is fundamental to the Ten Point Plan, and as part of this announces the creation of a UK-wide bank focused on infrastructure and headquartered in the North of England. The bank will support private infrastructure projects to help meet the Government's objectives on economic growth, levelling up, and transitioning to net zero. *(Page 39, paragraph 3.22)*

- The Ten Point Plan mobilises £12 billion to give industry the certainty it needs to invest, supports up to 250,000 green jobs and saves 180 megatonnes of carbon dioxide equivalent. *(Page 39, paragraph 3.23)*

LGA view

- The LGA welcomes the investments and support to develop the low carbon and green infrastructure economy in the Government's Ten Point Plan. Councils share the ambition for a green revolution and with at least 230 councils declaring a climate emergency, are well placed to support Government to meet its net-zero carbon ambitions by 2050.

- We want to work with Government and business to establish a national fiscal and policy framework for addressing the climate emergency, supported with long term funding.

Low carbon solutions

The Chancellor announced that:

- £1 billion for a Carbon Capture and Storage (CCS) Infrastructure Fund and will help establish four CCS clusters by 2030. These clusters will bring jobs and investment to industrial heartlands in areas of North East and North West England, the Humber, Scotland and Wales. *(Page 40, paragraph 3.30)*

- £240 million Net Zero Hydrogen Fund and £81 million for pioneering hydrogen heating trials. *(Page 40, paragraph 3.31)*

- By 2030 the Government plans to quadruple offshore wind capacity to 40 GW and maximise the opportunities this presents for jobs and investment. To grow the UK manufacturing base, the spending review invests £160 million into modern ports and manufacturing infrastructure, providing high quality employment in coastal regions. *(Page 40, paragraph 3.32)*

- The Government will spend nearly £500 million in the next four years for the development and mass-scale production of electric vehicle batteries and associated EV supply chain. *(Page 40, paragraph 3.33)*

- It is providing over £125 million for nuclear technologies in 2021/22, as part of up to £525 million set out in the Ten Point Plan, including £385 million for an Advanced Nuclear Fund. *(Page 40, paragraph 3.34)*

- It is committing £200 million for Net Zero Innovation Portfolio in 2021/22 to support new decarbonisation solutions and bolster emerging technologies such as direct air capture and low carbon hydrogen. *(Page 41, paragraph 3.35)*

- SR20 provides over £280 million in 2021/22 for net zero Research and Development, including an £81 million multi-year commitment for pioneering hydrogen heating trials. *(Page 56, paragraph 5.26)*

LGA view

- The LGA has been calling for investment in renewable energy and is pleased with the commitment and investment in low carbon energy. There are significant opportunities in the green growth sector if the approach to delivery is flexible and designed around place.

- Councils want to support the local implementation of low carbon solutions necessary across every sector, industry and place and, support the creation of local green skills and jobs. Councils want to play a key role in developing a flexible, resilient energy supply that realises the full economic benefits that are felt across all parts of the country.

    - Councils are well placed to test transformational solutions and we will work with Government to understand how councils can use funding for research and development to support place-based low carbon action.

    - We will now be working with Government to ensure that councils have the tools and powers they need to play a lead role in harnessing this investment and supporting a locally led green economic recovery.

Warmer homes and buildings

The Chancellor announced that:

- SR20 allocates £475 million to make public buildings greener, £150 million to help some of the poorest homes become more energy efficient and cheaper to heat with low-carbon energy, and a further £60 million to retrofit social housing. It also extends the popular Green Homes Grant voucher scheme with £320 million of funding in 2021/22. The Government is committed to spending £3 billion on building decarbonisation, and will review this allocation in the spring, together with how it can best deliver this agenda over the course of this parliament. *(Page 41, paragraph 3.38)*

- SR20 also confirms £122 million in 2021/22 to support creation of clean heat networks. This, together with the measures to be set out in the Government's forthcoming Heat and Buildings Strategy, will help meet the target of installing 600,000 heat pumps by 2028, and scale up the other low carbon heating and energy efficiency measures necessary to make buildings fit for net zero. *(Page 41, paragraph 3.39*)

LGA View

- We support investment to allow councils to help Government achieve its aim for the UK to become a net zero carbon economy in 30 years' time. Councils await further details to understand how to access the funding for public buildings.

- It is positive that the Government is investing a shift to greener, more efficient buildings and housing. The Government should work with councils to urgently bring forward its commitment for a £3.8 billion capital Social Housing Decarbonisation Fund. This would provide a national stimulus to kick start the deep energy retrofit of all homes by investing in an energy revolution in social housing.

- Heat networks will continue to play an important role in national and local ambitions to reduce carbon and cut heating bills for domestic and commercial customers. It will be vital that the Government continues to work with local authorities to address capability and capacity challenges to heat network deployment.

Fire and Rescue Services

The Chancellor announced that:

- The Home Office (HO) settlement provides a £881 million cash increase in core resource funding from 2020/21 to 2021/22, delivering a 4.9 per cent average real terms increase per year since 2019-20. *(Page 64, paragraph 6.21)*

LGA view

- It is disappointing that the Spending Review does not include any information about funding for the crucial fire and rescue services (FRS).

- LGA is seeking clarity from the Home Office on what the settlement will mean for FRS. The LGA has been working with the Home Office to make the case for further funding to answer the cost pressures felt by the service due to risk and demand.

- The LGA is also asking for clarity on funding from the Home Office for pensions costs arising from remedying court judgments such as age discrimination for the fire service.

Reducing offending and serious violence

The Chancellor announced that:

- SR20 also commits an additional £200 million from 2021/22 to fund a second round of pilots under the Shared Outcomes Fund (SOF). This continues progress made on funding join-up across Government through the SOF launched at SR19, which funded a wide range of pilot projects that cut across multiple departments. The projects will be subject to thorough evaluation to inform future policy development and programmes. *(Page 48, paragraph 4.30)*

- Prison leavers (£20.0 million – MoJ, Department for Work and Pensions (DWP), MHCLG, Department for Digital, Culture, Media & Sport (DCMS), DHSC, Department for Education DfE), NHS England): The project will work closely with service users and stakeholders from across Government, and the third and private sectors to test ways to improve the social inclusion of people leaving prison, and reduce reoffending. (*Page 97, paragraph B.1)*

- Creating opportunities forum for tackling serious violence (£3.7 million – HO, DWP, DCMS, DHSC, DfE): This pilot will work with the private and third sectors to generate employment opportunities and wraparound support packages for vulnerable young people at risk of serious violence. (*Page 97, paragraph B.1)*

- Early intervention (£1.8 million – MoJ, HO, MHCLG, DHSC): This pilot will work with police and health specialists to better join up services for police forces to manage offences outside of court, understand which interventions are effective, and improve data on the impact of the interventions on reoffending. (*Page 97, paragraph B.1)*

LGA view

- The Shared Outcomes Fund projects which focus on reducing reoffending and tackling serious violence are positive. However if we are to tackle the underlying causes of offending, including serious violence, we need to see long-term and sustainable funding in local public sector and voluntary services, particularly in early intervention and prevention initiatives.

Domestic abuse

The Chancellor announced that:

- SR20 also provides £98 million of additional resource funding, bringing total funding to £125 million, to enable local authorities to deliver the new duty to support victims of domestic abuse and their children in safe accommodation in England *(Page 74, paragraph 6.61)*

LGA view

- Domestic abuse can have a long-term and devastating impact on families and particularly children. The announcement of £98 million of additional resource funding to enable local authorities to deliver the new duty to support domestic abuse victims and their children in safe accommodation is therefore welcome. However, it is not yet clear how this figure has been calculated and whether it will meet the full costs of the new proposed duty.

- The new funding needs to fully account for any increases in demand for services, and any additional burdens identified by local needs assessments when the duty comes into force in April 2021. Children have been added into the statutory definition of domestic abuse, so it will be important to assess whether additional provision is required and therefore whether councils need additional funding to meet the new proposed duty.

- One-off, short term grants do not allow for long-term planning or consistency in service, which is why long-term and sustained investment is needed. Transitional funding is also required to provide support for current domestic abuse services due to close at the end of the next financial year.

- In order to transform the response to domestic abuse, a joined-up approach is needed, providing a broad range of support packages to assist victims of domestic abuse and intervene with perpetrators to change and prevent their behaviour. This is why we have called for greater investment in early intervention and prevention programmes and wider community-based domestic abuse support, as well as greater investment in perpetrator programmes.

- It was disappointing to note that no funding has been allocated to the National Female Genital Mutilation (FGM) Centre, despite its vital work in supporting and protecting victims of FGM in the UK. We will continue to work with the Government on securing funding to help tackle this crime.

Asylum, refugee resettlement and modern slavery

The Chancellor announced that:

- The settlement provides £66.4 million in resource funding to the Home Office and £459.5 million in Official Development Assistance (ODA) resource funding to support and protect vulnerable people in the asylum system, to deliver refugee resettlement, and to support victims of modern slavery. *(Page 65, paragraph 6.26)*

- The cross-government refugee transitions outcomes fund will provide £10 million to the Home Office, Department of Work and Pensions, the Ministry for Housing, Communities and Local Government and councils for a pilot aimed at supporting the self-sufficiency of newly granted refugees across the UK by delivering employment support and housing support. *(Page 98, paragraph B.1)*

LGA view

- Councils play a valuable role supporting new arrivals who are starting a new life in the UK. The LGA will continue to work with Government to build a joint understanding of local government's key role in asylum, resettlement and supporting victims of modern slavery, and to address the costs to councils of that support. It is not clear whether these announcements will tackle the lack of funding which has been a barrier to participation, and hinders our joint efforts to reduce the pressures in areas with large numbers of asylum-seeking adults and children.

Counter-terrorism

The Chancellor announced that:

- SR20 provides the UK Intelligence Community (UKIC) with a £173 million funding increase in 2021/22, representing a 5.4 per cent average annual real-terms increase since 2019/20. It also includes over £1.3 billion of capital investment from 2021/22 to 2024-25. *(Page 56, paragraph 5.32)*

LGA view

- Local authorities will continue to do what they can to help keep communities safe from the threats from terrorism and extremism. However, it is not enough to tackle the symptoms of terrorism alone, whilst ignoring the underlying causes. It is vital that there is continued investment in prevention work at a local level, to aid wider efforts to protect the public and build resilience, including initiatives to support integration and counter extremism and prevent radicalisation.

- The Government has withdrawn funding for the Special Interest Group on Countering Extremism (SIGCE), which has been a significant and agile force in supporting both local and national Government's efforts to counter extremism, tackle hate crime and help counter the ideology that can draw individuals into terrorism and criminality. We believe the SIGCE remains key to addressing rising tensions in many areas, and in supporting wider efforts to prevent terrorism. We urge Government to continue to invest in the SIGCE to support local authorities to build resilience and help stop division and polarisation from taking hold.

Online harms

The Chancellor announced:

- £45 million for programmes to drive growth through digital technologies and data, while improving online safety and security. (*Page 81, paragraph 6.86)*

LGA view

- Councils have important statutory responsibilities in supporting those exposed to online harms, including in relation to child sexual exploitation, mental ill-health (particularly children and young people), suicide prevention, radicalisation, and the online abuse and harassment experienced by councillors and senior local government officers. We therefore welcome the Government's recognition of the importance of improving online safety and security as the digital environment continues to innovate and grow in scope and scale.

Local Government Cyber Security

The Chancellor announced that:

- The underlying core settlement for local authorities in 2021/22 includes…providing £16 million to support modernisation of local authorities' cyber security systems. *(Page 75, paragraph 6.66)*

- SR20 also provides continued investment in the National Cyber Security Programme, funding transformational cyber security projects to support departments, the private sector and wider society. This investment will enable the UK to stay at the forefront of global action to secure a safe digital future and successfully adopt new technology to drive resilience and economic growth. *(Page 69, paragraph 6.44)*

LGA view

- The LGA welcomes the announcement of specific local government cyber security funding in this review. £16 million for the next financial year is a sizeable step in the right direction.

- It is currently unclear as to how the Treasury intend to allocate this money and whether or not further funding from the National Cyber Security Programme will also be directed toward reducing cyber security risk in local government.

- It is critical that local government receives sufficient funding for councils to address the cyber security risk they currently face, and meet the competing assurance demands of different central Government departments and agencies.

- We look forward to meeting with the Cabinet Office and the Ministry of Housing Communities and Local Government to understand how this £16 million will be allocated, and how any further funds from the National Cyber Security Programme will be spent.

Culture, tourism and sport

The Chancellor announced that:

- This settlement includes the following priority outcomes:
    - Increase economic growth and productivity through improved digital connectivity
    - Grow and evolve our sectors domestically and globally, in particular those sectors most affected by COVID-19, including culture, sport, civil society, and the creative industries. *(Page 81, paragraph 6.90)*

LGA view

- Culture and the creative industries, tourism and sport services are among those that have been hardest hit by COVID-19, yet have the potential to contribute significantly to economic recovery and personal resilience over the forthcoming years. The recognition throughout the Spending Review of their importance is a positive sign, including their explicit inclusion in the objectives for the UK Shared Prosperity Fund and Levelling Up Funds.

- However, leisure services are in need of an immediate injection of funding if they are to keep services going and to enable them to benefit from the capital investments announced today. It is important that Government announces a second investment on top of the £100 million already announced.

Holiday Activities Fund

The Chancellor announced that:

- The Government will also provide £220 million for the Holiday Activities and Food programme to provide enriching activities and a healthy meal for disadvantaged children in the Easter, Summer and Christmas holidays in 2021. This provides funding up to the end of 2021-22 and supports the Government's commitment to establish a Flexible Childcare Fund to increase the availability of high quality and affordable flexible childcare. *(Page 45, paragraph 4.14)*

LGA view

- We are pleased that the Government has recognised the vital role of councils in providing consistent health and wellbeing support for children in disadvantaged and low-income families. To secure better outcomes it is vital that this support is provided in the context of a properly recognised and resourced local safety net and a genuinely preventative approach to addressing multiple disadvantage.

- We hope that when further detail emerges on the coming year's approach to the Troubled Families programme it enables vital links to be made between this support and wider preventative approaches to improving children's health and wellbeing.

- It is disappointing that there are no proposals for putting local welfare funding on a more sustainable footing to ensure a consistent approach to locally-led support to address financial hardship and economic vulnerability.

Healthier Communities and Older People Work Programme 2020/21

This table sets out the draft Healthier Communities and Older People Panel Work Programme for 2020/21. This Work Programme will be considered at every meeting of the Panel to enable it to respond to issues of concern and incorporate reviews or to comment upon pre-decision items ahead of their consideration by Cabinet/Council.

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

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

Scrutiny Support

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

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

Meeting date 21st July

Scrutiny category	Item/Issue	How	Lead Member/ Lead Officer	Intended Outcomes
Scrutiny of Health Partners	Discussion on the final decision of the Improving Healthcare Together Programme.	Report to the Panel	Hannah Doody, Director of Community and Mike Robinson, Consultant in Public Health	Panel to discuss the final decision and its implications for Merton residents.

Meeting Date 2 September 2020

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
	COVID-19 – How the Council is managing the response over the next 12 months and preparing for wave two. Including lessons learned from the early outbreak and work with partners, impact on specific communities within care homes and support to those who are shielding.	Report summary/ verbal update.	Director of Community and Housing	Panel to get an overview of the impact on the COVID-19 Pandemic in Merton and consider areas they may wish to do further scrutiny.

	NHS South West London - response to COVID-19	Verbal update.	James Blythe Locality Executive Director, Merton and Wandsworth	Panel to consider how the SW London CCG has responded to COVID19 to support Merton residents.
	Commissioning arrangements in South West London – Update on the new merged CCG's and the implications for Merton as a place.	Verbal update.		

Meeting date – 3rd November 2020

Scrutiny category	Item/Issue	How	Lead Member/ Lead Officer	Intended Outcomes
Scrutiny of Health Partners	Mental Health Services – Update on support provided to the community as a result of COVID-19	Reports/verbal updates to the Panel	South West London Mental Health Trust, Community Mental Health Services	Panel to ensure local residents are receiving the support they need following the Pandemic
Budget Scrutiny	Draft Business Plan	Report to the Panel	Director of Corporate Services	Panel to review draft budget and provide comments to the Overview and Scrutiny Commission.
Scrutiny of Adult Social Care	Discussion on Adult Social Care Budget including the Adult Social Care Precept	Report to the Panel	Director of Community and Housing	Panel to gain a better understanding of the budget and the impact on Merton residents.

	and an update on the impact of COVID-19			

Meeting Date – 11th January 2021

Scrutiny category	**Item/Issue**	**How**	**Lead Member/Lead Officer**	**Intended Outcomes**
Budget scrutiny	Draft Business Plan 2021-25	Report to the Panel	Director of Corporate Services	Panel to review draft budget and provide comments to the Overview and Scrutiny Commission.
Scrutiny of Health Partners	Covid-19 Update	Report to the Panel	Director of Public Health/ Assistant Director of Adult Social Care	Panel to get an overview of the impact on the COVID-19 Pandemic in Merton

Meeting date – 9th February 2021

Scrutiny of Health Partners	Access to GP Surgeries –update report setting out comparative data on access to GP appointments across	Report/ Verbal update to the Panel	**South West London Clinical Commissioning Group**	

	South West London. The Panel will also consider out of hours GP Services			
Scrutiny of Adult Social Care	Safeguarding Adults Annual Report			
Scrutiny of Adult Social Care	Safeguarding Adults Reviews			

Meeting date – 26 April 2021

Scrutiny category	Item/Issue	How	Lead Member/Lead Officer	Intended Outcomes
Budget Scrutiny				
Scrutiny of Health Partners				