

## **Committee: Healthier Communities & Older People Overview and Scrutiny Panel**

10 January 2017

## **Children and Young People Overview and Scrutiny Panel**

11 January 2017

## **Sustainable Communities Overview and Scrutiny Panel**

12 January 2017

## **Overview and Scrutiny Commission**

26 January 2017

**Wards:** ALL

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

**Lead officer:** Caroline Holland

**Lead member:** Councillor Mark Allison

**Contact officer:** Paul Dale

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### **Recommendations:**

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

- 1.1 This report requests Scrutiny Panels to consider the latest information in respect of the Business Plan and Budget 2017/18, including proposed amendments to savings previously agreed by Council, the draft capital programme 2017-21, the draft savings/income proposals and associated equalities analyses for 2017-21, the draft service plans, the proposed growth 2017-21 and the options for closing the revised gap in the MTFs, and feedback comments to the Overview and Scrutiny Commission.
- 1.2 The Overview and Scrutiny Commission will consider the comments of the Panels and provide a response on the Business Plan 2017-21 to Cabinet when it meets on the 13 February 2017.

## **2. Details - Revenue**

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

RESOLVED:

That Cabinet

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

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

### 4. **Capital Programme 2017-21**

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

### 5. **Consultation undertaken or proposed**

- 5.1 Further work will be undertaken as the process develops.
- 5.2 There is a meeting on 7 February 2017 with businesses as part of the statutory consultation with NNDR ratepayers. Any feedback from this meeting will be incorporated into the February Cabinet report.
- 5.3 As previously indicated, a savings proposals consultation pack was prepared and distributed to all councillors at the end of December 2016 with a request that it be brought to all Scrutiny and Cabinet meetings from 10 January 2017 onwards and to Budget Council. This should maintain the improvement for both councillors and officers introduced last year which made the Business Planning process more manageable for councillors and ensures that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also considerably reduce printing costs and reduce the amount of printing that needs to take place immediately prior to Budget Council.
- 5.4 The consultation pack includes:
- Savings proposals
  - Growth proposals
  - Equality impact assessments for proposals where appropriate
  - Service plans (these will also be printed in A3 to lay round at scrutiny meetings)
  - Budget summaries for each department
  - Council Tax and Council spending consultation results

## 6. **Timetable**

- 6.1 The timetable for the Business Plan 2017-21 including the revenue budget 2017/18, the MTF5 2017-21 and the Capital Programme for 2017-21 was agreed by Cabinet on 19 September 2016.

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

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

## 8. **Legal and statutory implications**

- 8.1 All relevant implications have been addressed in the Cabinet reports. Further work will be carried out as the budget and planning proceeds and will be included in the budget reports to Cabinet on the 16 January 2017, and 13 February 2017.
- 8.2 Detailed legal advice will be provided throughout the budget setting process further to any proposals identified and prior to any final decisions.

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

- 9.1 All relevant implications will be addressed in Cabinet reports on the business planning process.
- 9.2 A draft equalities assessment has been carried out with respect to the proposed budget savings and is included in the Business Plan Consultation Pack circulated to all Members.

## 10. **Crime and Disorder implications**

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

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

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

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

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

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

## **BACKGROUND PAPERS**

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

Budget files held in the Corporate Services department.

2016/17 Budgetary Control and 2015/16 Final Accounts Working Papers in the Corporate Services Department.

Budget Monitoring working papers

MTFS working papers

13. **REPORT AUTHOR**

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**email:** [paul.dale@merton.gov.uk](mailto:paul.dale@merton.gov.uk) Budget files held in the Corporate Services department.

# Cabinet

**12 December 2016**

**Agenda item:**

**Business Plan Update 2017-2021**

**Lead officer:** Caroline Holland

**Lead member:** Councillor Mark Allison

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

**Contact officer:** Paul Dale

**Urgent report:**

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

## Recommendations:

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

- 1.1 This report provides an update to Cabinet on the Business Planning process for 2017-21 and in particular on the progress made so far towards setting a balanced revenue budget for 2017/18 and over the MTFS period as a whole.
- 1.2 Specifically, the report provides details of revenue savings and income proposals put forward by officers in order to meet the savings/income targets agreed by Cabinet in September 2016.
- 1.3 The report also provides an update on the capital programme for 2017-21 and the financial implications for the MTFS.
- 1.4 The report provides a general update on all the latest information relating to the Business Planning process for 2017-21 and an assessment of the implications for the Medium Term Financial Strategy 2017-21.
- 1.5 This report is one of the budget updates through the financial year and will be referred to the Overview and Scrutiny Panels and Commission in January 2017.

## 2. DETAILS

### Introduction

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

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

### 2.3 Review of Assumptions

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

### 2.3.1 Pay

As reported to Cabinet in September 2016, the current assumptions regarding pay inflation incorporated into the MTFs are based on the local government pay award for 2016/17 which has been agreed and will cover the two years from April 2016. For the lowest paid (those on spinal points 6-17) this means a pay rise of between 6.6% and 1.01% in the first year, and between 3.4% and 1.3% in the second. Those on spinal points 18-49 will receive 1% in year one and the same again the following year. The offer also includes a joint review of the NJC pay spine and term-time working for school support staff.

The provision for pay inflation has been reviewed and the following amounts are forecast to be required in the updated MTFs:-

#### **Provision for Pay Inflation:**

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

### 2.3.2 Prices

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

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

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

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

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



Outlook for inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 2 November 2016, the MPC voted unanimously to keep the Bank Base Rate at 0.25%. It also voted unanimously to continue with the programme of sterling non-financial investment-grade corporate bond purchases totalling up to £10 billion, financed by the issuance of central bank reserves and also voted unanimously to continue with the programme of £60 billion of UK government bond purchases to take the total stock of these purchases to £435 billion, financed by the issuance of central bank reserves.

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

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

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

Source: HM Treasury - Forecasts for the UK Economy (November 2016)			
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.6	1.9	1.3
RPI	0.6	3.0	2.2
LFS Unemployment Rate	4.7	5.4	5.0

2017 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	3.8	2.7
RPI	0.7	5.2	3.3
LFS Unemployment Rate	4.6	6.0	5.4

Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2016 to 2020 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (November 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	2.7	2.6	2.2	2.1
RPI	1.8	3.5	3.1	3.0	3.1
LFS Unemployment Rate	5.0	5.2	5.5	5.4	5.3

### 2.3.3 Inflation > 1.5%:

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

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

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

### 2.3.4 Income

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

### 2.3.5 Pension Fund

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

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

### 2.3.6 Taxicards and Freedom Passes

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

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

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

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

### 2.3.7 Revenuisation

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

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

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

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

The revenue budgetary control information below summarises the corporate position using the latest available information as at 31 October 2016 as shown in a separate

report on the agenda for this meeting. As at 31 October 2016, there is a forecast overspend for the Council of £5.740m.

The main causes of the overspend are:-

- Adult Social Care
- Waste
- Children's Services

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

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

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

\* Subject to the Improved Better Care Funding remaining as stated

\*\* to be confirmed

### 2.3.9 Capital Financing Costs

#### Revenue Implications of Current Capital Programme

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

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

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

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

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

### 2.4.1 Background

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

### 2.4.2 Multi-Year Funding Forecasts

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

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

### 2.4.4 Autumn Statement 2016

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

#### 2.4.5 Funding Forecasts for 2017/18 to 2020/21

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

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

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

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

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

#### Share of Business Rates Yield

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

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

#### 2.4.6 Improved Better Care Fund

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

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

#### 2.4.7 Public Health

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

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

#### 2.4.8 Education Services Grant

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

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

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

### 2.5 **Council Tax Base**

- 2.5.1 The Council Tax Base is a key factor which is required by levying bodies and the Council for setting the levies and Council Tax for 2017/18. The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax Base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect

the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent). This will be used to set the Council Tax at Band D for 2017/18. The Council is required to determine its Council Tax Base by 31 January 2017.

- 2.5.2 Regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.
- 2.5.3 The Council Tax Base Return to central Government takes into account reductions in Council Tax Base due to the Council Tax Support Scheme and also reflects the latest criteria set for discounts and exemptions. The CTB Return for October 2016 is the basis for the calculation of the Council Tax Base for 2017/18.
- 2.5.4 Details of how the Council Tax Base is calculated are set out in Appendix 1. A summary of the Council Tax Bases for the Merton general area and the addition for properties within the Wimbledon and Putney Commons Conservators area for 2017/18 compared to 2016/17 is set out in the following table:-

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

## 2.6 Proposed Amendments to Previously Agreed Savings

- 2.6.1 Cabinet on 12 October 2016 agreed some proposed amendments to savings which had been agreed in previous year's budgets and also agreed that the financial implications should be incorporated into the draft MTFS 2017-21.
- 2.6.2 There are some further requests for changes to existing savings as follows:-
- Environment and Regeneration propose to defer and replace saving EV08 on Waste Disposal deferring the £250k saving from 2017/18 to 2019/20
  - Environment and Regeneration propose to replace and defer savings within Development and Building Control

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



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

\* The net increase in savings will be applied against the CSF target set..

\*\* The net shortfall in savings will be added to C&H Savings Target set.

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

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

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

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

### 4. **SAVINGS PROPOSALS 2017-21 AND SERVICE PLANNING**

#### **Controllable budgets and Savings Targets for 2017-21**

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

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

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

- 4.3 Proposals that Cabinet agree at this meeting will be referred to the Overview and Scrutiny Commission and panels for review and comment in January 2017.
- 4.4 The proposals submitted by each department are summarised in the following table and set out in detail in Appendix 2.

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

#### 4.5 Summary of progress to date

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

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

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

#### 4.7 Service Plans

- 4.7.1 Draft Service Plans are included in Appendix 6.

#### 4.8 Equality Assessments

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

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

- 4.9.1 The application of revenue reserves in 2016/17 to address any level of overspend will have an ongoing impact on the MTFS going forward. If the actual level of overspend is at

the level currently forecast it is possible that the Savings Mitigation Fund of £1.3m will be used and the budgeted increase in the Reserve for Use for Future Years Budgets of £2.4m will not take place. The reduction in the anticipated level of the Reserve for Use for Future Years Budgets will have an adverse impact on the budget gap.

## 5. UPDATE TO MTFS 2017-21

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

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

- 5.2 A more detailed MTFS is included as Appendix 4.
- 5.3 Draft Service department budget summaries based on the information in this report will be included in the pack available for scrutiny.
- ## 6. CAPITAL PROGRAMME 2017-21: UPDATE
- 6.1 The proposed draft Capital Programme 2017-21 and an Indicative Capital Programme 2021-27 were presented to Cabinet on 12 October 2016.
- 6.2 The programme has been reviewed by scrutiny panels.
- 6.3 Monthly monitoring of the approved programme for 2016/17 has been ongoing and there will inevitably be further changes arising from slippage, reprofiling and the announcement of capital grants as part of the local government finance settlement which has yet to be announced.
- 6.4 The changes that have been made to the proposed capital programme since it was presented to Cabinet in October 2016 are set out in Appendix 5.
- 6.5 The estimated revenue implications of funding the draft capital programme are summarised in paragraph 2.3.9 and these have been incorporated into the latest draft MTFS 2017-21.

## 7. BUDGET STRATEGY

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

7.2 The table below shows the budget position after growth

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

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

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

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

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

7.6 There are limited options for dealing with this:-

7.6.1 Raising the Council tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This would leave the following gaps:-

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

### 7.6.2 Making spending reductions in 2017/18

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

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

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

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

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

## 8. CONSULTATION UNDERTAKEN OR PROPOSED

- 8.1 There will be extensive consultation as the business plan process develops. This will include the Overview and Scrutiny panels and Commission, business ratepayers and all other relevant parties.
- 8.2 The Council launched a consultation with residents on council tax and council spending on 9 September 2016. Residents had until 4 November 2016 to respond and the outcome will be taken into consideration when the decisions are to be made with respect to the council tax and MTFS for 2017-21 as part of the Business Planning Process.

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

- 8.3 However, as part of the response, the CCG have indicated that there would be a reduction in funding of approximately £2m if there was not an increase in Council Tax.
- 8.4 In accordance with statute, consultation is taking place with business ratepayers and a meeting will be arranged for early in 2017.
- 8.5 As previously indicated, a savings proposals consultation pack will be prepared and distributed to all councillors at the end of December 2016 that can be brought to all Scrutiny and Cabinet meetings from 10 January 2017 onwards and to Budget Council. As it was last year, this should be an improvement for both councillors and officers - more manageable for councillors and it will ensure that only one version of those documents is available so referring to page numbers at meetings will be easier. It will also keep printing costs down and reduce the amount of printing that needs to take place immediately prior to Budget Council.
- 8.6 The pack will include:
- Savings proposals
  - Equality impact assessment for each saving proposal
  - Service plans (these will also be printed in A3 to lay round at scrutiny meetings)

## 9. TIMETABLE

- 9.1 In accordance with current financial reporting timetables.

## 10. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 10.1 All relevant implications have been addressed in the report.



**11. LEGAL AND STATUTORY IMPLICATIONS**

11.1 All relevant implications have been addressed in the report.

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

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

**13. CRIME AND DISORDER IMPLICATIONS**

13.1 Not applicable

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

14.1 Not applicable

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

**Appendix 1: Council Tax Base 2017/18**

**Appendix 4: MTFS Update**

**Appendix 5: Capital Programme 2017-21**

**Appendix 8: Autumn Statement 2016 – Summary of key Points**

**NOW INCLUDED IN CONSULTATION PACK**

**Appendix 2: New savings/income proposals 2017-21**

**Appendix 3: Proposed amendments to savings previously agreed**

**Appendix 6: Service Plans 2017-21**

**Appendix 7: Equalities Assessments**

**Appendix 9: Growth proposals**

**BACKGROUND PAPERS**

Budget files held in the Corporate Services department.

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**APPENDIX 1****Council Tax Base 2017/18****1. INTRODUCTION**

- 1.1 The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax base is calculated using the properties from the Valuation List together with information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent).
- 1.2 Since 2013/14 the Council Tax Base calculation has been affected by the introduction of the new local council tax support scheme and technical reforms to council tax. On 30 November 2012, new regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) came into force. These regulations ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.
- 1.3 Under the regulations, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year.
- 1.4 The relevant amounts are calculated as
- number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year,
  - adjusted for the number of discounts, and reductions for disability, that apply to those Dwellings
- 1.5 All authorities notify the DCLG of their unadjusted Council Tax Base using a CTB Form using valuation list information as at 12 September 2016. The deadline for return was 14 October 2016 and Merton met this deadline.
- 1.6 The CTB form for 2016/17 includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.
- 1.7 There is a separate council tax base for those properties within the area covered by Wimbledon and Putney Commons Conservators. The Conservators use this, together with the Council Tax bases from RB Kingston, and Wandsworth to calculate the levy which is charged each year.

**2. ASSUMPTIONS IN THE MTFS**

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

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

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

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

#### 2.4 Information from the October 2016 Council Tax Base Return

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

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

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

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

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

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

#### 3.2 Analysis of changes in yield 2016/17 to latest 2017/18

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

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

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

a) No Change in collection rate from 97.25%

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

b) Number of Chargeable Dwellings and Exempt Dwellings

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

c) Amount of Council Tax Support Reduction

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

d) Changes in Discounts, Exemptions and Premiums

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

e) Summary

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

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

### 3.10 Council Tax Yield 2017/18

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

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

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

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

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

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

<b>DRAFT MTFS 2017-21:</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Departmental Base Budget 2016/17</b>	<b>139,982</b>	<b>139,982</b>	<b>139,982</b>	<b>139,982</b>
Inflation (Pay, Prices)	3,184	6,368	9,553	12,737
Autoenrolment/Nat. ins changes	857	1,172	1,172	1,172
FYE – Previous Years Savings	(9,429)	(15,173)	(15,173)	(15,173)
Amendments to previously agreed savings	541	244	(207)	(207)
Change in Net Appropriations to/(from) Reserves	(1,158)	(2,278)	(2,013)	(1,871)
Taxi card/Concessionary Fares	450	901	1,351	1,801
Change in depreciation/Impairment (Contra Other Corporate items)	4,681	4,681	4,681	4,681
Growth	11,927	12,901	10,395	10,895
Other	71	144	220	301
<b>Re-Priced Departmental Budget</b>	<b>151,106</b>	<b>148,943</b>	<b>149,960</b>	<b>154,317</b>
Treasury/Capital financing	12,543	11,146	12,427	12,723
Pensions	4,592	4,799	5,015	5,015
Other Corporate items	(17,851)	(17,504)	(17,856)	(17,856)
Levies	628	628	628	628
<b>Sub-total: Corporate provisions</b>	<b>(88)</b>	<b>(931)</b>	<b>214</b>	<b>510</b>
<b>Sub-total: Repriced Departmental Budget + Corporate Provisions</b>	<b>151,018</b>	<b>148,012</b>	<b>150,174</b>	<b>154,827</b>
Savings/Income Proposals 2017/18	0	0	(2,066)	(2,066)
<b>Sub-total</b>	<b>151,018</b>	<b>148,012</b>	<b>148,108</b>	<b>152,761</b>
Appropriation to/from departmental reserves	(843)	277	12	(130)
Appropriation to/from Balancing the Budget Reserve	(8,259)	0	0	0
<b>BUDGET REQUIREMENT</b>	<b>141,916</b>	<b>148,288</b>	<b>148,121</b>	<b>152,632</b>
<b>Funded by:</b>				
Revenue Support Grant	(15,520)	(10,071)	(5,076)	0
Business Rates (inc. Section 31 grant)	(34,847)	(35,553)	(36,295)	(36,952)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(4,763)	(2,993)	(2,871)	(2,000)
Council Tax inc. WPC	(80,150)	(80,549)	(83,974)	(87,432)
Collection Fund – (Surplus)/Deficit	(224)	0	0	0
<b>TOTAL FUNDING</b>	<b>(140,300)</b>	<b>(133,963)</b>	<b>(133,014)</b>	<b>(131,181)</b>
<b>GAP including Use of Reserves (Cumulative)</b>	<b>1,616</b>	<b>14,325</b>	<b>15,107</b>	<b>21,450</b>
Potential Loss of Better Care Funding	2,100	2,100		

## CAPITAL STRATEGY 2017/21

### 1 Introduction

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

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

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

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

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

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

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



## **2 Planning Infrastructure**

### **2.1 Business Plan 2017-2021**

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

### **2.2 Target Operating Models (TOMs)**

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

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

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

### **2.3 Service Plans**

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

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

### **3 Accounting Definitions and Practices**

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

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

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

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

## **4 Corporate and strategic capital expenditure appraisal planning and control**

### **4.1 Capital Programme Board**

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

#### 4.1.2 The Terms of Reference of the Board are:

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

#### 4.1.3 The role of the Board is to:

- Set framework and guidelines for capital bids;
- Draft the capital programme for consideration by CMT and Cabinet;
- Review capital bids and prioritise in accordance with the Council's strategic objectives;
- Identify and allocate capital funds;
- Monitor progress of capital programmes/projects and key variances between plans and performance;

- Monitor budgets of capital programmes/projects against forecasts;
  - Monitor benefits and ensure they are realised. Monitor capital receipts
  - Develop and share good practice
- 4.1.4 The Board will be accountable to the Corporate Management Team who will receive reports and escalated matters from the Board on a regular basis. CMT will set the strategy and direction, the Capital Programme Board will operationalise this and escalate concerns and ideas. The Board will refer to, and take advice from, the Procurement Board on any proposals and/or decisions that have a procurement dimension. The Board will work closely with the Property and Asset Management Board on any property/asset related proposals.
- 4.1.5 The Board will make agendas and minutes available to the other Governance Boards within 5 working days of the meeting.
- 4.1.6 During the budget process the Director of Corporate Services recommends to cabinet an initial view as to how the Capital Programme should be funded. However, this recommendation will be informed by the Capital Programme Board's consideration of the capital receipts available and the forecast of future property disposals and the final funding during the closure of accounts will depend on the precise financial position. At this stage it is intended to utilise internal borrowing, capital grant, direct revenue financing, capital receipts and earmarked reserves. Any capital loans given out by the authority will be funded from capital receipts as the repayments will be received as capital receipts. It will be reported to Members as and when it is proposed to use external borrowing.
- 4.1.7 The council has had a robust policy for many years of reviewing its property holding and disposing of surplus property, detailed in the Asset Management Plan (AMP) which also includes policy and procedures for land and property acquisition. All capital receipts are pooled, unless earmarked by cabinet, and are used either to finance further capital investment or for the payment of premiums on repayment of higher interest loans.

## **4.2 Capital Programme Approval and Amendment**

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

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

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

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

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

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

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

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

### 4.3 Capital Monitoring

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

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

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

#### **4.4 Risk Management**

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

### **5 Revenue budget implications of capital investment**

#### **5.1 Revenue cost or savings**

- 5.1.1 The **draft** capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. In 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17, it was possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case alongside the use of capital receipts within the current planning period (up to 2020/21). This will be kept under review as part of general Treasury Management.
- 5.1.2 The revenue effects of the capital programme are from capital financing charges and from additional revenue costs such as annual maintenance charges. The capital financing charges are made up of interest payable on loans to finance the expenditure and of principal repayments on those loans. The principal repayments commence in the year after the expenditure is incurred and are calculated by the application of the statutory Minimum Revenue Provision. The interest commences immediately the expenditure is incurred. The revenue effects of the capital programme are fully taken account of in the MTFs, with appropriate adjustments for slippage, timing of capital payments and the use of internal investment funds.

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

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

## 6 Capital resources 2017-21

### 6.1 Variety of sources

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

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

### 6.2 Annual Minimum Revenue Provision (MRP) Statement

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

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

## 7 Asset management review

### 7.1 Capital receipts

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

## 7.2 Property as a corporate resource

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

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

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

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

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

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

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

## 8 Summary of estimated disposals 2017-2021

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

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



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

8.1.3 The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

Officers are currently considering how to utilise this flexibility to progress key transformation projects such as the housing zone and related redundancy costs.

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

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

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

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

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

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

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

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

disposal time for some properties if they are listed as assets of community value by the Council.

## 8.2 Debt repayment

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

## 9 Grant Funding Capital Resources

### 9.1 Environmental and Regeneration

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

\* Indicative and likely to reduce  
TBA – To Be Advised

### 9.2 Children, Schools and Families

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

\* Based on Indicative Information

TBA – To Be Advised

### 9.3 Community and Housing

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

### 9.4 Summary of Grant Funding 2017-2021

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

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

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

## 10 Summary of Total Resources 2017-21:

### 10.1 Summary

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

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

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

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

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

**Indicative Capital Programme 2021 to 2026**

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

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

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

## **11 Capital Bids and Prioritisation Criteria**

### **11.1 Prioritisation of schemes 2020/21**

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

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

## **12 Detailed Capital Programme 2017-21**

### **12.1 Corporate Services**

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

leverage match funding or to enable transformation of services. Annex 1 provides the overall scheme level for approval and Annex 3 provides a detailed breakdown of projects.

### 12.3 Children, Schools and Families

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

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

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

#### **CSF capital programme 2017-21**

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

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

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

#### **Secondary school places**

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

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

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

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

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

### Special school places

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

Other schemes

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

## 12.3 Environment and Regeneration

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

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

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

Waste Operations	160,500	2,719,500	40,000	40,000
<b>Environment &amp; Regeneration</b>	<b>17,735,840</b>	<b>16,747,750</b>	<b>7,079,950</b>	<b>5,017,000</b>

### 12.3.1 Highways Planned Road Works and Footways Planned Works

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

### 12.3.2 Highways General Planned Works

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

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

### 12.3.3 Leisure

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

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

### 12.3.4 Future Merton

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

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



Transportation Enhancements	0	1,000	3,000	1,000
<b>Total Regeneration Partnerships</b>	<b>1,146</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>

## 12.4 Community and Housing

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

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

## 12.5 Overall Programme

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

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

12.5.2 The funding details for the programme follow at Annex 2

12.5.3 Within the funding details the authority has anticipated some slippage for schemes that require a consultation process or a planning application or where the implementation timetable is not certain. The slippage anticipated reduces the spend in the year it is budgeted but increases the spend in the

following year when it is incurred. When slippage from 2016/17 is approved, the 2017/18 Capital Programme will be adjusted accordingly.

- 12.5.4 Annexe 1 Capital Investment Programme - Schemes for Approval
- Annexe 2 Funding the Capital Programme 2017-21
- Annexe 3 Detailed Capital Programme 2017-21
- Annexe 4 Analysis of Growth/(Reduction) from current approved programme
- Annexe 5 Indicative Capital Programme 2021-26

**CAPITAL INVESTMENT PROGRAMME - SCHEMES FOR APPROVAL - ANNEX 1**

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

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

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

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

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

**Please Note**

- 1) Excludes expenditure budgets relating to Disabled Facilities Grant funding from 2017/18.
- 2) Excludes expenditure budgets relating to Transport for London Grant from 19/20 as grant funding has not been announced.
- 3) Excludes expenditure budgets relating to Devolved Formula Capital for schools from 2017/18 as grant funding has not been announced.
- 4) Excludes any expenditure budgets relating to a Housing Company

FUNDING THE CAPITAL PROGRAMME 2016-21

Annex2

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

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

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

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

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

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

## DETAILED CAPITAL PROGRAMME 2017-21 Continued....

## ANNEX 3

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

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

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

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

## Please Note

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

## DETAILED CAPITAL PROGRAMME 2017-21 Continued....

## ANNEX 3

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



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

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

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

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

\*\* Negative growth in the capital programme is as a result of reduction when compared to the approved (17/20) and indicative (20/21)

## INDICATIVE CAPITAL PROGRAMME 2021-26

## ANNEX 5

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

## INDICATIVE CAPITAL PROGRAMME 2021-26 Continued.....

## ANNEX 5

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

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

\*\* Negative growth in the capital programme is as a result of reduction when compared to the approved (17/20)and indicative (20/21) programme.

## Please Note

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

**AUTUMN STATEMENT 2016**

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

**UK Economy**

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

**Key Economic & Fiscal Indicators**

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

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

**Public finances and fiscal policy**

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

**Public Spending**

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

**Departmental Expenditure Limits**

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

Table 1.5 (Autumn Statement): Total Managed Expenditure<sup>1,2</sup> (in £ billion, unless otherwise stated)

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

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

### National Productivity Investment Fund (NPIF)

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

Table 3.1 (Autumn Statement): National Productivity Investment Fund (£ million)<sup>1</sup>

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

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

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

<sup>3</sup> Figures show PSGI impact of policies only, and do not include funding for the Digital Infrastructure Investment Fund.

<sup>4</sup> Capital budgets have not yet been set for 2021-22. Allocation of the £7 billion will be made in due course alongside wider capital budgets.  
Source: HM Treasury.

## Housing

The government will publish a Housing White Paper shortly, setting out a comprehensive package of reform to increase housing supply and halt the decline in housing affordability. In the Autumn Statement the Chancellor announced a £2.3bn Housing Infrastructure Fund to build 100,000 new houses in areas of high demand. Funded by a new National Productivity Investment Fund (NPIF) and allocated to local government on a competitive basis it is intended to “provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest”

Affordable homes – the government will relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives. The NPIF will provide an additional £1.4 billion to deliver an additional 40,000 housing starts by 2020-21.

Affordable housing settlement - The government confirmed the GLA’s affordable housing settlement will be £3.15 billion, to deliver over 90,000 housing starts by 2020-21.

Right to Buy – The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with Right to Buy discounts under the pilot.

## Business Rates

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

## Public Spending and Welfare

The Government remains committed to delivering overall spending plans set at Spending Review 2015. All new announcements in the Autumn Statement, apart from the NPIF, are fully funded. The government intends to deliver the welfare savings already identified but has no plans to introduce further welfare savings measures in this Parliament beyond those already announced.

Universal Credit taper – From April 2017, the taper rate that applies in Universal Credit will be reduced from 65% to 63%. The Government estimates that 3 million households will benefit from this change.

### Local Housing Allowance (LHA) rates in social housing

The implementation of the cap on Housing Benefit and LHA rates in the social rented sector will be delayed by 1 year, to April 2019. The cap will be applied to all supported housing tenancies from April 2019, and the government will provide additional funding to Local Authorities, so that they can meet the additional costs of supported housing in their area. For general needs housing, the cap will now apply from April 2019 for all tenants on Universal Credit, and to Housing Benefit tenants whose tenancies began or were renewed since April 2016.

## Employment

National Living Wage and National Minimum Wage rates – Following the recommendations of the independent Low Pay Commission, the Government will increase the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017. This is estimated to mean a pay rise for over a million workers.

Off-payroll working rules – the Government confirmed it will reform the offpayroll working rules in the public sector from April 2017 by moving responsibility for operating them, and paying the correct tax, to the body paying the worker’s company. The 5% tax-free

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

**Local infrastructure**

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

**Flood defence and resilience**

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

**English devolution**

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

**Potential Impact on Local Government Funding**

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

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