

**Committee:** Cabinet

**Date:** 20 February 2023

**Agenda item:**

**Wards:** All

**Subject:** Budget and Medium Term Financial Strategy 2023-27

**Lead officer:** Interim Executive Director, Finance and Digital  
Roger Kershaw

**Lead member:** Councillor Billy Christie

**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.

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## Recommendations:

1. That Cabinet considers and agrees the response to the Overview and Scrutiny Commission;
2. That the Cabinet resolves that, having considered all of the information in this report and noted the positive assurance statement given by the Interim Executive Director, Finance and Digital based on the proposed Council Tax strategy, the maximum Council Tax in 2023/24, equating to a Band D Council Tax of £1,449.68, which is an increase of below 5% be approved and recommended to Council for approval.
3. That the Cabinet considers all of the latest information and the comments from the scrutiny process, and makes recommendations to Council as appropriate
4. That Cabinet resolves that the Budget and Medium Term Financial Strategy 2023-27 including the General Fund Budget and Council Tax Strategy for 2023/24, and the Medium Term Financial Strategy (MTFS) for 2023-27 as submitted, along with the draft Equality Assessments (EAs), be approved and recommended to Council for approval subject to any proposed amendments agreed at this meeting;
5. That the Cabinet resolves that, having considered all of the latest information and the comments from the scrutiny process, the Capital Investment Programme (as detailed in Annex 1 to the Capital Strategy); the Treasury Management Strategy, including the detailed recommendations in that Section, incorporating the Prudential Indicators and the Capital Strategy as submitted and reported upon be approved

and recommended to Council for approval, subject to any proposed amendments agreed at this meeting;

6. That Cabinet notes that the GLA precept will not be agreed by the London Assembly until the 23 February 2023, but the provisional figure has been incorporated into the draft MTFS
  7. That Cabinet request officers to review the savings proposals agreed and where possible bring them forward to the earliest possible implementation date
  8. That Cabinet note that there may be minor amendments to figures and words in this report as a result of new information being received after the deadline for dispatch and that this will be amended for the report to Council in March.
  9. That Cabinet consider and approve the Risk Management Strategy.
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## **1. Purpose of report and Executive Summary**

- 1.1 This report summarises the work that has been undertaken since April 2022 towards formulating the Budget and Medium Term Financial Strategy 2023-27 including the Budget for 2023/24, Medium Term Financial Strategy 2023-27, Treasury Management Strategy and Capital Strategy 2023-27. It describes the steps taken to ensure that business planning is integrated with financial planning. It sets out details of how the budget has been structured to ensure that a balanced budget is set for 2023/24 and progress towards a balanced budget over the medium term. A separate section is provided for Schools budgets.
- 1.2 The report sets out the draft Capital Programme 2023-27. It details the work that has been undertaken to produce a programme that is aligned with business planning requirements and also integrated with the revenue budget.
- 1.3 The Medium Term Financial Strategy (MTFS) is updated to reflect the Council's anticipated financial outlook over the period 2023-27.
- 1.4 The Cabinet is being invited to consider the various responses from scrutiny bodies to the draft budget proposals as set out in a separate report on the agenda for this meeting. The Overview and Scrutiny Commission and panels considered the budget savings proposals agreed by Cabinet on 5 December 2022 and 16 January 2023.

## **2. Introduction**

- 2.1 At this Cabinet meeting, Members are presented with reports that provide a comprehensive presentation of all issues relevant to the formulation of the Council's Budget and Medium Term Financial Strategy 2023-27

- 2.2 The report includes details about the General Fund revenue budget and explains how this information has been used to produce a draft budget and Council Tax levy.
- 2.3 The Council's Budget 2023-27 consists of a number of key elements and the report is structured into three main sections for ease of reference :-
- Section 1: The Medium Term Financial Strategy including the General Fund Revenue Budget and Council Tax strategy;
  - Section 2: The Capital Strategy and Treasury Management Policy Statement;
  - Section 3: Schools budgets – funded by Dedicated Schools Grant (DSG)
  - Section 4: Risk Management Strategy

2.4 The Scrutiny Function

2.4.1 The Overview and Scrutiny Commission and Panels considered new savings proposals and proposed amendments to previously agreed savings and the draft capital programme 2023-27 agreed by Cabinet on 5 December 2022 during the January 2023 cycle of meetings. Draft Equalities Impact Assessments associated with new savings proposals and draft Service Plans were also included in the Member's Information Packs sent to all Members at the end of December 2022 and considered by Scrutiny panels and the Commission during the January 2023 cycle of meetings. On 16 January 2023, Cabinet considered and agreed additional savings proposals and also referred these to the Overview and Commission for consideration at its meeting on 25 January 2023.

During the January 2023 cycle of meetings, the available details relating to the MTFs, revenue and capital budgets and the Business Plan have been considered by the Scrutiny Panels on the following dates:-

Healthier Communities & Older People Overview & Scrutiny Panel	10 January 2023
Children and Young People Overview & Scrutiny Panel	11 January 2023
Sustainable Communities Overview & Scrutiny Panel	19 January 2023
Overview and Scrutiny Commission	25 January 2023

2.5 Feedback from Scrutiny Process

A summary of findings and recommendations from the Overview and Scrutiny Commission is provided in a comprehensive report on the scrutiny of the Budget and Medium Term financial Strategy 2023-27 as a separate report on the agenda for this meeting.

- 2.6 This report incorporates the outcome of the final Local Government Finance Settlement. Appendix 1 provides the Council Tax resolutions.
- 2.7 The meeting of the Council, to set the Council Tax and General Fund budget (revenue and capital) for 2023/24 and agree Medium Term Financial Strategy 2023-24 will be on 1 March 2023.
- 2.8 Delivery of the Business Plan, including the budget and service plans, will be monitored throughout the year in line with the corporate Performance Management Framework.

### **3. Budget 2023/24 and Medium Term Financial strategy 2023-27**

- 3.1 Further information about the Budget 2023/24 and the Medium Term Financial Strategy 2023-27 is included in Section 1 of this report.

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

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

### **5. Legal and statutory implications**

- 5.1 The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
- 5.2 The Localism Act 2011 amended the legislation regarding the calculation of council tax. It also provides for a council tax referendum to be held if an authority increases its relevant basis amount of council tax in excess of principles determined by the Secretary of State.
- 5.2.1 The Secretary of State has ruled that for most principal authorities, which includes Merton council, for 2023-24, the following referendum principles will apply :-
- For 2023/24, the relevant basic amount of council tax of an authority such as a London borough, is excessive if the authority's relevant basic amount of council tax for 2023-24 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2022-23.

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

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

- 6.1 In identifying spending reductions, services where at all feasible, have sought to minimise the impact of the reductions on traditionally disadvantaged groups. The proposed budget reflects the Council's spending priorities for the year and the Council's core commitment to equal opportunities in employment and service delivery. The Council has a corporate policy of endeavouring to redeploy staff affected by reorganisation and other staffing changes. Every effort is therefore made to redeploy any staff affected by spending reductions.
- 6.2 A number of meetings with Staff Side have taken place and they have been advised of the Council's savings proposals and consultation is

ongoing and they will be further involved in any proposals affecting staff when they are to be implemented.

- 6.3 It is anticipated that the Budget will be set at a level which enables the Council to continue to be Human Rights compliant.
- 6.4 Equality and community issues are also addressed in savings proposals. Draft equalities assessments of savings proposals have been provided and these were discussed at Scrutiny meetings.

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

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

## **8. Consultation undertaken or proposed**

- 8.1 Reports have been made on progress of the Budget and Medium Term Financial Strategy to Cabinet on 10 October 2022, 5 December 2022 and 16 January 2023.
- 8.2 In addition, Scrutiny Panels and the Overview and Scrutiny Commission have scrutinised the proposed budget and Medium Term Financial Strategy .
- 8.3 There have been and will be further detailed consultations held by all service departments in relation to some of their proposals.
- 8.4 In accordance with statute, consultation will take place with business ratepayers at a meeting to be held on 15 February 2023. A verbal update will be provided at the Cabinet meeting.
- 8.5 Further, regarding the capital programme, meetings of the Capital Programme Board were held, consisting of key officers from each department.

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

**SECTION 1: Budget 2023/24 and Medium Term Financial Strategy 2023-27**

Appendix 1:	Draft Resolutions to Council
Appendix 2:	Local Government Finance Settlement 2022-23
Appendix 3:	Collection Fund, Council Tax Base, NNDR1 and Funding Methodology
Appendix 4:	Other Corporate items in the MTFS
Appendix 5:	Analysis of the transition from Council in March 2021 to a balanced budget
Appendix 6:	Statement of Council Tax requirements and balances
Appendix 7:	Revised MTFS incorporating changes
Appendix 8:	Reserves
Appendix 9:	Budget summaries 2023/24
Appendix 9a:	Standard Subjective Analysis
Appendix 10:	Risk Analysis for the General Fund

**SECTION 2: Capital Strategy and Treasury Management Strategy 2023-27**

**SECTION 3: Schools budget 2023/24**

**SECTION 4: Risk Management**

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

Reports to Cabinet  
Budget files in Corporate Services department  
Centrally held financial information and other papers held by the Children Schools and Families Finance Team.

**SECTION 1: GENERAL FUND REVENUE BUDGET 2023/24, COUNCIL TAX STRATEGY AND MEDIUM TERM FINANCIAL STRATEGY 2023-27**

**1. Background to Financial Planning**

- 1.1 The approach to Medium Term Financial Planning provides a great deal of flexibility in decision making and enables the impact of alternative options to be modeled. This has assisted with progress towards a balanced budget over the four year plan.
- 1.2 The MTFS has been re-priced and rolled forward a year so that each year from 2023/24 to 2026/27 starts from the approved budget 2022/23 and is built up showing the cumulative effect of variations over the period. Council on 2 March 2022 agreed the Budget 2022/23 and MTFS 2022-26. Whilst a balanced budget was set for 2022/23 there was a gap remaining in future years which needs to be addressed, as shown in the following table:-

**Table 1: Budget Gap Council 2 March 2022**

	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>
MTFS gap (cumulative)	4,618	18,791	21,659	27,767

- 1.3 Since then, reports to Cabinet on 10 October 2022, 5 December 2022 and 16 January 2023 have presented updated information to Members, setting out the financial implications as assumptions have been reviewed and decisions made.
- 1.4 The decisions made in respect of each element of the MTFS impact on the overall financial position of the Authority. To balance the budget over 2023-27, an overall package of decisions of options and variables that need to be included in the budget have been modelled, enabling the impact of different scenarios to be seen. The details set out in this section summarise those that represent the most up to date information available.
- 1.5 The development of the MTFS 2023-27 is the first for two years that hasn't been heavily impacted by the pandemic. COVID-19 has clearly affected the past two financial years and although there is some residual impact, the main issue in formulating the budget for 2023/24 is the current cost of living crisis and high level of inflation. This is going to continue to have implications across the MTFS planning period and as far as possible the financial impact has been recognised in the Business Plan reports to Cabinet.
- 1.6 Setting a Balanced Budget
- 1.6.1 Resource and expenditure projections have been continually updated throughout the year to inform Members and officers of the overall position



for 2023-27. A four-year forward plan is presented, but it is still a legal requirement that a balanced (i.e. fully funded) budget is achieved for 2023/24. There are a number of ways in which a balanced budget is achieved:

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

1.6.2 Budget savings proposals have been formulated within the overall constraints of the resource projections. The proposals have been approved in principle by the Cabinet and then considered by Overview and Scrutiny Panels as part of the scrutiny process. Scrutiny Panels met during January 2022 and their feedback on the Council's spending proposals is set out in a separate report elsewhere on the agenda for this meeting.

1.6.3 The Medium Term Financial Strategy (MTFS) for the Council supports the achievement of the business plan and any financial implications arising from the agreed plan are included in financial planning for 2023/24 and beyond. The MTFS brings together all of the key elements relating to the Council's financial position which are reflected in the General Fund, and the Capital Programme.

1.6.4 The last detailed MTFS which was reported to Cabinet on 16 January 2023 showed that the budget gap was:-

**Table 2: Budget Gap Cabinet 16 January 2023**

	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Cumulative				
MTFS Gap (Cabinet January '23)	0	0	2,523	5,859

1.6.5 As with previous years, the business planning process is a multi-year approach and this includes a review of total planned expenditure and income over the period 2023-27.

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

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

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

## 2. **Local Government Finance Settlement 2023-27**

### 2.1 Local Government Finance Settlement

2.1.1 The financial projections in the report to Cabinet on 16 January 2023 were based on the information as announced in the provisional Local Government Finance Settlement on 19 December 2022. Information in this report has been updated as more information has become available. The Settlement was only for one year, 2023/24 but there has been an indication that funding for some grants will continue. The ongoing cost of living crisis and high level of inflation continues to present the government with significant challenges, and it is difficult to forecast future inflation levels with certainty. This makes it extremely difficult for the Council to plan over the medium term.

2.1.2 The Final Local Government Finance Settlement allocations were published on 6 February 2023 and details in this report have been updated for this.

#### 2.1.5 Council Tax Referendum Threshold

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

- For 2023-24, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2023-24 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2022-23

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

### 2.2 Settlement Funding Assessment and Business Rates

2.2.1 Merton's Settlement Funding Assessment allocation did not change in the Final Settlement from that reported to Cabinet on 16 January 2023 to which the following information on the Council's Settlement Funding Assessment (Revenue Support Grant + Retained Business Rates) was reported

**Table 3: Settlement Funding Assessment 2023/24**

a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 5.3% nationally and 5.5% in London. The details for Merton are:-

MERTON	2022-23 £m	2023-24 £m	Change £m	Change %
Settlement Funding Assessment	41.311	43.415	2.104	5.1
of which:				
Revenue Support Grant (RSG)	5.350	6.108		
Baseline Funding Level (BFL)	35.961	37.307		
(Tariff)/Top-Up (Included in BFL)	41.311	43.415		
	9.534	6.679		

b) Core Spending Power will increase by 9.4% in cash terms nationally and 9.3% in London. There have been several changes since the provisional Settlement. Services Grant has increased by £19m nationally, Rural Services Delivery Grant by £10m nationally, New Homes Bonus by £0.7m nationally, and the Funding Guarantee has reduced by £3m nationally.

Merton's Core Spending Power has increased by £57,000 in the Final settlement and this is due an increase in the Services Grant allocation. Services Grant was introduced in 2022/23 as a one-off grant to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government but has been retained for a further year. Merton's Core Spending Power is as follows:-

Merton Core Spending Power: Local Government Finance Settlement 2023/24:	2022-23	2023-24	Year on Year Change	
	£ millions	£ millions	£ millions	%
Settlement Funding Assessment	41.311	43.415	2.104	5.1%
Compensation for under-indexing the business rates multiplier	3.675	6.355	2.679	72.9%
Council Tax Requirement excluding parish precepts	104.984	110.834	5.850	5.6%
Improved Better Care Fund	5.010	5.010	0.000	0%
New Homes Bonus	0.482	0.732	0.250	51.9%
Social Care Grant	6.282	10.430	4.148	66.0%
Market Sustainability and Fair Cost of Care Fund	0.505	0.000	(0.505)	-100%
ASC Market Sustainability and Improvement Fund	0.000	1.751	1.751	N/A
Lower Tier Services Grant	0.429	0.000	(0.429)	-100%
ASC Discharge Fund	0.000	0.702	0.702	N/A
Services Grant	2.479	1.454	(1.025)	-41.3%
Grants rolled in	0.516	0.000	(0.516)	-100%
Funding Guarantee	0.000	0.000	0.000	N/A
<b>Core Spending Power</b>	<b>165.672</b>	<b>180.683</b>	<b>15.011</b>	<b>9.1%</b>
	Change £m	15.011		
	Change %	9.1%		

- 2.2.2 Further details on the grants and New Homes Bonus are included in Appendix 2.
- 2.2.3 Outside of the Final Local Government Settlement, the government also announced on 6 February 2023 that every authority in England will receive a share of the accumulated surplus currently held in the business rates levy account. It was confirmed that £100 million will be returned to the sector on a one-off basis to be distributed based on each local authority's 2013/14 Settlement Funding Assessment.

Merton's share of this allocation is £301,587.

### **3. Review of Corporate and Technical Provisions**

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

#### **3.2 Review of Technical and Corporate Provisions**

- 3.2.1 Technical and corporate adjustments incorporated in the MTFS have been reported to Cabinet throughout the business planning process for 2023/24.
- 3.2.2 The key assumptions included in the MTFS have been continually reviewed and updated as the budget process has developed. It should be noted that any one-off adjustments will need to be addressed in future years. The latest information is set out in the following paragraphs :-

#### **3.3 Inflation**

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

#### **3.3.2 Pay**

2022-23: As reported to Cabinet in December 2022, the 2022/23 the pay award was agreed at c.6% but provision of 2% was included In the MTFS for 2022-26.

As reported to Cabinet in October 2022, each 1% of pay costs c. £0.990m and the following ongoing provision of a c. 6% pay award in 2022/23 has been included in the MTFS 2023-27:-

**Table 6: Provision for 2022/23 Pay Award in the MTFS**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Additional Impact of a 6% pay award	3,960	4,039	4,120	4,202

2023/24 and future years:

The provision for future pay awards currently included in the MTFS 2023-27 as reported to Cabinet in October 2022 is :-

**Table 7: Provision for Pay inflation over the MTFS period**

(Cumulative £000)	2023/24	2024/25	2025/26	2026/27
Pay inflation (%)	3.0%	2.0%	2.0%	2.0%
MTFS 2023-27 (Latest)	2,974	4,957	6,940	8,923

It is recognised that the inflation rate is currently much more than 3% so if the 2023/24 award exceeds 3%, each 1% will cost c.£0.990m.

Further details on the pay negotiations for 2023/24 and beyond, and the impact on the MTFS will be reported when they are known.

London Living Wage

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

**Table 8: Provision for additional cost of LLW on major contracts**

(Cumulative)	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Additional cost of LLW on major contracts based on contract renewal date	711	2,382	2,430	2,478

3.3.3 Prices

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

**Table 9: Price inflation**

(Cumulative)	2023/24	2024/25	2025/26	2026/27
Price inflation (%)	3%	2%	1.5%	1.5%

The Consumer Prices Index (CPI) rose by 10.5% in the 12 months to December 2022, down from 10.7% in November. CPI rose by 0.4% in December 2022, compared with a rise of 0.5% in December 2021. The largest downward contribution to the change in both the CPIH and CPI

annual inflation rates between November and December 2022 came from transport (particularly motor fuels), clothing and footwear, and recreation and culture, with rising prices in restaurants and hotels, and food and non-alcoholic beverages making the largest partially offsetting upward contributions. The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 9.2% in the 12 months to December 2022, down from 9.3% in November. The largest upward contributions to the annual CPIH inflation rate in December 2022 came from housing and household services (principally from electricity, gas, and other fuels), and food and non-alcoholic beverages. The RPI rate for December 2022 was 13.4%, down from 14.0% in November 2022.

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

**Table 10: Short Term Forecasts for the UK Economy**

Source: HM Treasury - Forecasts for the UK Economy (January 2023)			
	Lowest %	Highest %	Average %
2022 (Quarter 4)			
CPI	8.9	11.2	10.7
RPI	11.6	18.6	13.7
LFS Unemployment Rate	3.5	4.1	3.7
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	2.3	7.4	5.0
RPI	4.1	11.0	6.8
LFS Unemployment Rate	3.2	5.5	4.5

Independent medium-term projections for the calendar years 2022 to 2026 are summarised in the following table:-

**Table 11: Medium Term Forecasts for the UK Economy**

Source: HM Treasury - Forecasts for the UK Economy (November 2022)					
	2022	2023	2024	2025	2026
	%	%	%	%	%
CPI	9.0	7.4	3.2	2.6	2.7
RPI	10.4	9.0	4.1	4.0	3.9
LFS Unemployment Rate	3.7	4.2	4.3	4.1	4.2

### 3.3.4 Provision for Excess Inflation:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the inflation

allowance provided when setting the budget. There has been a significant increase in inflation and the cost of living since the budget was set in March 2022. As indicated in Table 11, it is expected that the level of inflation will remain very high during 2023 before falling in 2024 and thereafter. Given this forecast the provision has been increased in 2023/24 with a reduced provision in future years-

**Table 12: Provision for Excess Inflation**

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Provision for Excess inflation (Cabinet Jan.2023)	5,208	3,808	3,808	3,808

### 3.3.5 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.

### 3.4 Collection Fund

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

3.4.2 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly. The draft accounts for 2021/22 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2022:-

**Table 13: Collection Fund Surplus/Deficit as at 31 March 2022**

	Surplus/ (deficit) as at 31/03/22 Outturn	Surplus/ (deficit) as at 31/03/22 Outturn	Total surplus/ (deficit) as at 31/03/22
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(4,745)	(4,745)
GLA	590	(5,323)	(4,733)
Merton	1,949	(4,317)	(2,368)
Total	2,539	(14,385)	(11,846)

3.4.3 A review of the Collection Fund, related bad debt provisions, write offs, appeals and collection rates in 2022/23 and anticipated collection rates in 2023/24 has been undertaken. With respect to Business Rates, the NNDR1 return has been submitted which analyses the estimated Business Rates for 2023/24, estimated surplus/deficit as at 31<sup>st</sup> March 2023 and estimated Section 31 Grant for 2023/24, and the allocations between Merton, Central Government, and the GLA. For 2022/24

Business Rate Retention the shares will be 33% central government , 37% GLA and 30% Merton.

3.4.4 As a result of the further analysis, the estimated surplus/deficit on the Collection Fund as at 31<sup>st</sup> March 2023 is as follows:-

**Table 14: Estimated Collection Fund Surplus/Deficit at 31 March 2023**

	Surplus/ (deficit) as at 31/03/23 Estimate	Surplus/ (deficit) as at 31/03/23 Estimate	Total surplus/ (deficit) as at 31/03/23
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(1,860)	(1,860)
GLA	314	(2,085)	(1,771)
Merton	1,018	(1,690)	(672)
Total	1,332	(5,635)	(4,303)

3.4.5 Collection Fund Deficits 2022/23 – Business Rates and Council Tax

This report includes the latest forecasts of the surplus/deficits for the Collection Fund 2022/23 for council tax and business rates. These will be the final forecasts for 2023/24 to be included within the council's Council Tax requirement 2023/24 and MTFs 2023-27.

**Council Tax:**

Based on a review in January 2023 of the bad debt provision and amounts to be written off during 2022/23, it is estimated that there will be a forecast surplus of £1.332m arising from Council Tax as at 31 March 2023.

There are two elements which make up the balance as at 31 March 2023

These are set out in the following table:-

**Table 15: Estimated Council Tax Surplus in 2022/23 payable in 2023/24**

Net Surplus apportionment for 2023/24	GLA £	LBM £	TOTAL £
Adjusted Collection Fund balance for 2022/23	544,639	1,907,986	2,452,625
2023-24 Estimated Deficit re 2020/21	(230,711)	(890,387)	(1,121,098)
<b>Total share of the estimated surplus for 2022-23 to be paid in 2023/24</b>	313,928	1,017,599	1,331,527



## **Business Rates**

The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2023/24 is included in Appendix 3.

The calculation has been made more complicated by 2020-21 Collection Fund deficit phasing. On 2 July 2020, the Secretary of State announced that in response to the exceptional circumstances resulting from the COVID-19 pandemic, local authorities would be able to spread the payment of any estimated 2020-21 collection fund deficit over 3 years. 2023/24 is the final year of spreading the 2020/21 deficit

**Table 16: Estimated Business Rates Deficit apportionment**

	Government £000	Merton £000	GLA £000	Total £000
<u>2022/23 deficit to be paid in 2023/24</u>				
Prior Year Surplus/(Deficit)	192	174	215	581
In Year Surplus/(Deficit)	(1,420)	(1,290)	(1,592)	(4,302)
Total to be paid in 2022/23	(1,228)	(1,116)	(1,377)	(3,721)
<u>2020-21 deficit To be paid in 2023/24</u>				
Prior Year Surplus/(Deficit)	(632)	(574)	(708)	(1,914)
<b>Total Surplus/(Deficit) @ 31/3/2023</b>	<b>(1,860)</b>	<b>(1,690)</b>	<b>(2,085)</b>	<b>(5,635)</b>

### 3.4.7 Freedom Passes

Freedom Passes are administered by London Councils on behalf of London boroughs. Over the past year demand has begun to recover from the impact of COVID19. The number of journeys has increased and the Settlement is expected to cost 14% more than last year. This means that the effects of COVID19 will work through the settlement over the next three years. London Councils has now concluded its annual negotiations with transport operators

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

- The estimated average number of journeys made by Freedom Pass holders over the past two years
- Previous work to calculate expected average fares per trip taking into account fare increases and decreases within a “basket of fares”

When forecasting demand, London Councils officers have attempted to establish a baseline, as well as lower range higher range scenarios.

As reported to Cabinet in January 2023 London Councils provided a Lower range, Baseline, and Higher range estimate of the cost to Merton

of Freedom Passes and for the purposes of the MTFS, the higher range has been included as follows:-

**Table 17: Provision for Freedom Pass costs in the MTFS**

	MTFS 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m
Latest forecast (Higher range for 2024-26)	5.964	8.669	10.843	13.017

### 3.5 DSG DEFICIT

3.5.1 As part of the Autumn Statement published on 17 November 2022, the Chancellor of the Exchequer announced an additional £2 billion net for the national core schools budget in each of the next two years, on top of the existing provisional allocations published in July.

3.5.2 The Department for Education’s Funding Policy Unit has advised Merton that we should assume that the Council will receive an additional £1.8m of high needs funding in 2023-24, on top on the provisional funding allocation announced in July, taking the total allocation to £48.5m. In addition, we should also assume that this funding will form part of Merton’s baseline funding, and should therefore be included within the assumed 3% increases in subsequent years.

3.5.3 In light of this indicative settlement for High Needs Block, officers have revised the forecast for Merton’s Safety Valve Agreement.

3.5.4 Currently, the DSG deficit is represented in an unusable reserve and the Council is required to eliminate this by 2026/27. This will be achieved by the Safety Valve Agreement payments that the Council has negotiated with the Department for Education, application of the Council’s Spending Reserve and using the budget provision included for the Council’s contribution towards eliminating the deficit. Since the Safety Valve Agreement has been negotiated it has been possible to reduce the estimated annual budget contribution towards eliminating the deficit and this reduction was reported to Cabinet in October 2022.

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

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

<b>DSG Unusable Reserve</b>	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
B/F DSG Deficit	26.93	33.894	35.934	36.564	36.764
In year deficit	9.96	5.54	4.13	3.7	-0.9
Sub-total	36.894	39.434	40.064	40.264	35.864
Safety Valve Payments	(3.0)	(3.5)	(3.5)	(3.5)	(3.2)
<b>Deficit c/f</b>	<b>33.894</b>	<b>35.934</b>	<b>36.564</b>	<b>36.764</b>	<b>32.664</b>

3.5.6 Based on the latest forecast, the in-year deficit is eliminated by 2026/27 as per the Safety Valve Agreement. In the period up to 2026/27 the Council will cover the overall forecast deficit with the balance on the Council's reserve built up for this purpose which is added to the annual budget provision for the DSG deficit. Any surplus (Council reserve + annual budget) in excess of the balance on the DSG Deficit unusable reserve will be released for other purposes.

This is demonstrated in the following table:-

**Table 19: Reserve to cover DSG Deficit Unusable Reserve over the Safety Valve Agreement Period**

Reserve Cover for DSG	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m
B/f Provision	26.93	33.894	35.934	36.564	36.764
Budget provision for DSG Deficit	10.54	11.63	12.71	13.80	15.00
<b>Revised balance</b>	<b>37.47</b>	<b>45.522</b>	<b>48.648</b>	<b>50.363</b>	<b>51.764</b>
Sum Required to meet DSG Deficit	33.894	35.934	36.564	36.764	32.664
<b>Balance available to be released/(overspend)</b>	<b>3.576</b>	<b>9.588</b>	<b>12.084</b>	<b>13.599</b>	<b>19.100</b>
Less: Corporate contribution	0.5	0.5	0.5	0.5	0.5
<b>Balance added back to reduce gap</b>	<b>3.076</b>	<b>9.088</b>	<b>11.584</b>	<b>13.099</b>	<b>18.600</b>

3.5.7 This calculation was previously undertaken and reported to Cabinet at its meeting in January 2023. Provided that the plans to achieve the Safety Valve Agreement are achieved the DSG deficit will be eliminated by 2026/27.

### 3.6 Contingency

3.6.1 The latest MTFS includes provision of £2.5m in 2023/24 as a contingency to meet unforeseen cost and demand pressures with £3m in years 2024/25 to 2026/27.

### 3.7 Bad Debt Provision

3.7.1 The bad debt provision is calculated on the basis of an examination of debts within the council's financial systems to assess the probability of their collection. As part of the 2021/22 business planning process, due to the impact of the pandemic on residents and businesses it was deemed prudent to increase the provision for bad debts in 2021/22 and 2022/23 by £1m. Given the ongoing effects of Covid and inflationary pressures at the current time an increase of £0.500m has been made to the 2023/24 provision. The level of provision will be kept under review but over the MTFS period the current provision for bad debts is

**Table 20: Provision for Bad Debts**

	<b>2023/24</b> <b>£000</b>	<b>2024/25</b> <b>£000</b>	<b>2025/26</b> <b>£000</b>	<b>2026/27</b> <b>£000</b>
Bad Debt provision	1,000	500	500	500

### 3.8 Summary of Corporate and Technical Adjustments

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

## 4. **Proposed Amendments to Previously Agreed Savings**

### 4.1 **Unachievable Savings**

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

Where this is the case, in the first instance departments are asked to identify replacement savings from elsewhere within their overall budgets. It is accepted that unachievable savings have been more prevalent due to COVID19.

As reported to Cabinet in January 2023 and reported as part of the monthly monitoring report, there is one saving that will not be achieved and it will be necessary to adjust the MTFS to reflect this. The saving is in respect of saving 2020-21 CS11 which is for £50k from a restructure of the Commercial Services Section which will no longer take place following a service review.

## 5. Departmental Savings Proposals 2023-27

5.1 It was clear from the outset of the Business Planning process for 2023-27 that savings would be required to balance the MTFs over the four year period, with the added uncertainty of some ongoing implications of the pandemic on income and the cost of living crisis and high level of inflation.

### 5.3 Departmental Savings Proposals 2023-27

#### Controllable budgets and Savings Targets for 2023-27

Cabinet on 10 October 2022 agreed savings targets as follows:-

**Table 22: Savings Targets 2023-2027**

<b>SAVINGS TARGETS BY DEPARTMENT</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>Total £000</b>
Corporate Services	993	2,889	908	222	5,012
Children, Schools and Families	608	1,767	555	136	3,066
Environment and Regeneration	1,246	3,624	1,139	278	6,287
Community and Housing	1,392	4,049	1,273	311	7,025
<b>Total</b>	<b>4,239</b>	<b>12,329</b>	<b>3,875</b>	<b>947</b>	<b>21,390</b>
<b>Total (cumulative)</b>	<b>4,239</b>	<b>16,568</b>	<b>20,443</b>	<b>21,390</b>	

5.3 Service departments reviewed their budgets to identify savings proposals to meet their savings targets.

5.4 As reported to Cabinet in December 2022, initial proposals were considered and agreed by Cabinet and forwarded to Overview and Scrutiny Panels and Commission in January 2023:-

**Table 23: Savings Proposals – Cabinet 5 December 2022**

	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>TOTAL £000</b>
Corporate Services	880	0	(100)	0	780
Children, Schools and Families	523	0	0	0	523
Environment and Regeneration	582	0	0	0	582
Community and Housing	1,113	0	0	0	1,113
<b>TOTAL</b>	<b>3,098</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>2,998</b>
<b>Cumulative Total</b>	<b>3,098</b>	<b>3,098</b>	<b>2,998</b>	<b>2,998</b>	

- 5.5 Details of the December savings proposals are included in the Member's Information Pack.
- 5.6 Draft Equalities Assessments for new savings are also included in the Member's Information Packs.
- 5.7 Further savings proposals were considered and agreed by Cabinet on 16 January 2023 and these were referred to the Overview and Scrutiny Commission for comment. The January 2023 savings proposals are summarised in the following table:-

**Table 24: Savings Proposals – Cabinet 16 January 2023**

<u>Cumulative</u>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>TOTAL £000</b>
Corporate Services	0	0	0	0	0
Children, Schools and Families	562	179	0	0	741
Environment and Regeneration	630	188	102	30	950
Community and Housing	0	0	600	0	600
<b>Total</b>	<b>1,192</b>	<b>367</b>	<b>702</b>	<b>30</b>	<b>2,291</b>
<b>Total (cumulative)</b>	<b>1,192</b>	<b>1,559</b>	<b>2,261</b>	<b>2,291</b>	

**Table 25: Total Savings Proposals 2023-27**

<b>Total Savings 2023-27</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>TOTAL £000</b>
Corporate Services	880	0	(100)	0	780
Children, Schools and Families	1,085	179	0	0	1,264
Environment and Regeneration	1,212	188	102	30	1,532
Community and Housing	1,113	0	600	0	1,713
<b>TOTAL</b>	<b>4,290</b>	<b>367</b>	<b>602</b>	<b>30</b>	<b>5,289</b>
<b>Cumulative Total</b>	<b>4,290</b>	<b>4,657</b>	<b>5,259</b>	<b>5,289</b>	

## 6. Departmental Growth Proposals 2023-27

- 6.1 Service department's budgets were under pressure during the year and having reviewed their service projections against current budgets identified some growth requirements which were needed in order to meet service demands. Cabinet considered and agreed the growth proposals at its meeting in December 2022 and referred them to Overview and Scrutiny Panels for comment. Details of growth proposals were included in the Member's Information pack and are summarised in the following table:-

**Table 26: Growth Proposals 2023-2027**

<b>Cumulative growth</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>Total £'000</b>
Corporate Services	315	120	120	0	555
Children, Schools and Families	1,871	(475)	0	0	1,396
Environment and Regeneration	905	0	0	0	905
Community and Housing	274	0	(97)	0	177
<b>Total</b>	<b>3,365</b>	<b>(355)</b>	<b>23</b>	<b>0</b>	<b>3,033</b>
<b>Cumulative</b>	<b>3,365</b>	<b>3,010</b>	<b>3,033</b>	<b>3,033</b>	

7. Feedback from the Scrutiny Process:-

7.1 Comments from the Overview and Scrutiny Commission on 25 January 2023 are provided in a separate report on the agenda for this meeting.

7.2 Financial Implications of Changes arising from response to Scrutiny

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

8. **Budgetary Control 2022/23**

8.1 The revenue budgetary control information below summarises the corporate position using the latest available information as at 31 December 2022 as shown in a separate report on the agenda for this meeting.

8.2 At period 9 to 31 December 2022, the year-end forecast is a net £0.875m favourable variance compared to the current budget

**Table 27: Budget Monitoring Summary based on December 2022  
(Period 9)**

	Current Budget 2022/23 £000	Full Year Forecast (Dec.) £000	Forecast Variance at year end (Dec.) £000
Corporate Services	32,049	33,170	1,121
Children, Schools and Families	62,112	63,094	982
Environment & Regeneration	13,508	18,852	5,344
Community and Housing	67,879	68,303	425
Net Overheads	(272)	(272)	0
<b>Net Service Expenditure</b>	<b>175,275</b>	<b>183,147</b>	<b>7,872</b>
Corporate	(8,494)	(16,812)	(8,318)
<b>Total Expenditure</b>	<b>166,781</b>	<b>166,335</b>	<b>(446)</b>
Funding	(166,781)	(167,210)	(429)
<b>Net Expenditure</b>	<b>0</b>	<b>(875)</b>	<b>(875)</b>

8.3 Based on December 2022 monitoring, the following pressures have been flagged:-

- a) Corporate Services: Customers, Policy and Improvement, Infrastructure and Technology, Resources, Human Resources, Housing Benefits Rent Allowance subsidies.
- b) Children's Schools and Families: High cost and dependency on agency staff, high cost of child placements and transport, DSG deficit
- c) Environment and Regeneration: The main areas of variance are Regulatory Services, Parking Services, Waste, Leisure & Culture, Greenspaces, Development & Building Control, Future Merton and Safer Merton. The primary reasons are the reduced revenue within Parking Services of £2.6m, a projected utility budget overspend of approximately £1.2m and increased inflationary costs for services, materials and equipment.
- d) Community and Housing: Adult Social Care, Housing General Fund, and libraries and heritage.



## 9. Capital Financing and Treasury Management

### Treasury Management, Capital Financing and Investment Income:

- 9.1 Details are included in Section 2 of this report. Capital financing costs are derived from the draft capital programme which is included in the Capital Strategy and estimated revenue funding is built into the MTFs for the level of borrowing that is expected.
- 9.2 Details relating to how the capital programme has changed from that approved by Council in March 2022 to the capital programme for 2023-27 are discussed in the Capital Strategy part of this report and related appendices. The capital programme has continued to be subject to major review as part of monthly monitoring and the process of developing the Capital Strategy and Programme for 2023-27.
- 9.3 In addition to reviewing the capital programme, focus has also been maintained on the treasury management aspects of funding the programme, to improve forecasts of available funding and to minimise as far as possible the costs of funding capital. This has included improved cash flow forecasting to enable the programme to be funded from capital receipts and internal resources for as long as possible to take advantage of current low levels of interest. Work is also continuing to ensure that grants and contributions are utilised effectively and this work will continue into the closing of accounts process for 2022/23 to ensure that the revenue impact of the capital programme is minimised in 2023/24 and beyond.

### Revenue Implications of Current Capital Programme

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

- 9.4 There have been limited additions to the capital programme due to the current financial challenges and Budget Managers have been asked to further review current schemes in the programme to either reduce, defer or delete them. Any resulting revisions to the programme will be reported to Cabinet on an ongoing basis, along with any changes required. The current capital provision and associated revenue implications of the approved capital programme, based on November 2022 monitoring information and maximum use of capital receipts were reported to Cabinet in January 2023.

Since January 2023, the capital programme has continued to be reviewed and based on the latest December 2022 monitoring information the current position is:-

**Table 28: Capital Programme and Revenue Implications 2023-27**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Programme (after slippage)	45,219	44,541	53,975	42,374
Revenue Implications	10,882	11,217	11,078	12,958

The potential change in the capital programme since Council in March 2022 is summarised in the following table:-

**Table 29: Change in Capital Programme and Revenue impact**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Programme:				
- Council March 2022	21,971	15,830	37,477	29,982
- Revised Position with Slippage	45,219	44,541	53,975	42,374
Change	23,248	28,711	16,498	12,392
Revenue impact				
- Council March 2022	11,903	12,929	12,376	16,186
- Revised	10,882	11,217	11,078	12,958
Change	(1,021)	(1,712)	(1,298)	(3,228)

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

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

**Table 30: Details of Budgets for capital financing costs**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MRP(net of contributions)	4,841	5,197	6,129	7,861
Interest	6,041	6,020	4,949	5,097
<b>Capital financing costs</b>	<b>10,882</b>	<b>11,217</b>	<b>11,078</b>	<b>12,958</b>

## 9.6 Investment Income

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

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Interest – Council March 2022	(396)	(385)	(355)	(334)
Latest	(1,096)	(1,085)	(955)	(934)
<b>Investment income- change</b>	<b>(700)</b>	<b>(700)</b>	<b>(600)</b>	<b>(600)</b>

9.6.2 The Council is currently developing an investment strategy for the funds received from the sale of CHAS. This will reflect the investment of some of the proceeds for a longer term return and/or paying down debt together with releasing some funds for Capital investment/regeneration projects. However, to ensure maximum benefit to the Council's financial position the proceeds were immediately invested in treasury instruments which will generate a significant return for the Council.

9.7 For the purposes of the MTFs it has been assumed, given current market conditions, that the return to the Council over the Medium Term will be approximately £5.25m. This has been built into the MTFs and will be refined in line with the Investment Strategy.

**10. GENERAL FUND BALANCES AND RESERVES**

10.1 In determining an appropriate level of general fund balances previously, an analysis of the overall expenditure of the authority had been prepared. An updated version of this analysis has been prepared and is attached as Appendix 10. The overall level of balances is summarised below and compares with current GF balances of £14.000m as shown in the final accounts for 2021/22. Given the minimum level of risk is indicated to be £13.96m, there is no change proposed to the current GF balance.

**Table 29: Indicative range of balances**

	Min	Medium	Max
	£m	£m	£m
Level of balances	14.0	26.4	41.0

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

**Table 30: Indicative level of balances**

	£m
Net spending	9.1
Safety Net	2.2
DSG	1.8
Appeals	1.3
<b>Level of balances</b>	<b>14.4</b>

- 10.3 Of the 17 out of 20 Outer London boroughs that have published draft Statements of Accounts as at February 2023, the average level of General Fund balances for outer London boroughs for 2021/22 was £14.801m, with a low of £7.078m and a high of £26.712m.
- 10.4 A review of Merton’s reserves has been undertaken and details are shown in Appendix 8. The estimated level of General Fund revenue reserves changes from £127.781m as at 31 March 2022 to £92.328m by 31 March 2027. If the reserves set aside as cover for the DSG deficit are excluded the estimated reserves changes from £100.841m as at 31 March 2022 to £85.877m at 31 March 2027.
- 10.5 The average level of earmarked reserves (excluding schools and HRA) for outer London boroughs for 2021/22 was £116.337m, with a low of £39.526m and a high of £347.7m. Merton, with £102.228m (excluding schools) is ranked 8<sup>th</sup> highest out of the 17 outer London boroughs that have published draft accounts..

## 11. Business Rates Funding 2023/24

- 11.1 The figures for Business Rates included in the Settlement Funding Assessment as part of the Local Government Settlement 2023/24 (paragraph 2 and Appendix 2 refer) are the Government’s estimate based on forecasts of annual uprates since the introduction of Business Rates Retention in 2013/14. The figures in the MTFS are more accurate, being based on local information on the latest forecast of Business Rates included in Merton’s NNDR1 form which is a statutory return that local authorities are required to submit to the Government by 31 January each year.

	NNDR1 Forecast 2023-2024
MERTON	£m
Revenue Support Grant	6.108
Estimated Share of Business Rates	28.685
Top-Up	6.679
<b>Settlement Funding Assessment</b>	<b>41.472</b>

- 11.2 In addition, the government has decided to support businesses by freezing business rates multipliers in 2023/24 and will compensate local authorities for loss of business rate income with Section 31 grant.

The amounts included in the MTFS for Business Rates 2023-27 is as follows:-

	MTFS 2023/24 £m	MTFS 2024/25 £m	MTFS 2025/26 £m	MTFS 2026/27 £m
Settlement Funding Assessment	41.472	42.716	43.997	45.317
Section 31 grant	3.872	3.988	4.108	4.231
Business Rates Funding (SFA+S.31 grant)	45.344	46.704	48.105	49.548

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

## 12.1 Council Tax Strategy

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

## 12.2 Council Tax Referendum Principles

The Government proposes the following package of referendum principles for 2023-24 for authorities that relate to Merton:

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

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

## 13. Council Tax Base

- 13.1 Cabinet on 5 December 2022 agreed the Council Tax Base calculation for 2023/24. Details of the calculation are included as Appendix 3.

13.2 For 2023/24 the Council Tax Base has been calculated as:-

**Table 31: Council Tax Base 2023/24**

<b>Council Tax Base 2023/24</b>	<b>77,694.3</b>
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13.3 A separate council tax base calculation has been produced for the properties covered by the Wimbledon and Putney Common Conservators (WPCC) area. For 2023/24 the Council Tax Base for Wimbledon and Putney Commons Conservators has been calculated as:-

**Table 32: WPCC Council Tax Base 2023//24**

<b>WPCC Council Tax Base 2023/24</b>	<b>11,761.2</b>
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#### 14 **Greater London Authority Precept and Other Levies**

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

14.2 The Mayor of London published his draft consolidated budget and provisional council tax precept for 2023-24 on 16 December 2022 for consultation. The consultation on the budget proposals will end on 13 January 2023.

14.3 Under these budget arrangements, the GLA's provisional precept on council taxpayers in the 32 London boroughs is £423.48 – a £27.89 or 7.1% increase compared to 2022/23. The proposed precept for council taxpayers in the City of London is £140.82 (an increase of £22.36 which excludes element of the rise relating to the Met Police). Both these amounts include the £20 bespoke additional flexibility which the government is again granting the Mayor of London to fund transport services in London.

14.4 As included in the January Cabinet report these council tax proposals were indicative and subject to change and it was announced that the Mayor of London would confirm his final precept once he had had an opportunity to consider the implications of the provisional local government and police finance settlements.

14.5 On 16 January 2023 the Mayor published his revised draft revenue budget and capital spending plan for 2023-24. This will be considered by the London Assembly at its meeting on 26 January 2023.

- 14.6 The proposed (revised) Band D precept on council taxpayers in the 32 London boroughs is now £434.14 – a £38.55 or 9.7% increase compared to 2022/23. The revised precept proposal for council taxpayers in the City of London which has its own police force is £142.01 (an increase of £23.55 which excludes the £15 element of the rise relating to the Metropolitan Police/MOPAC). These proposals are consistent with the maximum rises permitted under the specific government referendum principles for the GLA.
- 14.7 Both these amounts include the £20 bespoke additional flexibility which the government is again granting the Mayor to fund transport services in London.
- 14.8 This proposed precept will not be formally approved until the final draft budget plenary meeting of the London Assembly on 23 February.

## 15. Other Levies

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

**Table 33: Other Levies**

	2022/23 £000	2023/24 £000	2023/24 Change %
London Pension Fund Authority	254	TBA	
Lee Valley Regional Park	179	TBA	
Environment Agency	178	184	2.9%

## 15.2 Wimbledon and Putney Commons Conservators (WPCC)

- 15.2.1 A separate precept is levied in respect of those residents of properties bordering the Wimbledon and Putney Commons. The amount is calculated on the basis of the amount levied by the Commons Conservators and the Band D Council Tax in respect of the WPCC precept in 2023/24 will be £422,948, an increase of £0.047m (12.4%) from the 2022/23 levy of £376,231.

**Table 34: Wimbledon and Putney Commons Conservators Precept**

	2022/23 £000	2023/24 £000	Change %
Wimbledon & Putney Commons Conservators	376	423	12.4%

- 15.2.2 The average Band D cost to a council taxpayer in the WPCC area has changed from £32.14 in 2022/23 to £35.96 (11.9%) in 2023/24.
- 15.2.3 Any increase in the WPCC precept in excess of the referendum limit of 5% will impact on the level of council tax increase that the Council can make without triggering a local referendum.

15.2.4 Based on the WPC increase from £32.14 to £35.96 (11.9%) Merton will have to reduce its Council Tax Requirement by c. £26,000 to avoid exceeding the Referendum Principles.

## 16. CONCLUSIONS

16.1 It is a statutory requirement that the council sets a balanced budget in 2023/24.

16.2 In accordance with sections 52ZY and 68 of the Local Government Finance Act 1992 ('the 1992 Act'), section 139A of the Local Government Finance Act 1988, and section 230 of the Local Government Act 1972 authorities are required to supply information required to measure whether any proposed Council Tax increase is in excess of the principles laid down requiring a local referendum.

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

16.4 The Medium Term Financial Strategy assumes that all of the corporate provisions and proposals for savings, in 2023/24 discussed in this report are agreed and if this is the case, the following financial position is achieved:-

**Table 35: Average Band D Council Tax**

<b>Average Council Tax Calculation at Band D</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Budget Requirement	167.305	182.545
Settlement funding Assessment inc. Section 31 Grant	(43.778)	(45.344)
New Homes Bonus	(0.482)	(0.732)
PFI Grant	(4.797)	(4.797)
Adult Social Care Improved BCF	(5.009)	(5.010)
Social Care Grant	(6.282)	(10.430)
Collection Fund – (Surplus)/Deficit	1.010	0.673
Market Sustainability and Fair Cost of Care Fund	(0.505)	0
ASC Market Sustainability and Improvement Fund	0.0	(1.751)
ASC Discharge Fund	0.0	(0.702)
Services Grant	(2.479)	(1.397)
Council Tax Requirement	104.983	113.055
Council Tax Base	75,754.6	77,694.3
<b>Average Council Tax*</b>	<b>1,385.84</b>	<b>1,455.13</b>

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



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

**Table 36: Council Tax calculation**

<b>Council Tax Calculation at Band D</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Budget Requirement	167.305	182.545
WPCC	(0.376)	(0.423)
Settlement funding Assessment inc. Section 31 Grant	(43.778)	(45.344)
New Homes Bonus	(0.482)	(0.732)
PFI Grant	(4.797)	(4.797)
Adult Social Care Improved BCF	(5.009)	(5.010)
Social Care Grant	(6.282)	(10.430)
Collection Fund – (Surplus)/Deficit	1.010	0.673
Market Sustainability and Fair Cost of Care Fund	(0.505)	0
ASC Market Sustainability and Improvement Fund	0.0	(1.751)
ASC Discharge Fund	0.0	(0.702)
Services Grant	(2.479)	(1.397)
<b>Balance to be met from Council Tax</b>	<b>104.607</b>	<b>112.632</b>
Council Tax Base	75,754.6	77,694.3
<b>Council Tax (Band D)</b>	<b>1,380.87</b>	<b>1,449.68</b>

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

**Table 37: Band D Council Tax**

<b>Council Tax at Band D</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>% change from 2022/23</b>
Merton (exc. WPCC)	1,380.87	1,449.68	5.0%
GLA Precept (Provisional)	395.59	434.14	9.7%
<b>Implied Council Tax at Band D</b>	<b>1,776.46</b>	<b>1,883.82</b>	<b>6.0%</b>

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

## 17. Risk Management

17.1 The management of risk is strategically driven by the Corporate Risk Management Group. This is the central hub of a number of council mechanisms for risk management including a Corporate Key Strategic

Risk Register, departmental risk registers and project risk registers. The group collates on a quarterly basis the headline departmental risks and planned mitigation activity from each department, project and partnership, to be put forward for discussion at CMT. Reports on risk are made through the Standards and General Purposes Committee to Cabinet and Council. Developing a corporate business plan and setting a balanced budget 2023-27 and beyond has been highlighted as a key strategic risk on the corporate risk register.

- 17.2 Currently c.£2.2million of savings are being progressed for 2022-23 coupled with a further c. £4.3m of new savings identified for 2023-27. Current practice is to monitor delivery of savings as part of the monthly Business Plan Monitoring, it is envisaged that given the size of the savings target over the next three years, additional mechanisms may need to be established to monitor more transformational and longer term projects being brought forward.

## 18. Summary

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

**Table 38: Cumulative MTFs Gap 2023-2027**

	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
Cumulative Gap exc. Savings	6,433	6,748	9,543	11,113
Savings	(6,433)	(6,748)	(7,247)	(7,277)
Gap Net of Savings	0	0	2,296	3,836

## 19 Future Years

- 19.1 As indicated in the updated MTFs there is a gap between the forecast level of resources and budget requirements for later years which will need to be addressed if balanced budgets are to be set for those years. The updated MTFs is set out in Appendix 7.
- 19.2 The budget process for 2024/25 will commence in the new financial year and some of the options available to the Council to eliminate the budget gaps include:-
- Savings – reduction/deletion of services
  - Savings – efficiencies including procurement
  - Income – increase in fees and charges/new sources of income/commercialisation
  - Council Tax increase
  - Use of balances

- Options arising from the Investment Strategy

## **20. Positive Assurance Statement**

20.1 Section 25(2) of the Local Government Act 2003 requires the Chief Financial Officer of an authority to report on:

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

In doing so, the Interim Executive Director, Finance and Digital, has had particular regard to the guidance offered by the Chartered Institute of Public Finance and Accountancy and the views of the Council's external auditor. Financial resilience and demonstrating that the Council is a going concern have been important considerations in developing the budget for 2023/24 and MTFs 2023-27

20.2 One of the Council's stated principles is to keep council tax at or below the south London average. To achieve this, the Council must have regard to the major risks to its financial position and in particular:

- Maintaining effective management and delivery of services at a time of escalating price inflation
- That the council meets the terms set out in the DSG Safety Valve Agreement with the government to clear the DSG deficit by 2026/27 and ensure that the DSG services are managed within budget in the future
- The current economic position including the cost of living crisis and high levels of pay and prices inflation
- Whether budget setting and monitoring processes are robust and effective
- Demand pressures on the budget
- Delivering against the Council's priorities
- Identifying and achieving cost and income improvements
- Risks to Government funding levels, particularly in light of the delayed Fair Funding Review and possible revisions to Business Rates Retention
- Risks to other income streams including Business Rates Retention and proposed reset
- The ongoing impact of changing working practices and impact on income generation since the pandemic
- Managing an effective approach to working practices as the country moves out of the pandemic.

- 20.3 Since 2010 local government finance issues have been dominated by cuts in government funding and pressure to keep council tax increases down with a recent change in emphasis to allow council tax increases to help alleviate service pressures, particularly in adult social care. This year's Financial Settlement includes a Council Tax referendum threshold for 2023-24 of 5% (comprising up to 2% for expenditure on adult social care and 3% for other expenditure). This has again been brought into focus in this year's council tax setting where, due to the high level of inflation prevailing, the Wimbledon and Putney Commons Conservators proposed levy, means that there is a minor restraint on the Council's ability to set a council tax increase at the maximum level allowed within the Government's referendum limits. This will need to be kept under review if inflation struggles to get down to the Government's target of 2% over the MTFs period.
- 20.4 The Government has delayed introducing Business Rates reforms including the re-set of Business Rates baselines and there are potential changes to the New Homes Bonus scheme which will have implications for all councils.
- 20.5 It is pleasing to note that the MTFs has been balanced for both 2023/24 and 2024/25 with the Council well on track to balancing the whole budget over the full term for the MTFs. This has been achieved through a rigorous review of our financial position by the Management team and Members. Although there will clearly be new pressures going forward including the impact that inflation and the cost of living crisis will have on the Council's services the London Borough of Merton will be in a sound place financially to respond to those pressures.
- 20.6 The sale of CHAS and the investment of the proceeds has clearly improved the Council's financial sustainability going forward from the interest that will be earned from the investment returns. In addition, there will be an additional benefit to Merton as some of the proceeds are applied to legacy capital projects.
- 20.7 The Council has sufficient reserves over the life of the MTFs having eliminated any dependency on them to balance the budget. In fact, the level of reserves the Council currently has will facilitate a degree of one-off investment opportunity to be realised provided they avoid an ongoing revenue impact. The Council's reserves and their usage is linked to both the capital and revenue budget. A list of the current reserves held by the Council is attached at Appendix 8. The Council continues to hold specific reserves to support the DSG Safety Valve agreement that it reached with the DFE in February 2022.
- 20.8 Chief Officers have reviewed their budgets in line with departmental finance officers and are confident that the budgets set for their services are robust and with the corporate contingency will meet the strategic objectives and performance targets set out in the Business Plan.

20.9 In summary, it is the view of the Chief Financial Officer (being the Interim Executive Director, Finance and Digital) that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are adequate.

**DRAFT RESOLUTIONS****Revenue Report:**

1. Members consider the views of the Overview and Scrutiny Commission set out in a separate report on the agenda (Item \_), and approve the proposed budget for 2023/24 set out in Section 1 of the revenue report, together with the proposed Council Tax levy in 2023/24.
2. That it be noted that at its meeting on 5 December 2022 the Council calculated its **Council Tax Base for the year as 77,694.3** in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012(SI 2012: 2914).
3. That it be noted that the Council calculated the **Wimbledon and Putney Commons Conservators (WPCC) Tax Base for the year as 11,761.2** in accordance with regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.
4. That the Council agrees 4(a) - 4(i) below, which are calculated in accordance with Section 31A to 49B of the Localism Act 2011, amending Section 32 of the Local Government Finance Act 1992.
  - a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act

	<b>£m</b>
Gross Revenue Expenditure of Service Committees	<b>591.549</b>
Corporate Provisions	<b>(2.053)</b>
Amounts Payable to the Levying Bodies	<b>1.040</b>
Contribution to/(from) Financial Reserves	<b>(0.234)</b>
<b>Gross Expenditure</b>	<b>590.302</b>

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

	<b>£m</b>
<b>Gross Income</b>	<b>477.247</b>

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

	<b>£m</b>
Council Tax Requirement for the Council's own purposes for 2023/24 (including special expenses re WPCC)	<b>113.055</b>

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

	<b>£m</b>
Revenue Support Grant including Transition Grant	<b>6.108</b>
Baseline funding NNDR inc. top-up Grant	<b>37.307</b>
<b>Settlement Funding Assessment</b>	<b>43.415</b>

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

	<b>£</b>
<b>Merton's General Band D Council Tax Levy (including properties within Wimbledon and Putney Commons Conservators area)</b>	<b>1,455.13</b>

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

	<b>£</b>
<b>Wimbledon and Putney Commons Conservators Special Levy</b>	<b>422,948</b>

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

	<b>£</b>
<b>Merton's General Band D Council Tax Levy (excluding WPCC)</b>	<b>1,449.68</b>

- h) being the amounts given by adding to the amount at 4(g) above, the amounts of the special item or items relating to dwellings in the area of Wimbledon and Putney Commons Conservators (WPCC) mentioned above at 4(f) divided by the amount at 3 above, calculated in accordance with Section 34(1) of the Act, as the basic amounts of its Council Tax for the year for dwellings in the area of WPCC.

	<b>£</b>
<b>Wimbledon and Putney Commons Conservators Band D</b>	<b>1,485.64</b>

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

Part of the Councils Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
	966.45	1,127.52	1,288.60	1,449.68	1,771.83	2,093.98	2,416.13	2,899.36
Parts inc. WPCC	990.42	1,155.49	1,320.56	1,485.64	1,815.78	2,145.92	2,476.06	2,971.28

5. To note that the Greater London Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below, and that the Council agrees the Council Tax levy for 2023/24 by taking the aggregate of 4(i) above and the Greater London Authority precept.

Precepting Authority	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
G L A	289.43	337.66	385.90	434.14	530.62	627.09	723.57	868.28

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

Part of the Council's Area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
	1,255.88	1,465.18	1,674.50	1,883.82	2,302.45	2,721.07	3,139.70	3,767.64
Parts inc. WPCC	1,279.85	1,493.15	1,706.46	1,919.78	2,346.40	2,773.01	3,199.63	3,839.56



## LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/24

### Background

The Chancellor of the Exchequer published an Autumn Statement 2023/24 on 17 November 2022. A summary of the key points was included in the report to Cabinet on 5 December 2022. The figures included in these documents underlie the allocations to local authorities announced in the Provisional Local Government Finance Settlement 2023/24 on 19 December 2022. A summary of the Provisional Settlement was reported to Cabinet in January 2023. The Final Local Government Finance Settlement allocations were published on 6 February 2023 and details on the Final Local Government Finance Settlement 2023/24 are provided in this Appendix.

### Overview of the Final Local Government Settlement 2023-24

Details of the Final Local Government Settlement were published on 6 February 2023. The key changes in funding from the provisional settlement (PLGFS) are as follows:

- **Council Tax Requirement has increased by £90m nationally** - There is no change for London boroughs.
- **Services Grant has increased by £19m nationally (£4m for London boroughs)** – funded from unused contingency held back by DLUHC at the Provisional Settlement. Merton's Services Grant has increased by £57k.
- **Rural Service Delivery Grant has increased by £10m nationally** – funded from unused contingency held back by DLUHC at the Provisional Settlement. London boroughs will not receive any of this increase.
- **New Homes Bonus has increased by £0.7m nationally** – funded from unused contingency held back by DLUHC at the Provisional Settlement. London boroughs will not receive any of this increase.
- **The Funding Guarantee has decreased by £3m nationally** due to changes in Core Spending Power driven by New Homes Bonus adjustments and the increase in Rural Services Delivery Grant. This decrease in funding does not impact London boroughs.
- Outside of the Final Local Government Settlement, the government also announced on 6 February 2023 that every authority in England will receive a share of the accumulated surplus currently held in the business rates levy account. It was confirmed that £100 million will be returned to the sector on a one-off basis to be distributed based on each local authority's 2013/14 Settlement Funding Assessment. Merton's share of this allocation is £301,587.

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

#### 1. Settlement Funding Assessment (SFA)

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

The Settlement outlined core funding allocations (Settlement Funding Assessment)

The Settlement Funding Assessment is the total of Revenue Support Grant (RSG) and Baseline Funding (BF) from Business Rates. There has been an increase of 5.3% in SFA nationally in 2023/24. Details of changes in SFA for England, London boroughs and in Merton are summarised in the following table:-

	2019/20 Final £m	2020/21 Final £m	2021/22 Final £m	2022/23 Final £m	2023/24 Provisional £m
Merton (£m)	40.460	41.120	41.148	41.311	43.415
Annual % Change		1.6%	0.1%	0.4%	5.1%
Cumulative % change		1.6%	1.7%	2.1%	7.3%
England (£m)	15,958.163	16,208.506	16,206.706	16,348.214	17,137.110
Annual % Change		1.6%	0.0%	0.9%	4.8%
Cumulative % change		1.6%	1.6%	2.4%	7.4%
London Boroughs (£m)	2,713.504	2,757.716	2,760.736	2,754.539	2,907.143
Annual % Change		1.6%	0.1%	0.6%	5.5%
Cumulative % change		1.6%	1.7%	2.4%	8.0%

The Final Settlement broadly reflects the details set out in the Autumn Statement 2022 The main details are:-

- a) Settlement Funding Assessment (RSG + Business Rates) allocations have increased by 4.8% nationally and by 5.5% in London. The details for Merton are:-

MERTON	2022-23 £m	2023-24 £m	Change £m	Change %
Settlement Funding Assessment	41.311	43.415	2.104	5.1
of which:				
Revenue Support Grant (RSG)	5.350	6.108		
Baseline Funding Level (BFL)	35.961	37.307		
(Tariff)/Top-Up (Included in BFL)	41.311	43.415		
	9.534	6.679		

## 1.2 Core Spending Power

Core Spending Power is the Government's measure of the resources available to local authorities to fund service delivery. In 2023-24 it includes "roll forward" of core components from 2022-23 and also some new and discontinued funding streams.

New funding streams include:

- Adult Social Care Discharge Fund worth £300m: will be ringfenced for adult social care and will also help support capacity and discharge.

- Adult Social Care Market Sustainability and Improvement Funding worth £400m: will be combined with existing £162m Market Sustainability and Fair Cost of Care funding and be distributed using the existing ASC Relative Needs Formula.
- Core Spending Power (CSP) Funding Guarantee worth £136m: funding to ensure all authorities' CSP increases by at least 3% in cash terms.

Discontinued funding streams include:

- The Lower Tier Services Grant worth £111m in 2022-23 will be discontinued.
- Consolidated grants worth £239m in 2022-23 have been rolled into the Revenue Support Grant and Social Care Grant. These discontinued grants include Family Annexe Council Tax Discount grant (£7m), Local Council Tax Support Administration Subsidy grant (£69m), additional funding for food safety and standards enforcement (Natasha's Law, £2m), and the Independent Living Fund (£161m).

Core Spending Power in 2023-24 is therefore made up of:

- Settlement Funding Assessment
- Estimated Council Tax Requirement excluding Parish Precepts
- Compensation via Section 31 grant for under-indexing the business rates multiplier
- Additional Council Tax revenue from referendum principle for social care
- Potential additional Council Tax revenue from referendum principle for all districts.
- Improved Better Care Fund inc. Winter Pressures Grant
- New Homes Bonus and New Homes Bonus Returned Funding;
- Rural Services Delivery Grant
- Adult Social Care Support grant
- Social Care Grant rolling in previous allocations of the Independent Living fund
- Lower Tier Services Grant
- Adult Social Care Market Sustainability and Improvement Fund
- Adult Social Care Discharge Fund
- Services Grant to support all services delivered by councils

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

- All authorities that are eligible raise the social care precept to its maximum of 2% in 2023-24
- All authorities increase overall council tax by the maximum amount (5% in 2023-24, comprising 3% general and 2% ASC council tax)
- Tax base increases in 2023-24 at the same average rate for each authority as between 2018-19 to 2022-23

- New Homes Bonus allocations are based on a share of total national NHB of £291m.

In England the level of assumed spending power will increase by £4.0 bn (7.2%) in 2023-24 . In London boroughs the assumed increase is £737.7m (9.2%) in 2023-24

Core Spending Power	2019/20 Final	2020/21 Final	2021/22 Final	2022/23 Final	2023/24 Provisional	2023/24 Change
	£m	£m	£m	£m	£m	%
England	46,444.9	49,231.4	50,611.4	54,540.5	59,660.2	9.4%
London Boroughs	6,848.9	7,257.4	7,440.7	7,977.7	8,718.9	9.3%
Merton	142.7	150.8	153.7	165.7	180.7	9.1%

A summary of Merton's assumed Core Spending Power from 2019/20 to 2023/24 is included in the following table:-

#### Detailed Breakdown of Core Spending Power – Merton

	Final	Final	Final	Final	Provisional	Annual Change (22-23 to 23-24)	Cumulative Change (19-20 to 23-24)
	2019/20	2020/21	2021/22	2022/23	2023/24		
	£m	£m	£m	£m	£m	%	%
Council Tax	92.370	97.386	99.862	104.984	110.834	5.6%	20.0%
SFA	40.460	41.120	41.148	41.311	43.415	5.1%	7.3%
S.31 grant	1.153	1.441	1.874	3.675	6.355	72.9%	451.2%
Compensation for business rates							
Improved Better Care Fund	4.114	4.862	4.862	5.010	5.010	0.0%	21.8%
New Homes Bonus	2.108	1.438	0.612	0.482	0.732	51.9%	(65.3)%
Adult Social Care Support Grant	0.000	0.000	0.000	0.000	0.000	0.0	-
Winter Pressures Grant	0.748	0.000	0.000	0.000	0.000	0.0	-
Social Care Support Grant	1.278	0.000	0.000	0.000	0.000	0.0	-
Social Care Grant	0.000	4.058	4.466	6.282	10.430	66.0%	-
Market Sustainability and Fair Cost of Care Fund	0.000	0.000	0.000	0.505	0.000	(100.0)%	-
ASC Market Sustainability and Improvement Fund	0.000	0.000	0.000	0.000	1.751	-	-
Lower Tier Services Grant	0.000	0.000	0.399	0.429	0.000	(100.0)%	-
ASC Discharge Fund	0.000	0.000	0.000	0.000	0.702	-	-
Services Grant	0.000	0.000	0.000	2.479	1.454	(41.3)%	-
Grants rolled in	0.507	0.499	0.522	0.516	0.000	(100.0)%	(100.0)%
Funding Guarantee	0.000	0.000	0.000	0.000	0.000	-	-
<b>Core Spending Power</b>	<b>142.738</b>	<b>150.804</b>	<b>153.745</b>	<b>165.672</b>	<b>180.683</b>	<b>9.0%</b>	<b>26.5%</b>

### 1.3 Council tax referendum principles for principal local authorities

In terms of controlling the level of council tax increases that local authorities can set in 2023-24, without the need for a local referendum, the Government has decided that the core principles to be applied to authorities with social care responsibilities including London boroughs such as Merton are:-

- For 2023-24, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2023-24 is 5% comprising 2% for expenditure on adult social care and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2022-23.

Police and Crime Commissioners (PCCs) including the GLA charge for the Metropolitan Police will be allowed increases of £15.

#### GLA Council Tax Precept

The Mayor of London published the draft GLA budget for consultation on 16 December 2022 and the provisional Band D precept is £423.48 – a £27.89 or 7.1% increase compared to 2022/23. This amount includes the £20 bespoke additional flexibility which Government is again granting the Mayor to fund transport services in London.

However, it should be noted that the GLA council tax proposals are indicative and subject to change as the Provisional Settlement confirms the Mayor can increase the precept in the 32 boroughs by up to 9.7% which is £10.66 higher than the consultation proposal above currently published.

The Mayor will confirm the final precept once he has had an opportunity to consider the implications of the provisional local government and police finance settlements.

#### Summary Council Tax Proposals

The financial projections in this report are based on the following levels of council tax increase:-

	2023/24	2024/25	2025/26	2026/27
	%	%	%	%
Council Tax increase - General	2.99	2.00	2.00	2.00
Council Tax increase - ASC	2.00	2.00	2.00	2.00
Total	4.99	4.00	4.00	4.00

### 1.4 Business Rates

#### 1.4.1 Business Rates Revaluation 2023

The Provisional settlement has confirmed that the Government will proceed with a modified revaluation adjustment for the implementation of the 2023 business rates revaluation.

In order to preserve the growth incentive and minimise turbulence, the Government intends to strip out any gains or losses resulting purely from the revaluation or transfers to the central list by making an amended technical adjustment to tariffs or top-ups (baseline funding levels will remain unaffected). This fulfils the Government's commitment made at the outset of the retention scheme, that revaluations would, as far as practicable, mean authorities are no better or worse off. The government will keep the revaluation adjustment under review.

#### 1.4.2 Compensation for Under-Indexing the Business Rates Multiplier

As announced in the Autumn Statement on 17 November 2022 the business rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. In a break with policy since 2018 (when indexation changed from RPI to CPI), the government is only compensating councils for freezing business rates to the level of September CPI inflation rather RPI inflation. Merton's Core Spending Power calculation includes £6.355m for compensation for under-indexing the business rates multiplier.

#### 1.4.3 NNDR1

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

The figures used in the Council's budget for 2023/24 will be based on the latest business rates information available for Merton which will be included in the government's NNDR1 Return which, as for all local authorities, has to be submitted by 31 January 2023.

The NNDR1 form for 2023/24 has now been received from Government. Meeting the 31 January deadline will be tight because, as for all local authorities, the impact of the Business Rates Revaluation 2023 means that changes are required to Revenues and Benefits systems. Civica, have advised that there is development work to be undertaken to incorporate the changes and an update on progress towards this is expected in early January.

#### 1.5 Adult Social Care Funding

In the Autumn Statement published on 17 November 2022, the government announced that it is prioritising further investment in the NHS and social care, and in schools and that supporting these two public services is the government's priority for public spending. It stated that "the Autumn Statement makes up to £8 billion of funding available for the NHS and adult social care in England in 2024-25. This includes £3.3 billion to respond to the significant pressures facing the NHS, enabling rapid action to improve emergency, elective and primary care performance, and introducing reforms to support the workforce and improve performance across the health system over the longer term."

### 1.5.1 Improved Better Care Fund

The Improved Better Care Fund (iBCF) will continue at the same level as in 2022-23 (£2.1bn), with London Boroughs receiving £346m (16.3%). The grant will continue to be required to be pooled as part of the Better Care Fund.

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

<b>Adult Social Care (iBCF)</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
<b>Improved Better Care Fund</b>	<b>5.009</b>	<b>5.009</b>	<b>5.009</b>	<b>5.009</b>

### 1.5.2 Adult Social Care Discharge Grant

This is a new grant totalling £300m nationally and part of the £600m new funding announced in the Autumn statement 2022. The Discharge Funding grant is provided to upper tier authorities to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible. The Discharge Funding must be pooled as part of the Better Care Fund. The government will set out further details on the conditions of this funding in due course, with the funding intended to support improvements to adult social care and in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

Merton's grant is:-

	<b>2023/24 £000</b>
<b>Adult Social Care Discharge Fund</b>	<b>702</b>

### 1.5.3 Adult Social Care Market Sustainability and Improvement Fund

The Provisional Settlement states that the Adult Social Care Market Sustainability and Improvement Funding Grant is provided to upper tier authorities to enable tangible improvements to be made to adult social care. As set out in the Autumn Statement 2022, the ASC funding reforms have been delayed to October 2025. The existing Market Sustainability and Fair Cost of Care Fund has been combined with new, ringfenced funding, announced in the Autumn Statement. Funding will be distributed using the ASC relative needs formula. London boroughs will receive £87m (15%) in 2023-24. The government expects this new grant funding to enable local authorities to make tangible improvements to adult social care particularly to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

As with the additional iBCF funding, there will be reporting requirements placed on the new Adult Social Care Grant against these objectives.

	<b>2023/24 £000</b>
<b>ASC Market Sustainability and Improvement Fund</b>	<b>1,751</b>

#### 1.5.4 Social Care Grant

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

Social Care Grant will total £3.9bn in 2023-24: an increase of £1.345bn (excluding £161m of funding for the Independent Living Fund which has also been rolled in to SCG). Around £1.285bn of this increase is funded by money previously earmarked for ASC funding reform, with an additional £80m redistributed from within the settlement. £1.185bn of this new funding will be allocated using the ASC Relative Needs Formula (RNF), with the remainder (£160m) used to equalise for the variation in yield that can be generated from the social care precept.

London boroughs will receive £612m (15.9%) of the Social Care Grant. The policy statement on 12 December confirmed a further £1.9bn nationally will be added to the grant in 2024-25 (bringing the total to £5.5bn), although the approach to distribution for 2024-25 has not been confirmed.

The MTFS currently assumes that in the first instance this grant will be applied to fund previously approved growth in Children, Schools and Families and Community and Housing

<b>Social Care Grant (cumulative)</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
<b>Children's allocation (in Base budget)</b>	<b>4,635</b>	<b>4,635</b>	<b>4,635</b>	<b>4,635</b>
<b>Adult's allocation (in Base budget)</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>	<b>1,647</b>
<b>Children's FYE previous growth</b>	<b>390</b>	<b>390</b>	<b>390</b>	<b>390</b>
<b>Children's new growth</b>	<b>545</b>	<b>545</b>	<b>545</b>	<b>545</b>
<b>Former Independent Living Fund</b>	<b>301</b>	<b>301</b>	<b>301</b>	<b>301</b>
<b>Social Care Grant *</b>	<b>(10,430)</b>	<b>(10,430)</b>	<b>(10,430)</b>	<b>(10,430)</b>
<b>Balance</b>	<b>2,912</b>	<b>2,912</b>	<b>2,912</b>	<b>2,912</b>

\* Although funding beyond 2023/24 is not assured it has been assumed that grant at least equivalent to the growth currently provided in the MTFS will be received going forward.

#### 1.6 Special and specific grants

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



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

#### 1.6.1 New Homes Bonus

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

It is paid annually from a top-slice of RSG. The Government has committed to setting out the future position of New Homes Bonus ahead of the 2024-25 local government finance settlement.

The Government is proposing to roll over last year's policy on New Homes Bonus for a new round of payments in 2023- 24, which will attract no new legacy payments as in 2022-23. The final year of legacy payments (totalling £221m) from the 2019-20 allocation has ended. The 2023-24 allocation totals £291m, funded through a top slice of Revenue Support Grant. The calculation methodology remains unchanged, with authorities needing to achieve tax base growth of greater than 0.4 per cent before they receive any New Homes Bonus funding.

New Homes Bonus allocations total £291m nationally (a reduction of £264m or 48%) and London borough provisional allocations total £49m (a reduction of £38m or 44%).

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

<b>New Homes Bonus</b>	<b>2023-24 £000</b>
Merton	729

#### 1.6.2 Services Grant

This is intended to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. This was intended to be a one-off grant in 2022-23 and nationally has reduced from £822m in 2022-23 to £464m in 2023-24 due to the decision to reverse the National Insurance Contributions increase to fund the Health & Social Care Levy and a proportion has also been top sliced to fund an increase to the Supporting Families Programme. London boroughs will receive £86m (18.5%). It is assumed that, as for 2022-23, the grant will not be ring-fenced and conditions on reporting requirements will not be attached so that local authorities can provide support across the entire sector in recognition of the vital services delivered at every level of local government.

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

<b>Services Grant</b>	<b>2023-24 £000</b>
Merton	1,454

### 1.6.3 Funding Guarantee

This new guarantee will ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels. The funding will total £136m and benefit 161 authorities across England (154 are Shire Districts which are receiving 99% of the funding). This guarantee is being funded by repurposing the Lower Tier Services Grant and using a proportion of the expired New Homes Bonus legacy payments. The increase in Core Spending Power used for this calculation excludes any newly rolled-in grants but includes growth in the council tax base as calculated in the normal way, increases in Baseline Funding Levels and growth in compensation for under-indexing the multiplier.

No London boroughs will receive this funding.

## 1.7 Schools funding

1.7.1 The allocations for the Dedicated Schools Grant (DSG), along with indicative additional funding announced at the 2022 Autumn Statement, have been published for financial year 2023-24. The DSG continues to be funded via four blocks as previously: the schools block, the central schools block (CSSB), the high needs block and the early years block. Supplementary funding has been made available through the Mainstream Schools Additional Grant (MSAG) for 2023-24. It is expected that this funding will be rolled into National Funding Formula allocations for 2024-25.

The main schools funding headlines are as follows:

- In 2023/24, a total of £58.6bn will be made available through the DSG and supplementary funding, of which £10.1bn (17%) will be allocated to London boroughs.
- England will receive a 6.9% increase in total funding from 2022-23 to 2023-24, while London will see only a 6.1% increase.
- £7.4bn (73%) of London's funding is accounted for via the schools block and the MSAG, reflecting a 5.3% increase from 2022-23 (below the England total increase of 6.3%).
- London will receive a total of £1.9bn via the high needs block, £78.5m of which is being granted through the additional £400m announced at the Autumn Statement 2022. This amounts to a 10.1% increase from 2022-23. Overall there will be a 10.7% increase in funding via this block.

- London will be granted £734m in 2023-24 through the early years block, reflecting a 4.9% increase from the previous year. England will see a 5.4% increase from 2022-23.
- The CSSB continues to decline, falling by 2.6% to £388.7mn in 2023/24 across England. London experiences a 4% drop in funding, to £68m.

1.7.2 For Merton the following allocations compared to 2022-23 were announced:-

<b>Merton - Dedicated Schools Grant and Additional Funding</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2023-24 Supplementary funding</b>	<b>2023-24 Total</b>	<b>Change</b>	<b>Change</b>
	£m	£m		(£m)	(£m)	(%)
<b>Schools block</b>	143.925	149.708	5.144	154.853	10.928	7.6%
<b>Central school services block</b>	1.106	1.141	0.000	1.141	0.035	3.1%
<b>High needs block</b>	44.772	47.246	2.052	49.298	4.525	10.1%
<b>Early years block</b>	15.872	16.577	0.000	16.577	0.706	4.4%
<b>Total DSG and supplementary funding allocation</b>	<b>205.675</b>	<b>214.672</b>	<b>7.196</b>	<b>221.869</b>	<b>16.194</b>	<b>7.9%</b>

1.7.3 A more detailed analysis of Schools Funding is provided Section 3 of this report.

#### 1.8 Fair Funding Review and Reset of Business Rates Retention Scheme

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

## THE COLLECTION FUND, COUNCIL TAX BASE AND BUSINESS RATES

### 1. Introduction

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

### 2. Collection Fund

- 2.1 The Collection Fund is a statutory fund separate from the General Fund. It accounts for income from Council Tax, including those properties within the Wimbledon and Putney Commons Conservators area. The bodies on whose behalf the council tax income has been raised are the Council and the Greater London Authority (which includes the services of the Metropolitan Police and the London Fire and Emergency Planning Authority (LFEPA)). The Council's demand on the Collection Fund is by its General Fund. The Greater London Authority's demand is expressed as a precept.
- 2.2 Under the localised arrangements for council tax support, the Collection Fund entries for council tax remain unchanged, and council tax discounts reduce the council tax base and the amount of collectable council tax income.
- 2.3 The Collection Fund also accounts for National Non-Domestic Rates and there have been significant changes to the treatment of NNDR due to the changes to local government funding arising from business rates retention and the Local Government Finance Act 2012 (Section 3, part 2).
- 2.5 The Collection Fund will account for receipts from business ratepayers, together with payments:
- to central government in respect of the central share. This will be 33% in 2023/24
  - to/from central government in respect of transitional protection payments where applicable
  - to relevant precepting authorities in respect of their share of rating income, in Merton's case this is central government and the GLA (37%).
- 2.6 While there remains a single Collection Fund, local authorities now have to be able to separate the elements relating to council tax and non-domestic rates and calculate separate surpluses or deficits on each.
- 2.7 A billing authority needs to ensure that its collection fund has sufficient resources to meet the demands on it at all times. To the extent that there is insufficient in the collection fund to meet those demands at any time, the billing authority has temporarily to "borrow" from its general fund.

- 2.8 The Collection Fund accounts are kept on an accrual basis and a surplus or deficit for the year in the collection fund is estimated accordingly.
- 2.9 The audited accounts for 2021/22 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2022:-

	Surplus/ (deficit) as at 31/03/22 Outturn	Surplus/ (deficit) as at 31/03/22 Outturn	Total surplus/ (deficit) as at 31/03/22
	Council Tax £000	NNDR £000	£000
Central Government	N/A	(4,745)	(4,745)
GLA	590	(5,323)	(4,733)
Merton	1,949	(4,317)	(2,368)
<b>Total</b>	<b>2,539</b>	<b>(14,385)</b>	<b>(11,846)</b>

2.10 Surplus/Deficit as at 31 March 2023

An initial estimate of the surplus/deficit on the Collection Fund as at 31 March 2023 due to council tax and business rates is undertaken for budgeting purposes and this will be updated following the closure of accounts procedures for 2022/23.

A review of the Collection Fund, related bad debt provisions, write offs, appeals and collection rates in 2022/23 and anticipated collection rates in 2023/24 has been undertaken.

a) Council Tax

Based on a review in January 2023 of the bad debt provision and amounts to be written off during 2022/23, it is estimated that there will be a forecast surplus of £1.332m arising from Council Tax as at 31 March 2023. The £1.332m consists of a surplus of £2.453m payable in 2023/24 and the balance of the Exceptional Balance deficit of £1.121m.

There are two elements which make up the balance as at 31 March 2023. These are set out in the following table:-

<b>Net Surplus apportionment for 2022/23</b>	<b>GLA £</b>	<b>LBM £</b>	<b>TOTAL £</b>
Adjusted Collection Fund balance for 2022-23	544,639	1,907,986	2,452,625
2023-24 Estimated Deficit re 2020/21	(230,711)	(890,387)	(1,121,098)
<b>Total share of the estimated surplus for 2022-23 to be paid in 2023/24</b>	<b>313,928</b>	<b>1,017,599</b>	<b>1,331,527</b>

b) Business Rates

The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2023/24 is included with this Appendix.

The calculation has been made more complicated by 2020-21 Collection Fund deficit phasing over three financial years, concluding in 2023/24. On 2 July 2020, the Secretary of State announced that in response to the exceptional circumstances resulting from the COVID-19 pandemic, local authorities would be able to spread the payment of any estimated 2020-21 collection fund deficit over 3 years.

	Government £000	Merton £000	GLA £000	Total £000
<u>2022/23 deficit to be paid in 2023/24</u>				
Prior Year Surplus/(Deficit)	192	174	215	581
In Year Surplus/(Deficit)	(1,420)	(1,290)	(1,592)	(4,302)
Total to be paid in 2022/23	(1,228)	(1,116)	(1,377)	(3,721)
<u>2020-21 deficit To be paid in 2023/24</u>				
Prior Year Surplus/(Deficit)	(632)	(574)	(708)	(1,914)
<b>Total Surplus/(Deficit) @ 31/3/2023</b>	<b>(1,860)</b>	<b>(1,690)</b>	<b>(2,085)</b>	<b>(5,635)</b>

Summary

As a result of the further analysis, the estimated surplus/deficit on the Collection Fund as at 31<sup>st</sup> March 2023 is as follows:-

**Estimated Collection Fund Surplus/Deficit at 31 March 2023**

	Surplus/ (deficit) as at 31/03/23 Estimate	Surplus/ (deficit) as at 31/03/23 Estimate	Total surplus/ (deficit) as at 31/03/23
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(1,860)	(1,860)
GLA	314	(2,085)	(1,771)
Merton	1,018	(1,690)	(672)
Total	1,332	(5,635)	(4,303)

**3. Council Tax Base 2023/24**

- 3.1 The council tax base is the measure of the number of dwellings to which council tax is chargeable in an area or part of an area. The Council Tax base is calculated using the properties from the Valuation List together with

information held within Council Tax records. The properties are adjusted to reflect the number of properties within different bands in order to produce the Council Tax Base (Band D equivalent).

- 3.2 Since 2013/14 the Council Tax Base calculation has been affected by the introduction of the new local council tax support scheme and technical reforms to council tax. On 30 November 2012, new regulations set out in the Local Authorities (Calculation of council Tax Base) Regulations 2012 (SI 2012:2914) came into force. These regulations ensure that new local council tax support schemes, implemented under the Local Government Finance Act 2012, are fully reflected in the council tax base for all authorities.
- 3.3 Under the regulations, the council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year.
- 3.4 The relevant amounts are calculated as
- number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year,
  - adjusted for the number of discounts, and reductions for disability, that apply to those Dwellings
- 3.5 All authorities notify the MLUHC of their unadjusted Council Tax Base using a CTB Form using valuation list information as at 12 September 2022.
- 3.6 The CTB form (October 2022) includes the latest details about the Council Tax Support Scheme and the technical reforms which impacted on discounts and exemptions.
- 3.7 There is a separate council tax base for those properties within the area covered by Wimbledon and Putney Commons Conservators. The Conservators use this, together with the Council Tax bases from RB Kingston, and Wandsworth to calculate the levy which is charged each year.
- 3.8 Assumptions in the MTFs for calculating the 2023/24 Council Tax Base
- 3.8.1 In producing a forecast of council tax yield in future years, there are two key variables to be considered:-
- the year on year change in Council Tax Base
  - the council tax collection rate
- 3.8.2 The draft MTFs reported to Cabinet assumes that the Council Tax Base increases by 0.5% per year and that the collection rate is 98.75% in each of the years.

#### 4. UNADJUSTED COUNCIL TAX BASE 2023/24

##### 4.1 Information from the October 2022 Council Tax Base Return

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

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

<b>Unadjusted Council Tax Base</b>	<b>2023/24</b>
Merton – General	78,677.8
Wimbledon & Putney Common Conservators	11,910.1

#### 5. ASSUMPTIONS IN THE MTFS ADJUSTING FOR COVID19

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

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

5.2 The MTFS approved by Council in March 2022 assumed that the Council Tax Base increases by 0.5% per year and that the collection rate will be 98% in 2022/23, and 98.75% in 2023/24 and in future years. This was to reflect the impact of Covid-19 and the assumption that the collection rate would eventually return to the levels prior to the pandemic.

5.3 Based on these assumptions the revised estimated Council Tax Base used in the MTFS 2023-27 is as set out in the following table:-

<b>Council Tax Base - Revised Calculation 2022/23 to 2025/26</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Council Tax Base	78,677.8	78,677.8	79,071.2	79,466.6
Assumed Annual increase	-	393.4	395.4	397.3
<b>Estimated Council Tax Base before collection rate adjustment</b>	<b>78,677.8</b>	<b>79,071.2</b>	<b>79,466.6</b>	<b>79,863.9</b>
Collection Rate	98.75%	98.75%	98.75%	98.75%
<b>Estimated Council Tax Base after collection rate adjustment</b>	<b>77,694.3</b>	<b>78,082.8</b>	<b>78,473.4</b>	<b>78,865.6</b>



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

## 6. IMPLICATIONS FOR COUNCIL TAX YIELD 2023-27

- 6.1 Based on a collection rate of 98.75% (paragraph 3.8.2 refers), on a like for like basis (i.e. assuming council tax charges do not change) the estimated income in 2023/24 compared to 2022/23 is summarised in the following table:-

<b>Council Tax: Whole area</b>	<b>2022/23</b>	<b>2023/24</b>
Tax Base	75,754.6	77,694.3
Band D Council Tax	£1,380.87	£1,380.87
<b>Estimated Yield</b>	<b>£104.607m</b>	<b>£107.286m</b>
Change: 2022/23 to 2023/24 (£m)		£2.679m
Change: 2022/23 to 2023/24 (%)		2.6%

### 6.2 Analysis of changes in yield 2022/23 to latest 2023/24

- 6.2.1 The reasons for the change in estimated yield, excluding any change in Council Tax level, between 2022/23 and the latest 2023/24 estimate based on the CTB data are:-

- Change in Council Tax Base before adjusting for collection rate by 1,377.2 from 77,300.6 to 78,677.8 which multiplied by the Band D Council Tax of £1,380.87 results in increased yield of c. £1.9m
- Change in Council Tax collection rate of 0.75% from 98% to 98.75%, equivalent to additional council tax base of 590 which multiplied by the Band D Council Tax of £1,380.87 results in increased yield of c. £0.8m

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

#### a) Number of Chargeable Dwellings and Exempt Dwellings

Between years the number of properties increased by 966 from 86,133 to 87,099 and the number of exempt dwellings increased by 4 from 994 to 998. This means that the number of chargeable dwellings increased by 962 between years. Based on a full charge, this equates to additional council tax of £1.328m.

#### b) Amount of Council Tax Support Reduction

Based on October 2021 there was a reduction of 8,086.0 to the Council Tax Base for local council tax support. This has reduced to 7,441.2 in based on

October 2022 which is a change of 644.8 and equates to an increase in council tax of about £0.890m.

c) Changes in Discounts, Exemptions and Premiums

Overall, the number of properties subject to discounts or exemption increased by 867 and those subject to premiums increased by 40 between October 2021 and October 2022.

d) Change in collection rate

There has been a change made to the estimated collection rate of 0.75%, which has increased from 98% to 98.75%.

Summary

The following puts the individual elements together to show how the potential council tax yield changes between 2022/23 and 2023/24:-

	<b>Approx. Change in Council Tax Base</b>	<b>Approx. Change in Council Tax yield</b>
		£m
Increase in number of chargeable dwellings	966.0	1.328
Change in Council Tax Support Reductions	644.8	0.890
Change in discounts, exemptions, premiums and distribution	(261.1)	(0.354)
Change in collection rate	590.0	0.815
<b>Total</b>	<b>1,939.7</b>	<b>2.679</b>

### 6.3 Council Tax Yield 2023/24

6.3.1 The draft MTFs assumes a Council Tax increase of 5% being 2% for Adult Social Care Precept and 3% for other expenditure in 2023/24. Assuming this the estimated Council Tax yield for 2023/24 is:-

<b>Council Tax: Whole area</b>	<b>Tax Base</b>	<b>Band D 2023/24</b>	<b>Council Tax Yield 2023/24</b>	<b>Council Tax Yield 2022/23</b>
Merton	77,694.3	1,449.68	£112.6m	£104.6m

6.3.2 The government has published the Council Tax Referendum Principles for 2023/24 relating to Council Tax increases for general and Adult Social Care precepts.

6.3.3 The updated MTFS is based on the following assumptions, subject to the Council Tax Referendum Principle limits announced in the Local Government Finance Settlement 2023/24:-

	2023/24	2024/25	2025/26	2026/27
Increase in CT Base	0.5%	0.5%	0.5%	0.5%
Collection Rate	98.75%	98.75%	98.75%	98.75%
Council Tax – General	3%	2%	2%	2%
Council Tax – Adult Social Care precept	2%	2%	0%	0%

6.3.4 Based on the estimated Council Tax Base calculations set out in the table in paragraph 5, and annual Council Tax increases as set out for the latest MTFS assumptions in the table above, the estimated council tax yields over the MTFS period would be:-

	2023/24	2024/25	2025/26	2026/27
Council Tax (Band D) b/f from previous year	£1,380.87	£1,449.68	£1,507.66	£1,537.81
General - 3% increase 23/24, 2% – Other years	£41.29	£28.99	£30.15	£30.75
ASC -2% Increase 23/24,24/25 , 0% other years	£27.52	£28.99	0	0
Revised Council Tax (Band D)	£1,449.68	£1,507.66	£1,537,81	£1,568.56
	£m	£m	£m	£m
Estimated Council Tax Yield	112.6	117.6	120.4	123.1

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

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
MTFS (Council 2 March 2022)	108.1	110.8	113.5	116.1
Revised Estimated Council Tax Yield	112.6	117.6	120.4	123.1
Change	4.5	6.8	6.9	7.0

## 7. SUMMARY

7.1 Based on the information discussed, the council tax bases for 2023/24 and compared to 2022/23 are summarised in the following table:-

Council Tax Base	2022/23	2023/24	Change
Whole Area	75,754.6	77,694.3	2.6%
Wimbledon & Putney Common Conservators	11,705.0	11,761.2	0.5%

7.2 Year on Year Analysis

	<b>2023/24</b> <b>CT Base</b>	<b>2023/24</b> <b>Band D</b> <b>£</b>	<b>2023/24</b> <b>Yield</b> <b>£000</b>	<b>2022/23</b> <b>CT Base</b>	<b>2022/23</b> <b>Band D</b> <b>£</b>	<b>2022/23</b> <b>Yield</b> <b>£000</b>
Merton General	77,694.30	1,278.06	99,298	75,754.60	1,236.77	93,691
ASC 2017/18	77,694.30	33.06	2,569	75,754.60	33.06	2,504
ASC 2018/19	77,694.30	11.35	882	75,754.60	11.35	860
ASC 2019/20	77,694.30	23.43	1,820	75,754.60	23.43	1,775
ASC 2020.21	77,694.30	24.56	1,908	75,754.60	24.56	1,861
ASC 2021/22	77,694.30	38.30	2,976	75,754.60	38.30	2,901
ASC 2022/23	77,694.30	13.40	1,041	75,754.60	13.40	1,015
ASC 2023/24	77,694.30	27.52	2,138	75,754.60	-	-
Sub-total: ASC		171.62	13,334		144.10	10,916
<b>Total: Merton</b>		<b>1,449.68</b>	<b>112,632</b>		<b>1,380.87</b>	<b>104,607</b>
WPCC	11,761.20	35.96	423	11,705.00	32.14	376
GLA	77,694.30	434.14	33,730	75,754.60	395.59	29,968

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

## 8. Business Rates

8.1 As previously reported, due to continuing uncertainty surrounding business rates income caused by the pandemic and the cost of living crisis, for the third year running London boroughs have decided to suspend the operation of the London business rates pool.

8.2 Therefore, in 2023/24 final projections for Business Rates retention in 2023/24 are based on NNDR1 returns for 2023/24 which were returned to Central government by 31 January 2023.

### 8.3 NNDR1

The statutory framework effectively requires a billing authority, before the beginning of a financial year, to forecast the amount of business rates that it will collect during the course of the year and, from this, to make a number of allowable deductions in order to arrive at a figure for its non-domestic rating income. It is the non-domestic rating income that is shared between the parties to the scheme, being central government, the GLA and Merton. The

framework also sets out how the billing authority is to treat allowable deductions – requiring that either they are paid to major precepting authorities, or transferred to the authority’s General Fund.

- 8.4 The calculations that authorities make before the start of the financial year determine how much they must pay to central government and their major precepting authorities during the course of the year. Since these payments are fixed at the outset of the year, it follows that any difference between forecast amounts and final outturns will result in a surplus, or deficit on the billing authority’s Collection Fund. Any such surplus or deficit is shared between government, billing authorities and their major preceptors (excluding policing bodies) in line with their share of the business rates baseline. As previously reported due to COVID-19 the Government agreed that local authorities could spread any deficit incurred in 2020/21 over three financial years rather than the usual one year.
- 8.5 The estimate for the actual income figure (or net rate yield) for 2023/24 is based on the NNDR1 return to the DLUHC. This had to be returned to the DLUHC by 31 January 2023 and calculates the amounts to be paid to central government, to the GLA and the amount to be retained by Merton to be used as part of the budget setting process.
- 8.6 The Business Rates forecast for 2023/24 included in the MTF5 is based solely on Merton’s NNDR1 return for 2023/24. It is extremely difficult to forecast Business Rates income over the four year MTF5 period as there are a number of unknowns which can have a significant impact. In particular:-
- The ongoing impact of Covid-19, the cost of living crisis and potential economic recession on Business Rates and the ability of businesses to recover and how long it will take.
  - The extent to which the Government provide financial support if the external pressures listed above continue to impact on businesses.
  - Business rates levels in the future and future economic and demographic changes including the decline of the high street and impact on businesses of greater use of on-line shopping
  - The impact of the business rates revaluation
  - The level of business rates appeals
- 8.7 The figures for Business Rates included in the Settlement Funding Assessment are the Government’s estimate based on forecasts of annual uprates since the introduction of Business Rates Retention in 2013/14. The figures in the MTF5 are based on the latest forecast of Business Rates included in Merton’s NNDR1 form which is a statutory return that local authorities were required to submit to the Government by 31 January.

- 8.8 The Government will continue to operate a safety net threshold as part of Business Rates Retention. Safety net payments will ensure that a local authority's income does not drop below more than a set percentage of its baseline funding level. The safety net threshold is 7.5%.
- 8.9 Due to the variability of some of the factors, it is inevitable that the final figure at the end of each year will be different to the estimate. Therefore, a further calculation is required at the end of each year to estimate the surplus or deficit on the Collection Fund (as is also done for Council Tax).
- 8.10 The calculation of the amounts and apportionments of the estimated Business Rates surplus/deficit element of the Collection Fund are made using the NNDR1 return which has to be made to the DLUHC by 31 January. The NNDR1 for 2023/24 is included in this Appendix
- 8.11 Forecasting Business Rates over the MTFS period  
Given that it is impossible to know what next year's business rates income will be, it is even more difficult to accurately forecast this over the following three years of the MTFS.
- 8.12 The projections in the MTFS going forward assume a 3% annual uplift. There is considerable uncertainty at present due to the current economic and inflationary pressures, including any remaining effect of the pandemic, problems of reducing footfall in town centres, the impact of Brexit and others which may all have a detrimental impact on future income streams. This will be kept under close review as part of next year's business planning process.



Department for Levelling Up,  
Housing & Communities

## NATIONAL NON-DOMESTIC RATES RETURN NNDR1 2023-24

Please e-mail to : [nndr.statistics@levellingup.gov.uk](mailto:nndr.statistics@levellingup.gov.uk)

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

Forms should be returned to the Department for Levelling Up, Housing and Communities by Tuesday 31 January 2023

**All figures should be entered in whole £**

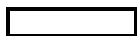
Please remember that a copy of this form, certified by your Chief Financial Officer / Section 151 officer should also be sent to your relevant Precepting Authorities, and Pool Leads (if applicable).

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

### **Completing the form**

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

2. There are three different type of input cells:



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



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



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

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

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

### **Entering data**

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

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

### **Updates**

We will use this area to list any updates to the form in the future if required

### **Checking the Validation Sheet**

5. Once the form has been completed go to the validation sheet and check if any of the data require any further explanation. The data are compared with the NNDR1 for 2022-23 and, if the change in number or percentage terms is higher or lower than we would normally expect, you are asked to provide an explanation for the change in the box provided.

For further details on the types of checks we do see *Validation notes for NNDR1 2023-24*.

### **Submitting the Form**

6. When the data have been checked and verified please email the complete file to [nndr.statistics@levellingup.gov.uk](mailto:nndr.statistics@levellingup.gov.uk)

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

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

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

9. If you experience any problems using the form please email

[nndr.statistics@levellingup.gov.uk](mailto:nndr.statistics@levellingup.gov.uk)

## NATIONAL NON-DOMESTIC RATES RETURN - NDR1

2023-24

Please e-mail with certification to: [nndr.statistics@levellingup.gov.uk](mailto:nndr.statistics@levellingup.gov.uk) by no later than 31 January 2023.

All figures must be entered in whole £

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

Select your local authority's name from this list:

Manchester  
Mansfield  
Medway UA  
Melton  
Merton  
Mid Devon

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

Merton  
E5044  
Donald Freeman  
020 8545 3048  
[donald.freeman@merton.gov.uk](mailto:donald.freeman@merton.gov.uk)

Ver 1.1

## PART 1A: NON-DOMESTIC RATING INCOME

This section of the form uses entries from other parts to calculate the forecast net business rates income for the authority in 2023-24. Note that you still need to enter data for line 5 and line 9a, but otherwise it is all calculated. Also please note that Parts 1B and 1C are below.

## COLLECTABLE RATES

1. Net amount receivable from rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs and accounting adjustments £ 84,051,786

## TRANSITIONAL PROTECTION PAYMENTS

2. Sums due to the authority 11,870,448

3. Sums due from the authority 0

## COST OF COLLECTION (See Note A)

4. Cost of collection formula 256,365

5. Legal costs 50,000

6. Allowance for cost of collection 306,365

## SPECIAL AUTHORITY DEDUCTIONS

7. City of London Offset : Not applicable for your authority 0

## DISREGARDED AMOUNTS

8. Amounts retained in respect of Designated Areas 0

9. Amounts retained in respect of Renewable Energy Schemes (see Note B) 0

of which:

9a. sums retained by billing authority 0

9b. sums retained by major precepting authority 0

10. Amounts retained in respect of Shale Oil and Gas Sites Schemes (see Note C) 0

## NON-DOMESTIC RATING INCOME

11. Line 1 plus line 2, minus lines 3, 6 to 9 and 10 95,615,869



## NATIONAL NON-DOMESTIC RATES RETURN - NNDR1

2023-24

Please e-mail with certification to: nndr.statistics@levellingup.gov.uk by no later than 31 January 2023.

All figures must be entered in whole £

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

Local Authority : Merton

Ver 1.1

## PART 1B: PAYMENTS

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

The payments to be made, during the course of 2023-24 to:

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

are set out below

	Column 1 Central Government	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
<b>Retained NNDR shares</b>					
12. % of non-domestic rating income to be allocated to each authority in 2023-24	£ 33%	£ 30%	£ 37%	£ 0%	£ 100%
<b>Non-Domestic Rating Income for 2023-24</b>					
13. Non-domestic rating income from rates retention scheme	31,553,236	28,684,761	35,377,872	0	95,615,869
14. (less) deductions from central share	0				0
15 <b>TOTAL:</b>	31,553,236	28,684,761	35,377,872	0	95,615,869
<b>Other Income for 2023-24</b>					
16. add: cost of collection allowance		306,365			306,365
17. add: amounts retained in respect of Designated Areas		0			0
18. add: amounts retained in respect of renewable energy schemes		0	0		0
19. add: amounts retained in respect of Shale oil and gas sites schemes		0	0	0	0
20. add: qualifying relief in Designated Areas		0	0	0	0
21. add: City of London Offset		0			0
22. add: in respect of Port of Bristol hereditament		0			0
<b>Estimated Surplus/Deficit on Collection Fund</b>					
23. Surplus/Deficit at end of 2022-23 (+ve = surplus, -ve = deficit) (including adjustment for three year spread)	£ -1,859,606	£ -1,690,551	£ -2,085,013	£ 0	£ -5,635,171
<b>TOTAL FOR THE YEAR</b>					
24. Total amount due to authorities	£ 29,693,630	£ 27,300,575	£ 33,292,859	£ 0	£ 90,287,063

## NATIONAL NON-DOMESTIC RATES RETURN - NNDR1

2023-24

Please e-mail with certification to: nndr.statistics@levellingup.gov.uk by no later than 31 January 2023.

All figures must be entered in whole £

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

Local Authority : Merton

Ver 1.1

## PART 1C: SECTION 31 GRANT (See Note D)

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

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

	Column 2	Column 3	Column 4	Column 5
Adjustment Factor: 1.17	Merton	Greater London Authority		Total
	£	£	£	£
<b>Multiplier Cap</b>				
25. Cost of cap on 2014-15, 2015-16 and post-2018-19 and freezing of 2021-22, 2022-23 and 2023-24 small business rates multipliers	4,886,182	6,026,291	0	10,912,473
<b>Small Business Rate Relief</b>				
26. Cost of doubling SBRR & threshold changes for 2023-24	1,150,756	1,419,265	0	2,570,021
26a. Additional compensation for loss of supplementary multiplier income	79,409	97,938	0	177,347
27. Cost to authorities of maintaining relief on "first" property	0	0	0	0
<b>Rural Rate Relief</b>				
28. Cost to authorities of providing 100% rural rate relief	0	0	0	0
<b>Supporting Small Business Scheme</b>				
29. Cost to authorities of providing relief	10,533	12,991	0	23,524
<b>Designated Areas qualifying relief in 100% business rates retention areas</b>				
30. Cost to authorities of providing relief	0	0	0	0
<b>Local newspaper relief</b>				
31. Cost to authorities of providing relief	0	0	0	0
<b>Public lavatories relief</b>				
32. Cost to authorities of providing relief	0	0	0	0
<b>Retail, Hospitality and Leisure relief</b>				
33. Cost to authorities of providing relief	2,991,139	3,689,070	0	6,680,209
<b>Freeports relief</b>				
34. Cost to authorities of providing relief	0	0	0	0
<b>Low-carbon heat networks relief</b>				
35. Cost to authorities of providing relief	0	0	0	0
<b>TOTAL FOR THE YEAR</b>				
36. Amount of Section 31 grant due to authorities to compensate for reliefs	9,118,019	11,245,555	0	20,363,574

**NB** To determine the amount of S31 grant due to it, the authority will have to add / deduct from the amount shown in line 36, a sum to reflect the adjustment to tariffs / top-ups in respect of the multiplier cap (See notes for Line 36)

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

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

**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2023-24**

All figures must be entered in whole £  
Note that any reliefs for the year 2023-24 announced after this form has gone out may be covered by future supplementary data collections

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

Ver 1.1

**Local Authority : Merton**

**PART 2: RELIEFS AND NET RATES PAYABLE**

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2023-24. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas) <b>Complete this column</b>	Column 2 Designated areas <b>Do not complete this column</b>	Column 3 TOTAL (All BA Area) <b>Do not complete this column</b>
	£		£
<b>GROSS RATES PAYABLE</b> (All data should be entered as +ve unless specified otherwise) - see Note E			
1. Rateable Value at <input type="text" value="13/01/2023"/>	<input type="text" value="244,543,792"/>	<input type="text"/>	<input type="text" value="244,543,792"/>
2. Small business rating multiplier <input type="text" value="49.9"/> for 2023-24 (pence)			
3. Gross rates 2023-24 (RV x multiplier)	<input type="text" value="122,027,352"/>	<input type="text"/>	
4. Estimated growth/decline in gross rates (+ = increase, - = decrease)	<input type="text" value="0"/>	<input type="text"/>	
5. Forecast gross rates payable in 2023-24	<input type="text" value="122,027,352"/>	<input type="text"/>	<input type="text" value="122,027,352"/>
<b>TRANSITIONAL ARRANGEMENTS (See Note F)</b>			
6. Revenue foregone because increases in rates have been deferred (Show as -ve)	<input type="text" value="-11,870,448"/>	<input type="text"/>	<input type="text" value="-11,870,448"/>
7. Changes as a result of estimated growth / decline in cost of transitional arrangements (+ = decline, - = increase)	<input type="text" value="0"/>	<input type="text"/>	
8. Forecast net cost of transitional arrangements	<input type="text" value="-11,870,448"/>	<input type="text"/>	<input type="text" value="-11,870,448"/>
<b>TRANSITIONAL PROTECTION PAYMENTS (See Note F(a))</b>			
9. Sum due to/(from) authority	<input type="text" value="11,870,448"/>	<input type="text"/>	<input type="text" value="11,870,448"/>

**NATIONAL NON-DOMESTIC RATES RETURN - NDR1**  
**2023-24**

All figures must be entered in whole £  
Note that any reliefs for the year 2023-24 announced after this form has gone out may be covered by future supplementary data collections

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

Ver 1.1

**Local Authority : Merton**

**PART 2: RELIEFS AND NET RATES PAYABLE**

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2023-24. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas)	Column 2 Designated areas	Column 3 TOTAL (All BA Area)
<b>MANDATORY RELIEFS (See Note G) (All data should be entered as -ve unless specified otherwise)</b>			
<b>Small Business Rate Relief</b>			
10. Forecast of relief to be provided in 2023-24	-4,495,956		-4,495,956
11. <i>of which:</i> relief on existing properties where a 2nd property is occupied	0		0
12. Additional yield from the small business supplement (Show as +ve)	2,532,539		2,532,539
13. Net cost of small business rate relief (line 10 + line 12)	-1,963,417		-1,963,417
<b>Charitable occupation</b>			
14. Forecast of relief to be provided in 2023-24	-7,326,872		-7,326,872
<b>Community Amateur Sports Clubs (CASCs)</b>			
15. Forecast of relief to be provided in 2023-24	-107,479		-107,479
<b>Rural rate relief</b>			
16. Forecast of relief to be provided in 2023-24	0		0
<b>Public Lavatories relief (see note H)</b>			
17. Forecast of relief to be provided in 2023-24	0		0
18. Forecast of mandatory reliefs to be provided in 2023-24 (Sum of lines 13 to 17)	-9,397,768		-9,397,768
19. Changes as a result of estimated growth/decline in mandatory relief (+ = decline, - = increase)	-47,000		-47,000
<b>20. Total forecast mandatory reliefs to be provided in 2023-24</b>	<b>-9,444,768</b>		<b>-9,444,768</b>
<b>UNOCCUPIED PROPERTY (See Note J) (All data should be entered as -ve unless specified otherwise)</b>			
<b>Partially occupied hereditaments</b>			
21. Forecast of 'relief' to be provided in 2023-24	0		0
<b>Empty premises</b>			
22. Forecast of 'relief' to be provided in 2023-24	-942,412		-942,412
23. Forecast of unoccupied property 'relief' to be provided in 2023-24 (Line 21 + line 22)	-942,412		-942,412
24. Changes as a result of estimated growth/decline in unoccupied property 'relief' (+ = decline, - = increase)	-1,000,000		-1,000,000
<b>25. Total forecast unoccupied property 'relief' to be provided in 2023-24</b>	<b>-1,942,412</b>		<b>-1,942,412</b>

**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2023-24**

All figures must be entered in whole £  
Note that any reliefs for the year 2023-24 announced after this form has gone out may be covered by future supplementary data collections

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

Ver 1.1

**Local Authority : Merton**

**PART 2: RELIEFS AND NET RATES PAYABLE**

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2023-24. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas)	Column 2 Designated areas	Column 3 TOTAL (All BA Area)
<b>DISCRETIONARY RELIEFS (See Note K) (All data should be entered as -ve unless specified otherwise)</b>			
<b>Charitable occupation</b>			
26. Forecast of relief to be provided in 2023-24	-189,583		-189,583
<b>Non-profit making bodies</b>			
27. Forecast of relief to be provided in 2023-24	-26,771		-26,771
<b>Community Amateur Sports Clubs (CASCs)</b>			
28. Forecast of relief to be provided in 2023-24	0		0
<b>Rural shops etc</b>			
29. Forecast of relief to be provided in 2023-24	0		0
<b>Small rural businesses</b>			
30. Forecast of relief to be provided in 2023-24	0		0
<b>Other ratepayers (refer to guidance for further details)</b>			
31. Forecast of relief to be provided in 2023-24	-100,000		-100,000
<i>of which:</i>	<i>of which:</i>		
32. Relief given to Case A hereditaments			
33. Relief given to Case B hereditaments	0		
34. Relief given to Freeports (see Note L)			
35. Forecast of discretionary relief to be provided in 2023-24 (Sum of lines 26 to 31)	-316,354		-316,354
36. Changes as a result of estimated growth/decline in discretionary relief (+ = decline, - = increase)	-5,000		
<b>37. Total forecast discretionary relief to be provided in 2023-24</b>	<b>-321,354</b>		<b>-321,354</b>

**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2023-24**

All figures must be entered in whole £  
Note that any reliefs for the year 2023-24 announced after this form has gone out may be covered by future supplementary data collections

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

Ver 1.1

**Local Authority : Merton**

**PART 2: RELIEFS AND NET RATES PAYABLE**

This section of the form is for you to enter the gross rates value and the amount of various business rates reliefs forecast for 2023-24. This will then calculate the forecast net rates payable. These values also populate the section 31 payment calculations in Part 1.

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas)	Column 2 Designated areas	Column 3 TOTAL (All BA Area)
<b>DISCRETIONARY RELIEFS FUNDED THROUGH SECTION 31 GRANT</b>			
<b>(See Note M) (All data should be entered as -ve unless specified otherwise)</b>			
<b>Rural Rate Relief</b>			
38. Forecast of relief to be provided in 2023-24	0		0
<b>Supporting Small Business Scheme</b>			
39. Forecast of relief to be provided in 2023-24	-30,000		-30,000
<b>Local newspaper relief</b>			
40. Forecast of relief to be provided in 2023-24	0		0
<b>Retail, Hospitality and Leisure relief</b>			
41. Forecast of relief to be provided in 2023-24	-8,519,280		-8,519,280
<b>Low-carbon heat networks relief</b>			
42. Forecast of relief to be provided in 2023-24	0		0
43. Forecast of discretionary reliefs funded through S31 grant to be provided in 2023-24 (Sum of lines 38 to 42)	-8,549,280		-8,549,280
44. Changes as a result of estimated growth/decline in Section 31 discretionary relief (+ = decline, - = increase)	-43,000		
<b>45. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2023-24</b>	<b>-8,592,280</b>		<b>-8,592,280</b>
<b>NET RATES PAYABLE</b>			
46. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs	£ 89,856,090		£ 89,856,090

**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2023-24**

All figures must be entered in whole £

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

Ver 1.1

**Local Authority : Merton**

**PART 3: COLLECTABLE RATES AND DISREGARDED AMOUNTS**

Enter accounting adjustments in this section, which calculations will deduct from the net rates calculated from entries in Part 2.

**You should complete column 1 only**

	Column 1 BA Area (exc. Designated areas)	Column 2 Designated Areas	Column 3 TOTAL (All BA Area)
	Complete this column	Do not complete this column	Do not complete this column
	£	£	£
<b>NET RATES PAYABLE</b>			
1. Sum payable by rate payers after taking account of transitional adjustments, empty property rate, mandatory and discretionary reliefs	89,856,090	0	89,856,090
<b>(LESS) LOSSES (Data should be entered as -ve)</b>			
2. Estimated bad debts in respect of 2023-24 rates payable	-4,495,304	0	-4,495,304
3. Estimated repayments in respect of 2023-24 rates payable	-1,309,000	0	-1,309,000
<b>COLLECTABLE RATES</b>			
4. Net Rates payable less losses	84,051,786	0	84,051,786
<b>DISREGARDED AMOUNTS (Data should be entered as +ve)</b>			
5. Renewable Energy (see Note B)	0	0	0
6. Shale oil and gas sites scheme (see Note C)	0	0	0
7. Transitional Protection Payment		0	
8. Baseline		0	
<b>DISREGARDED AMOUNTS</b>			
9. Total Disregarded Amounts		0	0
<b>DESIGNATED AREAS IN 100% BRR AUTHORITIES</b>			
10. Designated Areas Qualifying Relief: Not applicable	0	0	0
<b>DEDUCTIONS FROM CENTRAL SHARE</b>			
11. Designated Areas Qualifying Relief	0	0	0
<b>Port of Bristol</b>			
12. In respect of Port of Bristol: Not applicable	0		0
<b>DEDUCTIONS FROM CENTRAL SHARE</b>			
13. Total Deductions	0	0	0





**NATIONAL NON-DOMESTIC RATES RETURN - NNDR1**  
**2023-24**

All figures must be entered in whole £

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

Ver 1.1

**Local Authority : Merton**

**PART 4: ESTIMATED COLLECTION FUND BALANCE**

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

**OPENING BALANCE**

1. Opening Balance (From Collection Fund Statement)	£	£
		-14,385,186

**BUSINESS RATES CREDITS AND CHARGES**

2. Business rates credited and charged to the Collection Fund in 2022-23 (enter as +ve)	74,515,857	
3. Sums written off in excess of the allowance for non-collection (enter as -ve)	0	
4. Changes to the allowance for non-collection	-602,470	
5. Amounts charged against the provision for alteration of lists and appeals following RV list changes (enter as +ve)	3,481,883	
6. Changes to the provision for alteration of lists and appeals	-5,197,964	
<b>7. Total business rates credits and charges (Total lines 2 to 6)</b>		72,197,306

**OTHER RATES RETENTION SCHEME CREDITS (enter as +ve)**

8. Transitional protection payments received, or to be received in 2022-23	0	
9. Transfers/payments to the Collection Fund for end-year reconciliations	0	
10. Transfers/payments into the Collection Fund in 2022-23 in respect of a previous year's deficit	13,052,272	
<b>11. Total Other Credits (Total lines 8 to 10)</b>		13,052,272

**OTHER RATES RETENTION SCHEME CHARGES (enter as -ve)**

12. Transitional protection payments made, or to be made, in 2022-23	-95,122	
13. Payments made, or to be made, to the Secretary of State in respect of the central share in 2022-23	-25,130,935	
14. Payments made, or to be made to, major precepting authorities in respect of business rates income in 2022-23	-28,177,110	
15. Transfers made, or to be made, to the billing authority's General Fund in respect of business rates income in 2022-23	-22,846,305	
16. Transfers made, or to be made, to the billing authority's General Fund; and payments made, or to be made, to a precepting authority in respect of disregarded amounts in 2022-23	-250,091	
17. Transfers/payments from the Collection Fund for end-year reconciliations	0	
18. Transfers/payments made from the Collection Fund in 2022-23 in respect of a previous year's surplus	0	
<b>19. Total Other Charges (Total lines 12 to 18)</b>		-76,499,563

**ESTIMATED SURPLUS/(DEFICIT) ON COLLECTION FUND IN RESPECT OF FINANCIAL YEAR 2022-23 - Surplus (positive), Deficit (Negative)**

20. Opening balance plus total credits, less total charges (Total lines 1, 7, 11,19)		£
		-5,635,171

**APPORTIONMENT OF ESTIMATED SURPLUS / DEFICIT (See Note N)**

	Column 1 Central Government	Column 2 Merton	Column 3 Greater London Authority	Column 4	Column 5 Total
21. % for distribution of prior year surplus/deficit (i.e. 2021-22)	33%	30%	37%	0%	100%
22. Total prior year surplus (+)/deficit (-)	-439,862	-399,874	-493,178	0	-1,332,914
<i>of which:</i>					
22a. Amount deferred in respect of estimated 2020-21 surplus-deficit	-631,660	-574,237	-708,225	0	-1,914,122
22b. Amount in respect of 2021-22	191,799	174,362	215,047	0	581,208
23. % for distribution of in-year surplus/deficit (i.e. 2022-23)	33%	30%	37%	0%	100%
24. In year surplus (+)/deficit (-)	-1,419,745	-1,290,677	-1,591,835	0	-4,302,257
<b>25. Total (total lines 22 and 24)</b>	-1,859,606	-1,690,551	-2,085,013	0	-5,635,171

<b>OTHER CORPORATE ITEMS - CABINET February 2023</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Asset Rentals: Depreciation	(26,997)	(26,997)	(26,997)	(26,997)
WPCC	423	423	423	423
Bad Debt provision	1,000	500	500	500
Contingency	2,500	3,000	3,000	3,000
Pensions Strain/Redundancy	750	750	750	750
Local Election	0	0	0	400
Loss of HB Admin. Grant	49	59	46	51
Apprenticeship Levy	450	450	450	450
Internal Review	1,146	1,146	1,146	1,146
Croydon - Pensions addition	130	130	130	130
Contribution to Climate Change Reserve	0	450	0	0
Strategic Support	100	100	100	100
<b>Other Corporate items</b>	<b>(20,449)</b>	<b>(19,989)</b>	<b>(20,452)</b>	<b>(20,047)</b>

## Summarised Transition from Council March 2022 to Cabinet 20 February 2023

<b>Budget Forecast 2023/24 to 2026/27</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Budget Gap Council March 2022</b>	<b>4,618</b>	<b>18,791</b>	<b>21,659</b>	<b>27,767</b>
Provision for Pay	3,738	3,628	3,885	3,927
Inflation - Prices and excess inflation	7,133	6,637	6,780	6,923
Savings - New 2023/24 and Amendments to existing savings	(4,240)	(4,607)	(5,209)	(5,239)
Review of corporate provisions	(676)	46	(81)	1
External Borrowing Costs	(637)	(1,358)	(1,324)	(2,905)
Social Care Grants (Net)	(935)	(935)	(935)	(935)
C&H: Taxicard and Concessionary Fares	(688)	(994)	(64)	2,110
Proposed Growth - Services	3,365	3,010	3,033	3,033
Investment Income	(5,610)	(5,580)	(5,559)	(5,548)
DSG Deficit - Safety Valve Agreement	(9,088)	(11,584)	(13,099)	(18,600)
Waste contract relet	0	0	1,800	3,000
Parking contract and Systems	0	0	900	900
Council Tax income	(4,580)	(6,781)	(6,843)	(6,905)
Targeted Council Tax discount	830	0	0	0
Business Rates	(1,128)	(2,046)	(3,001)	(3,993)
Collection Fund - t/f of Ctax surplus(-)/deficit	(1,908)	0	0	0
Collection Fund - t/f of BRates surplus(-)/deficit	1,117	0	0	0
New Homes Bonus	(432)	300	300	300
Use of Reserves	9,122	1,472	54	0
Rounding	0	0	0	1
<b>Cabinet 20 February 2023</b>	<b>0</b>	<b>(0)</b>	<b>2,296</b>	<b>3,836</b>

## STATEMENT OF COUNCIL TAX REQUIREMENTS AND BALANCES

	ORIGINAL BUDGET 2018/19	ORIGINAL BUDGET 2019/20	ORIGINAL BUDGET 2020/21	ORIGINAL BUDGET 2021/22	ORIGINAL BUDGET 2022/23	ORIGINAL BUDGET 2023/24	2018/19 Band D Council Tax	2019/20 Band D Council Tax	2020/21 Band D Council Tax	2021/22 Band D Council Tax	2022/23 Band D Council Tax	2023/24 Band D Council Tax
	£m	£m	£m	£m	£m	£m	£	£	£	£	£	£
<b>Merton</b>												
Net Cost of General Fund Services	136.059	138.095	155.227	166.142	171.625	170.540	1,835.56	1,842.45	2,042.73	2,238.51	2,265.54	2,195.01
Contingency	1.500	1.500	1.500	1.500	1.500	2.500	20.24	20.01	19.74	20.21	19.80	32.18
	137.559	139.595	156.727	167.642	173.125	173.040	1,855.80	1,862.47	2,062.47	2,258.72	2,285.34	2,227.19
<b>Levies</b>												
Lee Valley	0.179	0.178	0.178	0.179	0.179	0.179	2.41	2.37	2.34	2.41	2.36	2.30
London Pensions Fund	0.260	0.258	0.253	0.258	0.258	0.258	3.51	3.44	3.33	3.48	3.41	3.32
Environment Agency	0.168	0.171	0.174	0.174	0.174	0.174	2.27	2.28	2.29	2.34	2.30	2.24
Total Levies	0.607	0.607	0.605	0.611	0.611	0.611	8.19	8.10	7.96	8.23	8.07	7.86
<b>TOTAL BUDGET (before balances, etc adjustment)</b>	<b>138.166</b>	<b>140.202</b>	<b>157.332</b>	<b>168.253</b>	<b>173.736</b>	<b>173.651</b>	<b>1,863.98</b>	<b>1,870.56</b>	<b>2,070.43</b>	<b>2,266.95</b>	<b>2,293.41</b>	<b>2,235.05</b>
<b>Provisions, Contributions and Balances</b>												
Appropriations to/from Reserves	(1.332)	(4.186)	(11.275)	(12.515)	(12.086)	(2.885)	(17.97)	(55.85)	(148.37)	(168.62)	(159.54)	(37.13)
<b>TOTAL BUDGET REQUIREMENT</b>	<b>136.834</b>	<b>136.016</b>	<b>146.057</b>	<b>155.738</b>	<b>161.650</b>	<b>170.766</b>	<b>1,846.01</b>	<b>1,814.72</b>	<b>1,922.06</b>	<b>2,098.33</b>	<b>2,133.86</b>	<b>2,197.92</b>
<b>Less: Central Government Support</b>												
Government (Formula) Grant:												
Revenue Support Grant (including Transition Grant)	0.000	0.000	(5.159)	(5.187)	(5.350)	(6.108)	0.00	0.00	(67.89)	(69.89)	(70.62)	(78.62)
National Non-Domestic Rates inc. Section 31 Grant	(47.611)	(44.026)	(38.676)	(36.551)	(38.428)	(39.236)	(642.32)	(587.39)	(508.96)	(492.47)	(507.27)	(505.01)
Covid - RNF and LCTS Grant				(6.811)	0.000	0.000				(91.77)	0.00	0.00
Brexit Grant		(0.210)	0.000	0.000	0.000	0.000		(2.80)	0.00	0.00	0.00	0.00
Social Care Grant				(4.466)	(6.282)	(6.282)				(60.17)	(82.93)	(80.86)
Adult Social Care Improved Better Care Fund	(2.115)	(1.054)	(4.862)	(4.862)	(5.009)	(5.009)	(28.53)	(14.06)	(63.98)	(65.51)	(66.12)	(64.47)
Market Sustainability and Fair Cost of Care Fund	0.000	0.000	0.000	0.000	(0.505)	0.000				0.00	(6.67)	0.00
ASC Market Sustainability and Improvement Fund	0.000	0.000	0.000	0.000	0.000	(1.751)				0.00	0.00	(22.54)
ASC Discharge Fund	0.000	0.000	0.000	0.000	0.000	(0.702)				0.00	0.00	(9.04)
Targeted Council Tax Discount	0.000	0.000	0.000	0.000	0.000	0.830				0.00	0.00	10.68
Services Grant	0.000	0.000	0.000	0.000	(2.479)	(1.379)				0.00	(32.72)	(17.75)
Total Government Grant + Baseline NNDR Funding:	(49.726)	(45.290)	(48.697)	(57.877)	(58.053)	(59.637)	(670.85)	(604.26)	(640.84)	(779.80)	(766.33)	(767.59)
Contribution to/(from) Collection Fund	(0.430)	1.301	(0.327)	1.647	1.010	1.503	(5.80)	17.36	(4.30)	22.19	13.33	19.35
<b>Council Tax Requirement</b>												
Merton - General (excluding WPCC)	86.678	92.027	97.033	99.508	104.607	112.632	1,169.36	1,227.82	1,276.92	1,340.72	1,380.87	1,449.68
<b>Merton - COUNCIL TAX FUNDING REQUIREMENT</b>	<b>86.678</b>	<b>92.027</b>	<b>97.033</b>	<b>99.508</b>	<b>104.607</b>	<b>112.632</b>	<b>1,169.36</b>	<b>1,227.82</b>	<b>1,276.92</b>	<b>1,340.72</b>	<b>1,380.87</b>	<b>1,449.68</b>
<b>Greater London Authority Precept</b>												
Metropolitan Police Authority/Mayor's Office for Policing and Crime	16.169	18.148	19.159	19.826	20.994	22.697	218.13	242.13	252.13	267.13	277.13	292.13
Other Non-Police Services	5.641	5.875	6.075	7.164	8.974	11.033	76.10	78.38	79.94	96.53	118.46	142.01
<b>Greater London Authority Precept</b>	<b>21.810</b>	<b>24.023</b>	<b>25.234</b>	<b>26.991</b>	<b>29.968</b>	<b>33.730</b>	<b>294.23</b>	<b>320.51</b>	<b>332.07</b>	<b>363.66</b>	<b>395.59</b>	<b>434.14</b>
<b>TOTAL COUNCIL TAX REQUIREMENT</b>	<b>108.488</b>	<b>116.050</b>	<b>122.267</b>	<b>126.499</b>	<b>134.575</b>	<b>146.362</b>	<b>1,463.59</b>	<b>1,548.33</b>	<b>1,608.99</b>	<b>1,704.38</b>	<b>1,776.46</b>	<b>1,883.82</b>

<b>DRAFT MTFS 2023-27:</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Departmental Base Budget 2022/23</b>	<b>173,022</b>	<b>173,022</b>	<b>173,022</b>	<b>173,022</b>
Inflation (Pay, Prices)	17,128	22,273	26,752	31,018
NI increase	(1,001)	(1,013)	(1,025)	(1,038)
Pension Fund Revaluation	(452)	(428)	(404)	(380)
FYE – Previous Years Savings	(2,218)	(2,166)	(2,063)	(2,072)
FYE – Previous Years Growth	390	390	390	390
Amendments to previously agreed savings/growth	50	50	50	50
Change in Net Appropriations to/(from) Reserves	(3,226)	(3,226)	(3,676)	(3,676)
Taxi card/Concessionary Fares	769	3,474	5,648	7,822
Social Care - Additional Spend offset by grant/precept	2,249	(204)	(204)	(204)
Growth	3,365	3,010	3,033	3,033
DSG Safety Valve	0	0	0	0
Provision - DSG Deficit	2,540	1,130	700	(3,600)
Contract increases	0	0	2,700	3,900
Other	6,180	1,951	2,031	2,111
<b>Re-Priced Departmental Budget</b>	<b>200,200</b>	<b>199,667</b>	<b>208,358</b>	<b>211,780</b>
Treasury/Capital financing	5,281	5,646	5,528	7,419
Pensions	0	0	0	0
Other Corporate items	(20,449)	(19,989)	(20,452)	(20,047)
Levies	611	611	611	611
<b>Sub-total: Corporate provisions</b>	<b>(14,557)</b>	<b>(13,732)</b>	<b>(14,313)</b>	<b>(12,017)</b>
<b>Sub-total: Repriced Departmental Budget + Corporate Provisions</b>	<b>185,643</b>	<b>185,935</b>	<b>194,045</b>	<b>199,762</b>
Savings/Income Proposals 2022/23	(4,290)	(4,657)	(5,259)	(5,289)
<b>Sub-total</b>	<b>181,353</b>	<b>181,278</b>	<b>188,786</b>	<b>194,473</b>
Appropriation to/from departmental reserves	(752)	(752)	(302)	(302)
Appropriation to/from Balancing the Budget Reserve	609	1,473	53	0
ONGOING IMPACT OF COVID-19 (NET)	505	0	0	0
<b>BUDGET REQUIREMENT</b>	<b>181,714</b>	<b>181,999</b>	<b>188,537</b>	<b>194,171</b>
<b>Funded by:</b>				
Revenue Support Grant/Covid RNF & LCTS grant	0	0	0	0
Business Rates (inc. Section 31 grant)	(45,344)	(46,704)	(48,105)	(49,548)
Adult Social Care Grants inc. BCF	(5,010)	(5,010)	(5,010)	(5,010)
Social Care Grant	(10,430)	(7,518)	(7,518)	(7,518)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(732)	0	0	0
Council Tax inc. WPCC	(113,055)	(117,970)	(120,811)	(123,462)
Targeted Council Tax Discount	830	0	0	0
Collection Fund – (Surplus)/Deficit	673	0	0	0
ASC Market Sustainability and Improvement Fund	(1,751)	0	0	0
ASC Discharge Fund	(702)	0	0	0
Services Grant	(1,397)	0	0	0
<b>TOTAL FUNDING</b>	<b>(181,714)</b>	<b>(181,999)</b>	<b>(186,241)</b>	<b>(190,335)</b>
<b>GAP including Use of Reserves (Cumulative)</b>	<b>0</b>	<b>0</b>	<b>2,296</b>	<b>3,836</b>

## Reserves

Forecast Movement in Reserves 2021-26	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000
General Fund Reserve	14,000	0	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Earmarked Reserves	89,256	2,178	91,434	308	91,742	384	92,126	(1,219)	90,907	(34,889)	56,018
Grants & Contributions	4,584	(174)	4,409	0	4,409	0	4,409	0	4,409	0	4,409
<b>Total Available Gen. Fund Rev. Reser</b>	<b>107,840</b>	<b>2,004</b>	<b>109,844</b>	<b>308</b>	<b>110,152</b>	<b>384</b>	<b>110,536</b>	<b>(1,219)</b>	<b>109,317</b>	<b>(34,889)</b>	<b>74,428</b>
<b>Fixed to Contracts</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>	<b>0</b>	<b>1,955</b>
<b>Total General Fund revenue reserves</b>	<b>109,795</b>	<b>2,004</b>	<b>111,798</b>	<b>308</b>	<b>112,106</b>	<b>384</b>	<b>112,490</b>	<b>(1,219)</b>	<b>111,271</b>	<b>(34,889)</b>	<b>76,382</b>
<b>Schools Balances &amp; Reserves</b>	<b>17,986</b>	<b>(40)</b>	<b>17,946</b>	<b>0</b>	<b>17,946</b>	<b>0</b>	<b>17,946</b>	<b>0</b>	<b>17,946</b>	<b>0</b>	<b>17,946</b>
<b>TOTAL</b>	<b>127,781</b>	<b>1,964</b>	<b>129,744</b>	<b>308</b>	<b>130,052</b>	<b>384</b>	<b>130,436</b>	<b>(1,219)</b>	<b>129,217</b>	<b>(34,889)</b>	<b>94,328</b>

## APPENDIX 8

Analysis	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000
<b>Earmarked Reserves</b>											
Outstanding Council Programme Board Reserve	2,412	(15)	2,397	0	2,397	0	2,397	0	2,397	0	2,397
For use in future years' budgets	20,305	(10,643)	9,662	(1,009)	8,653	1,479	10,132	306	10,438	0	10,438
Revenue Reserve for Capital/Revenuisation	246	0	246	0	246	0	246	0	246	0	246
Energy renewable reserve	1,792	0	1,792	0	1,792	0	1,792	0	1,792	0	1,792
Repairs and Renewals Fund	2,090	501	2,591	0	2,591	0	2,591	0	2,591	0	2,591
Pension Fund additional contribution	(0)	0	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Local Land Charges	801	(501)	300	0	300	0	300	0	300	0	300
Apprenticeships	1,294	(400)	894	0	894	0	894	0	894	0	894
Community Care Reserve	896	(590)	306	0	306	0	306	0	306	0	306
Local Welfare Support Reserve	595	0	595	0	595	0	595	0	595	0	595
LEP - New Homes Bonus funded projects	0	0	0	0	0	0	0	0	0	0	0
Corporate Services Reserves	4,879	(32)	4,847	0	4,847	0	4,847	0	4,847	0	4,847
Spending Review Reserve	26,940	7,803	34,743	2,542	37,285	1,130	38,415	700	39,115	(32,664)	6,451
COVID-19 Emergency Funding	106	(106)	(0)	0	(0)	0	(0)	0	(0)	0	(0)
Business Rates - Covid-19 Adjustments Reserve	6,319	2,277	8,596	0	8,596	0	8,596	0	8,596	0	8,596
COVID-19: Year End Balances - Government Grant	6,816	0	6,816	0	6,816	0	6,816	0	6,816	0	6,816
Your Merton Fund	2,764	(15)	2,749	0	2,749	0	2,749	0	2,749	0	2,749
Climate Change Reserve	3,550	0	3,550	0	3,550	0	3,550	0	3,550	0	3,550
Voluntary Sector Support/Merton Giving	802	(600)	202	0	202	0	202	0	202	0	202
Cost of Living Reserve	2,000	(1,000)	1,000	0	1,000	0	1,000	0	1,000	0	1,000
Income Loss Protection Reserve	2,500	5,500	8,000	(2,225)	5,775	(2,225)	3,550	(2,225)	1,325	(2,225)	(900)
Inflation Protection Reserve	2,000	0	2,000	0	2,000	0	2,000	0	2,000	0	2,000
Waste Contract Transition Reserve	0	0	0	1,000	1,000	0	1,000	0	1,000	0	1,000
Wimbledon Tennis Court Renewal Fund	150	0	150	0	150	0	150	0	150	0	150
<b>Earmarked Reserves</b>	<b>89,256</b>	<b>2,178</b>	<b>91,434</b>	<b>308</b>	<b>91,742</b>	<b>384</b>	<b>92,126</b>	<b>(1,219)</b>	<b>90,907</b>	<b>(34,889)</b>	<b>56,018</b>
Culture and Environment contributions	178	(148)	30	0	30	0	30	0	30	0	30
Culture and Environment grant	425	(27)	399	0	399	0	399	0	399	0	399
Childrens & Education grant	72	0	72	0	72	0	72	0	72	0	72
Adult Social care grants	2,803	0	2,803	0	2,803	0	2,803	0	2,803	0	2,803
Housing GF grants	866	0	866	0	866	0	866	0	866	0	866
Public Health Grant Reserve	240	0	240	0	240	0	240	0	240	0	240
<b>Grants &amp; Contributions</b>	<b>4,584</b>	<b>(174)</b>	<b>4,409</b>	<b>0</b>	<b>4,409</b>	<b>0</b>	<b>4,409</b>	<b>0</b>	<b>4,409</b>	<b>0</b>	<b>4,409</b>
<b>Total</b>	<b>93,840</b>	<b>2,004</b>	<b>95,844</b>	<b>308</b>	<b>96,152</b>	<b>384</b>	<b>96,536</b>	<b>(1,219)</b>	<b>95,317</b>	<b>(34,889)</b>	<b>60,428</b>

Analysis	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000
Insurance Reserve	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
<b>Fixed to Contracts</b>	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Governor Support Reserve	34	0	34	0	34	0	34	0	34	0	34
Schools Reserve	0	0	0	0	0	0	0	0	0	0	0
CSF reserve	108	(40)	68	0	68	0	68	0	68	0	68
Refund of PFI contributions	0	0	0	0	0	0	0	0	0	0	0
Schools PFI Fund	6,292	0	6,292	0	6,292	0	6,292	0	6,292	0	6,292
Earmarked Schools Balances	11,218	0	11,218	0	11,218	0	11,218	0	11,218	0	11,218
Schools Standards Fund balances	0	0	0	0	0	0	0	0	0	0	0
Schools Fund	334	0	334	0	334	0	334	0	334	0	334
<b>Schools Reserves</b>	17,986	(40)	17,946	0	17,946	0	17,946	0	17,946	0	17,946



## CAPITAL RESERVES

Forecast Movement in Reserves 2023-27	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000
Capital Grants	1,362	0	1,362	(478)	884	0	884	0	884	0	884
Capital Contributions	0	0	0	0	0	0	0	0	0	0	0
CIL Reserve	22,785	5,657	28,442	(3,408)	25,034	4,770	29,804	5,761	35,565	5,376	40,941
S106 Reserve - CGU	6,902	0	6,902	(1,269)	5,633	(150)	5,483	(5)	5,478	(5)	5,473
Capital Receipts	0	187,323	187,323	0	187,323	0	187,323	0	187,323	0	187,323
<b>Capital Reserves</b>	<b>31,049</b>	<b>192,980</b>	<b>224,029</b>	<b>(5,155)</b>	<b>218,874</b>	<b>4,620</b>	<b>223,494</b>	<b>5,756</b>	<b>229,250</b>	<b>5,371</b>	<b>234,621</b>

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Forecast Movement in Reserves 2023-27	Bal. at 31/3/22 £'000	Net Movt. in year £'000	Bal. at 31/3/23 £'000	Net Movt. in year £'000	Bal. at 31/3/24 £'000	Net Movt. in year £'000	Bal. at 31/3/25 £'000	Net Movt. in year £'000	Bal. at 31/3/26 £'000	Net Movt. in year £'000	Bal. at 31/3/27 £'000
GF	14,000	0	14,000	0	14,000	0	14,000	0	14,000	0	14,000
Earmarked Reserves	89,256	2,178	91,434	308	91,742	384	92,126	(1,219)	90,907	(34,889)	56,018
Grants	4,584	(174)	4,409	0	4,409	0	4,409	0	4,409	0	4,409
Insurance	1,955	0	1,955	0	1,955	0	1,955	0	1,955	0	1,955
Schools	17,986	(40)	17,946	0	17,946	0	17,946	0	17,946	0	17,946
Sub-total: Revenue	127,781	1,964	129,744	308	130,052	384	130,436	(1,219)	129,217	(34,889)	94,328
Capital	31,049	192,980	224,029	(5,155)	218,874	4,620	223,494	5,756	229,250	5,371	234,621
	286,610	196,908	483,518	(4,539)	478,979	5,388	484,367	3,318	487,685	(64,407)	423,278

# Draft Departmental Budget Summaries 2023-24

NB: The financial information in the budget summaries includes the latest available details but may be subject to small changes as figures continue to be reviewed. They are currently in the "old" departmental structure but budgets will be realigned into the "new" departmental structure by the start of 2023/24

<b>SUMMARY</b>					
<b>FULL TIME EQUIVALENTS</b>		<b>2022/23</b>	<b>2023/24</b>		
Total FTE Staff		1,929.4	2,000.1		
<b>SERVICE AREA ANALYSIS</b>					
		<b>2022/23 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2023/24 Original Estimate £000</b>
Corporate Services		12,602	1,212	946	14,760
Education Services	]				
	] CSF	66,036	2,634	860	69,531
Children's Services	]				
Environment and Regeneration		17,645	1,881	(1,525)	18,001
Adult Social Care	]				
Cultural Services	] C&H	70,855	3,643	1,027	75,525
Housing General Fund	]				
Social Care Grant balance not yet allocated		0	0	2,912	2,912
Expenditure funded by Services Grant		0	0	1,397	1,397
Employers National Insurance for Social Care		393	0	(393)	0
Corporate Provision for National Minimum Wage		1,500	0	0	1,500
London Living Wage - Contract reletting		521	0	190	711
Pay Award not allocated yet		3,468	0	972	4,440
<b>TOTAL NET SERVICE EXPENDITURE</b>		<b>173,020</b>	<b>9,371</b>	<b>6,386</b>	<b>188,777</b>
<i>Corporate Provisions/Appropriations</i>		<i>(5,716)</i>	<i>0</i>	<i>(1,347)</i>	<i>(7,063)</i>
<b>NET EXPENDITURE</b>		<b>167,305</b>	<b>9,371</b>	<b>5,039</b>	<b>181,714</b>
<b>Funded by:</b>					
Revenue Support Grant		(5,350)	0	(758)	(6,108)
Business Rates		(38,428)	0	(808)	(39,236)
Improved Better Care Fund		(5,009)	0	0	(5,009)
Social Care Grant		(6,282)	0	(4,148)	(10,430)
Market Sustainability and Fair Cost of Care Fund		(505)	0	505	0
ASC Market Sustainability and Improvement Fund		0	0	(1,751)	(1,751)
ASC Discharge Fund		0	0	(702)	(702)
Services Grant		(2,479)	0	1,082	(1,397)
New Homes Bonus		(482)	0	(250)	(732)
Council Tax		(104,607)	0	(8,025)	(112,632)
Targeted Council Tax Discount		0	0	830	830
WPCC Levy		(376)	0	(47)	(423)
Collection Fund		1,010	0	(337)	673
PFI Grant		(4,797)	0	0	(4,797)
		<b>(167,305)</b>	<b>0</b>	<b>(14,409)</b>	<b>(181,714)</b>
<b>NET</b>		<b>(0)</b>	<b>9,371</b>	<b>(9,371)</b>	<b>0</b>
NB					
<b>Public Health</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Variations: Contingency/Other</b>					
<b>Major Items: Corporate Provisions</b>		<b>£000</b>	<b>fte</b>		
Corporate borrowing and Investment		(6,109)		0.0	
Further provision for revaluation/RCCO		(70)		0.0	
Pension Fund		213		0.0	
Contingency and centrally held provisions		2,808		0.0	
Appropriation to/from Reserves		11,857		0.0	
Depreciation and impairment		(1,403)		0.0	
Cyber Security		(200)		0.0	
Change in levies		52		0.0	
Transport - Additional provision		(126)		0.0	
Elections		(400)		0.0	
Balance Sheet Management CT & HB		220		0.0	
CHAS - IP/Dividend		2,223		0.0	
Provision against DSG Deficit		(8,003)		0.0	
Loss of HB Admin. Grant		(23)		0.0	
Growth		(1,432)		0.0	
LPFA - Provision for deficit contribution		(86)		0.0	
Loss of income due to COVID		(638)		0.0	
Disaster Recovery		(80)		0.0	
Redundancy/Pension Strain		(250)		0.0	
Strategic Support		100		0.0	
<b>TOTAL</b>		<b>(1,347)</b>		<b>0</b>	

## SUMMARY - SUBJECTIVE ANALYSIS

FULL TIME EQUIVALENTS		2022/23	2023/24	
Total FTE Staff		1,929.4	2,000.1	
SUBJECTIVE ANALYSIS OF ESTIMATES				
	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	107,562	5,072	5,933	118,568
Premises	8,684	257	(162)	8,778
Transport	9,889	264	1,323	11,476
Supplies and Services	218,451	1,870	5,873	226,194
Third Party Payments	98,610	1,934	(1,449)	99,095
Transfer Payments	65,708	0	370	66,078
Support Services	35,898	0	(1,535)	34,363
Depreciation and Impairment Losses	25,574	0	1,423	26,997
<b>GROSS EXPENDITURE</b>	<b>570,375</b>	<b>9,397</b>	<b>11,777</b>	<b>591,549</b>
<b>Income</b>				
Government Grants	(259,945)	0	(1,949)	(261,894)
Other Reimbursements and Contributions	(34,605)	(2)	(1,866)	(36,474)
Customer and Client Receipts	(68,506)	(24)	(2,214)	(70,744)
Interest	0	0	0	0
Recharges	(36,223)	0	1,916	(34,307)
Reserves	1,924	0	(1,278)	646
<b>GROSS INCOME</b>	<b>(397,355)</b>	<b>(26)</b>	<b>(5,391)</b>	<b>(402,772)</b>
<b>NET EXPENDITURE</b>	<b>173,020</b>	<b>9,371</b>	<b>6,386</b>	<b>188,777</b>
Corporate Provisions	(5,716)	0	(1,347)	(7,063)
<b>NET EXPENDITURE</b>	<b>167,305</b>	<b>9,371</b>	<b>5,039</b>	<b>181,714</b>
<b>Funded by:</b>				
Revenue Support Grant	(5,350)	0	(758)	(6,108)
Business Rates	(38,428)	0	(808)	(39,236)
Improved Better Care Fund	(5,009)	0	0	(5,009)
Social Care Grant	(6,282)	0	(4,148)	(10,430)
Market Sustainability and Fair Cost of Care Fund	(505)	0	505	0
ASC Market Sustainability and Improvement Fund	0	0	(1,751)	(1,751)
ASC Discharge Fund	0	0	(702)	(702)
Services Grant	(2,479)	0	1,082	(1,397)
New Homes Bonus	(482)	0	(250)	(732)
Council Tax	(104,607)	0	(8,025)	(112,632)
Targeted Council Tax Discount	0	0	830	830
WPCC Levy	(376)	0	(47)	(423)
Collection Fund	1,010	0	(337)	673
PFI Grant	(4,797)	0	0	(4,797)
	<b>(167,305)</b>	<b>0</b>	<b>(14,409)</b>	<b>(181,714)</b>
<b>NET</b>	<b>(0)</b>	<b>9,371</b>	<b>(9,371)</b>	<b>0</b>

Other Variations: Contingency/Other

Major Items: Corporate Provisions	£000	fte
Corporate borrowing and Investment	(6,109)	0.0
Further provision for revaluation/RCCO	(70)	0.0
Pension Fund	213	0.0
Contingency and centrally held provisions	2,808	0.0
Appropriation to/from Reserves	11,857	0.0
Depreciation and impairment	(1,403)	0.0
Cyber Security	(200)	0.0
Change in levies	52	0.0
Transport - Additional provision	(126)	0.0
Adjustment re Income re P3/P4	(400)	0.0
Balance Sheet Management CT & HB	220	0.0
CHAS - IP/Dividend	2,223	0.0
Provision against DSG Deficit	(8,003)	0.0
Loss of HB Admin. Grant	(23)	0.0
Growth	(1,432)	0.0
LPFA - Provision for deficit contribution	(86)	0.0
Loss of income due to COVID	(638)	0.0
Disaster Recovery	(80)	0.0
Redundancy/Pension Strain	(250)	0.0
Strategic Support	100	0.0
<b>TOTAL</b>	<b>(1,347)</b>	<b>0</b>

<b>CORPORATE ITEMS ANALYSIS</b>				
	<b>2022/23</b>			<b>2023/24</b>
	<b>Original Estimate</b>	<b>Inflation</b>	<b>Other Variations</b>	<b>Original Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Cost of Borrowing including Minimum Revenue Provision	11,066	0	(184)	10,882
Further provision for revaluation/RCCO	70	0	(70)	0
Pension Fund	24	0	213	237
Adjustment re Income re P3/P4	400	0	(400)	0
Provision for excess inflation	2,500	0	2,708	5,208
Bad Debt Provision	1,500	0	(500)	1,000
Redundancy/Pension Strain	1,000	0	(250)	750
Transport - Additional provision	126	0	(126)	0
Contingency	1,500	0	1,000	2,500
Apprenticeship Levy	450	0	0	450
Elections	400	0	(400)	0
Loss of HB Admin. Grant	23	0	(23)	0
LPFA - Provision for deficit contribution	86	0	(86)	0
Cyber Security	200	0	(200)	0
Strategic Support	0	0	100	100
Provision against DSG Deficit	10,543	0	(8,003)	2,540
Replenish Reserves	1,478	0	(1,478)	0
Internal Review	1,100	0	46	1,146
Croydon - Pensions Recovery	130	0	0	130
Disaster Recovery	80	0	(80)	0
<b>Levies:-</b>				
Lee Valley	179	0	0	179
London Pensions Fund	254	0	0	254
Environment Agency	178	0	5	184
WPCC	376	0	47	423
<b>GROSS EXPENDITURE</b>	<b>33,664</b>	<b>0</b>	<b>(7,681)</b>	<b>25,983</b>
<b>Income</b>				
Investment Income	(396)	0	(5,925)	(6,321)
Depreciation & Impairment	(25,593)	0	(1,403)	(26,997)
Appropriations to/from reserves (excluding Public Health)	(12,091)	0	11,857	(234)
Balance Sheet Management CT & HB	(220)	0	220	0
CHAS - IP/Dividend	(2,223)	0	2,223	0
Loss of income due to COVID	1,143	0	(638)	505
<b>GROSS INCOME</b>	<b>(39,380)</b>	<b>0</b>	<b>6,334</b>	<b>(33,046)</b>
<b>NET EXPENDITURE</b>	<b>(5,716)</b>	<b>0</b>	<b>(1,347)</b>	<b>(7,063)</b>



## **2023/2024 ESTIMATES**

# **CORPORATE SERVICES DEPARTMENT**

## SUMMARY: CORPORATE SERVICES DEPARTMENT

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

2022/23	2023/24
481.7	528.3
24.0	24.0
<b>505.7</b>	<b>552.3</b>

**SERVICE AREA ANALYSIS**

Customers, Policy and Improvement

Infrastructure &amp; Technology

Corporate Governance

Resources

HR

Corporate Items

**TOTAL EXPENDITURE**

Contingency / Other

Capital Financing Adjustment

Levies

**NET EXPENDITURE \***

CHANGE BETWEEN YEARS			
2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
2,001	158	85	2,244
368	360	1,261	1,989
759	1,168	(1,306)	620
2,811	263	398	3,471
24	64	47	135
6,640	(800)	462	6,301
<b>12,602</b>	<b>1,212</b>	<b>946</b>	<b>14,760</b>
0	0	0	0
0	0	0	0
0	0	0	0
<b>12,602</b>	<b>1,212</b>	<b>946</b>	<b>14,760</b>

\* Any difference due to roundings.

## SUMMARY: CORPORATE SERVICES DEPARTMENT

### FULL TIME EQUIVALENTS (FTE)

Number of Permanent Staff

Number of Fixed term contracts

Total FTE

2022/23	2023/24
481.7	528.3
24.0	24.0
<b>505.7</b>	<b>552.3</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	28,185	706	2,508	31,399
Premises	2,534	67	130	2,731
Transport	214	6	(7)	212
Supplies and Services	12,494	499	333	13,327
Third Party Payments	1,462	(40)	0	1,421
Transfer Payments	58,746	0	0	58,747
Support Services	12,562	0	(957)	11,605
Depreciation and Impairment Losses	2,805	0	(169)	2,636
<b>GROSS EXPENDITURE</b>	<b>119,002</b>	<b>1,238</b>	<b>1,838</b>	<b>122,078</b>
<b>Income</b>				
Government Grants	(61,056)	0	0	(61,056)
Other Reimbursements and Contributions	(1,721)	(2)	(187)	(1,910)
Customer and Client Receipts	(16,622)	(24)	(1,085)	(17,731)
Interest	0	0	0	0
Recharges	(29,167)	0	2,186	(26,982)
Reserves	2,167	0	(1,806)	361
<b>GROSS INCOME</b>	<b>(106,400)</b>	<b>(26)</b>	<b>(892)</b>	<b>(107,318)</b>
<b>NET EXPENDITURE</b>	<b>12,602</b>	<b>1,212</b>	<b>946</b>	<b>14,760</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(451)	0.0
Growth	315	0.0
Transfer between departments	8	0.0
Technical adjustments	2,034	0.0
Depreciation adjustments	(169)	0.0
Overheads adjustments	1,230	0.0
Use of reserves	360	1.0
<b>TOTAL</b>	<b>3,327</b>	<b>1.0</b>



## Customers, Policy and Improvement

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

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

2022/23	2023/24
55.2	68.0
3.0	3.0
<b>58.2</b>	<b>71.0</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	2,462	74	600	3,135
Premises	97	3		99
Transport	2	0		2
Supplies and Services	2,731	77	258	3,065
Third Party Payments	167	5		171
Transfer Payments	0			0
Support Services	744		(58)	686
Depreciation and Impairment Losses	0			0
<b>GROSS EXPENDITURE</b>	<b>6,202</b>	<b>158</b>	<b>799</b>	<b>7,159</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(3)	0	0	(3)
Customer and Client Receipts	(1,014)	0	0	(1,014)
Interest	0	0	0	0
Recharges	(4,230)	0	332	(3,898)
Reserves	1,046	0	(1,046)	0
<b>GROSS INCOME</b>	<b>(4,201)</b>	<b>0</b>	<b>(714)</b>	<b>(4,915)</b>
<b>NET EXPENDITURE</b>	<b>2,001</b>	<b>158</b>	<b>85</b>	<b>2,244</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(47)	
Growth	315	
Transfer between departments	0	
Technical adjustments	683	
Depreciation adjustments	0	
Overheads adjustments	273	
Use of reserves	0	
<b>TOTAL</b>	<b>1,224</b>	<b>0.0</b>

## INFRASTRUCTURE & TECHNOLOGY

The Infrastructure & Technology Division consists of Facilities Management, Procurement, IT Service Delivery, Business Systems, Post & Print Room and Transactional services.

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**

**Number of Fixed term contracts**

**Total FTE**

2022/23	2023/24
109.8	117.9
7.0	7.0
<b>116.8</b>	<b>124.9</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	5,704	168	562	6,434
Premises	2,414	69	130	2,613
Transport	27	1	(0)	27
Supplies and Services	4,279	119	162	4,560
Third Party Payments	105	3		108
Transfer Payments	10	0		10
Support Services	1,865		(146)	1,719
Depreciation and Impairment Losses	2,805		(169)	2,636
<b>GROSS EXPENDITURE</b>	<b>17,208</b>	<b>360</b>	<b>539</b>	<b>18,107</b>
<b>Income</b>				
Government Grants	0			0
Other Reimbursements and Contributions	(36)		(146)	(182)
Customer and Client Receipts	(3,099)			(3,099)
Interest	0			0
Recharges	(14,206)		1,113	(13,093)
Reserves	501		(246)	255
<b>GROSS INCOME</b>	<b>(16,840)</b>	<b>0</b>	<b>721</b>	<b>(16,119)</b>
<b>NET EXPENDITURE</b>	<b>368</b>	<b>360</b>	<b>1,261</b>	<b>1,989</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(278)	
Growth	0	
Transfer between departments	8	
Technical adjustments	1,100	
Depreciation adjustments	(169)	
Overheads adjustments	967	
Use of reserves	255	
<b>TOTAL</b>	<b>1,883</b>	<b>0.0</b>

## CORPORATE GOVERNANCE

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

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**

**Number of Fixed term contracts**

**Total FTE**

2022/23	2023/24
149.4	164.0
6.0	6.0
<b>155.4</b>	<b>170.0</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Variations £000	2023/24 Estimate £000
<b>Expenditure</b>				
Employees	9,698	1,124	154	10,975
Premises	5	0	(0)	5
Transport	43	1	(2)	42
Supplies and Services	1,641	55	(79)	1,616
Third Party Payments	418	12		430
Transfer Payments	0			0
Support Services	593		(19)	574
Depreciation and Impairment Losses	0			0
<b>GROSS EXPENDITURE</b>	<b>12,397</b>	<b>1,192</b>	<b>53</b>	<b>13,642</b>
<b>Income</b>				
Government Grants	(13)			(13)
Other Reimbursements and Contributions	(130)			(130)
Customer and Client Receipts	(9,776)	(24)	(1,085)	(10,885)
Interest	0			0
Recharges	(2,054)		61	(1,993)
Reserves	335		(335)	0
<b>GROSS INCOME</b>	<b>(11,638)</b>	<b>(24)</b>	<b>(1,359)</b>	<b>(13,021)</b>
<b>NET EXPENDITURE</b>	<b>759</b>	<b>1,168</b>	<b>(1,306)</b>	<b>620</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(59)	
Growth	0	
Transfer between departments	0	
Technical adjustments	(955)	
Depreciation adjustments	0	
Overheads adjustments	43	
Use of reserves	0	
<b>TOTAL</b>	<b>(970)</b>	<b>0.0</b>

## RESOURCES

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

### FULL TIME EQUIVALENTS

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

2022/23	2023/24
134.3	138.6
6.0	6.0
<b>140.3</b>	<b>144.6</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	7,148	164	266	7,578
Premises	2	0		2
Transport	138	4	(5)	137
Supplies and Services	2,925	82	(21)	2,985
Third Party Payments	446	15		461
Transfer Payments	0			0
Support Services	2,223		(174)	2,049
Depreciation and Impairment Losses	0			0
<b>GROSS EXPENDITURE</b>	<b>12,882</b>	<b>265</b>	<b>65</b>	<b>13,212</b>
<b>Income</b>				
Government Grants	(1,039)			(1,039)
Other Reimbursements and Contributions	(1,465)	(2)	(41)	(1,508)
Customer and Client Receipts	(2,336)			(2,336)
Interest	0			0
Recharges	(5,315)		417	(4,898)
Reserves	83		(43)	40
<b>GROSS INCOME</b>	<b>(10,071)</b>	<b>(2)</b>	<b>333</b>	<b>(9,741)</b>
<b>NET EXPENDITURE</b>	<b>2,811</b>	<b>263</b>	<b>398</b>	<b>3,471</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(66)	
Growth	0	
Transfer between departments	0	
Technical adjustments	265	
Depreciation adjustments	0	
Overhead adjustments	242	
Use of Reserves	40	
<b>TOTAL</b>	<b>481</b>	<b>0.0</b>

## HR

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

### FULL TIME EQUIVALENTS (FTE)

**Number of Permanent Staff**

**Number of Fixed term contracts**

**Total FTE**

2022/23	2023/24
33.0	39.9
2.0	2.0
<b>35.0</b>	<b>41.9</b>

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	2,041	53	17	2,111
Premises	16	(5)	0	12
Transport	5	0	(0)	5
Supplies and Services	48	89	(1)	136
Third Party Payments	325	(74)	0	251
Transfer Payments	0			0
Support Services	396		(31)	365
Depreciation and Impairment Losses	0			0
<b>GROSS EXPENDITURE</b>	<b>2,831</b>	<b>64</b>	<b>(15)</b>	<b>2,880</b>
<b>Income</b>				
Government Grants	0		0	0
Other Reimbursements and Contributions	(87)		0	(87)
Customer and Client Receipts	(396)			(396)
Interest	0		0	0
Recharges	(2,525)		198	(2,327)
Reserves	201		(136)	65
	0			
<b>GROSS INCOME</b>	<b>(2,807)</b>	<b>0</b>	<b>62</b>	<b>(2,745)</b>
<b>NET EXPENDITURE</b>	<b>24</b>	<b>64</b>	<b>47</b>	<b>135</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(1)	
Growth	0	
Transfer between departments	0	
Technical adjustments	17	
Depreciation adjustments	0	
Overheads adjustments	167	
Use of reserves	65	1.0
<b>TOTAL</b>	<b>248</b>	<b>1.0</b>

## CORPORATE ITEMS

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

### FULL TIME EQUIVALENTS(FTE)

Number of Permanent Staff

2022/23	2023/24
0	0

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees*	1,134	(878)	910	1,165
Premises	0			0
Transport	0			0
Supplies and Services	871	77	15	963
Third Party Payments	0			0
Transfer Payments	58,736			58,736
Support Services	6,741		(528)	6,212
Depreciation and Impairment Losses	0			0
<b>GROSS EXPENDITURE</b>	<b>67,482</b>	<b>(800)</b>	<b>396</b>	<b>67,077</b>
<b>Income</b>				
Government Grants	(60,004)			(60,004)
Other Reimbursements and Contributions	0			0
Customer and Client Receipts	0			0
Interest	0			0
Recharges	(838)		66	(772)
Reserves	0			0
<b>GROSS INCOME</b>	<b>(60,842)</b>	<b>0</b>	<b>66</b>	<b>(60,776)</b>
<b>NET EXPENDITURE</b>	<b>6,640</b>	<b>(800)</b>	<b>462</b>	<b>6,301</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	0	
Growth	0	
Transfer between departments	0	
Technical adjustments	925	
Depreciation Adjustment	0	
Overheads adjustments	(463)	
Use of Reserves	0	
<b>TOTAL</b>	<b>462</b>	<b>0.0</b>

\* The employee budgets shown here relate to employee redundancy payments. There are no FTEs in Corporate Items



## **2023/2024 ESTIMATES**

# **CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT**

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

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

## FULL TIME EQUIVALENTS

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

	2022/23	2023/24
Number of Permanent Staff	446.9	447.9
Number of DSG Staff	80.9	80.9
Number of Fixed term contracts	7.2	7.2
Total FTE	535.0	536.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	30,309	1,517	1,080	32,907	5,641	27,265
Premises	1,672	45	(317)	1,400	151	1,250
Transport	6,921	208	1,422	8,551	62	8,488
Supplies and Services	175,052	493	(592)	174,953	150,752	24,201
Third Party Payments	33,322	371	(300)	33,393	20,739	12,654
Transfer Payments	0	0	0	0	0	0
Support Services	5,636	0	(134)	5,502	233	5,269
Depreciation and Impairment Losses	10,236	0	415	10,652	0	10,652
<b>GROSS EXPENDITURE</b>	<b>263,148</b>	<b>2,634</b>	<b>1,575</b>	<b>267,357</b>	<b>177,578</b>	<b>89,779</b>
<b>Income</b>						
Government Grants	(186,428)	0	(895)	(187,323)	(174,576)	(12,747)
Other Reimbursements and Contributions	(8,174)	0	110	(8,064)	(2,206)	(5,857)
Customer and Client Receipts	(2,464)	0	71	(2,394)	(608)	(1,786)
Interest	0	0	0	0	0	0
Recharges	(46)	0	0	(46)	0	(46)
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(197,112)</b>	<b>0</b>	<b>(715)</b>	<b>(197,826)</b>	<b>(177,390)</b>	<b>(20,436)</b>
<b>NET EXPENDITURE</b>	<b>66,036</b>	<b>2,634</b>	<b>860</b>	<b>69,531</b>	<b>189</b>	<b>69,342</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(1,425)	
Growth	2,261	
Overhead adjustments	(135)	
Depreciation adjustments	415	
Transfer between departments	0	
Use of Reserves adjustment	(300)	
NNDR Adjustments	(35)	
Technical adjustments	80	
<b>TOTAL</b>	<b>860</b>	<b>0</b>

## SUMMARY: CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## SERVICE AREA ANALYSIS

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
Senior Management	2,318	63	(639)	1,743	0	1,743
Childrens Social Care	24,253	1,015	125	25,394	45	25,348
Education	45,756	1,020	1,805	48,581	27,994	20,587
Schools	(17,959)	0	306	(17,653)	(27,851)	10,198
Other Childrens, Schools and Families	11,668	537	(738)	11,467	0	11,467
<b>TOTAL NET EXPENDITURE</b>	<b>66,036</b>	<b>2,634</b>	<b>860</b>	<b>69,531</b>	<b>189</b>	<b>69,342</b>



## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Senior Management

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

## FULL TIME EQUIVALENTS

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

2022/23	2023/24
3.0	3.0
0.0	0.0
0.0	0.0
3.0	3.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	555	11	0	566	0	566
Premises	20	1	(20)	0	0	0
Transport	3	0	0	3	0	3
Supplies and Services	1,701	51	(614)	1,139	0	1,139
Third Party Payments	3	0	0	3	0	3
Transfer Payments	0	0	0	0	0	0
Support Services	37	0	(5)	32	0	32
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>2,318</b>	<b>63</b>	<b>(639)</b>	<b>1,743</b>	<b>0</b>	<b>1,743</b>
<b>Income</b>						
Government Grants	0	0	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0	0	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET EXPENDITURE</b>	<b>2,318</b>	<b>63</b>	<b>(639)</b>	<b>1,743</b>	<b>0</b>	<b>1,743</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(28)	
Overhead adjustments	(5)	
Transfer between departments	0	
NNDR Adjustments	(20)	
Technical adjustments	(586)	
<b>TOTAL</b>	<b>(639)</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

### Children's Social Care

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

#### FULL TIME EQUIVALENTS

	2022/23	2023/24
Number of Permanent Staff	203.8	204.8
Number of DSG Staff	1.0	1.0
Number of Fixed term contracts	7.2	7.2
Total FTE	212.0	213.0

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	11,245	706	603	12,553	40	12,513
Premises	13	0	(5)	9	0	9
Transport	211	9	(25)	195	0	194
Supplies and Services	347	10	(23)	335	1	334
Third Party Payments	9,907	290	(405)	9,792	0	9,792
Transfer Payments	0	0	0	0	0	0
Support Services	3,122	0	(14)	3,108	3	3,105
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>24,845</b>	<b>1,015</b>	<b>131</b>	<b>25,991</b>	<b>45</b>	<b>25,946</b>
<b>Income</b>						
Government Grants	(381)	0	0	(381)	0	(381)
Other Reimbursements and Contributions	(90)	0	(6)	(96)	0	(96)
Customer and Client Receipts	(121)	0	0	(121)	0	(121)
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(592)</b>	<b>0</b>	<b>(6)</b>	<b>(598)</b>	<b>0</b>	<b>(598)</b>
<b>NET EXPENDITURE</b>	<b>24,253</b>	<b>1,015</b>	<b>125</b>	<b>25,394</b>	<b>45</b>	<b>25,348</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(464)	
Growth	545	
Transfer between departments	0	
Overhead adjustments	(14)	
Depreciation adjustments	0	
Use of Reserves adjustment	0	
Technical adjustments	59	
<b>TOTAL</b>	<b>125</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

### Education

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

#### FULL TIME EQUIVALENTS

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

2022/23	2023/24
224.8	224.7
78.9	78.9
0.0	0.0
303.7	303.6

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	15,133	718	1,027	16,878	4,679	12,199
Premises	917	27	(287)	657	9	649
Transport	6,703	199	1,447	8,350	62	8,288
Supplies and Services	5,379	60	(377)	5,062	3,374	1,688
Third Party Payments	21,103	16	(18)	21,100	20,583	518
Transfer Payments	0	0	0	0	0	0
Support Services	2,305	0	(83)	2,222	230	1,992
Depreciation and Impairment Losses	436	0	18	454	0	454
<b>GROSS EXPENDITURE</b>	<b>51,976</b>	<b>1,020</b>	<b>1,728</b>	<b>54,723</b>	<b>28,936</b>	<b>25,787</b>
<b>Income</b>						
Government Grants	(1,152)	0	(109)	(1,261)	0	(1,261)
Other Reimbursements and Contributions	(2,804)	0	116	(2,688)	(334)	(2,353)
Customer and Client Receipts	(2,265)	0	71	(2,194)	(608)	(1,586)
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(6,220)</b>	<b>0</b>	<b>77</b>	<b>(6,142)</b>	<b>(942)</b>	<b>(5,200)</b>
<b>NET EXPENDITURE</b>	<b>45,756</b>	<b>1,020</b>	<b>1,805</b>	<b>48,581</b>	<b>27,994</b>	<b>20,587</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(337)	
Growth	1,556	
Overhead adjustments	(83)	
Transfer between departments	0	
Use of Reserves adjustment	(10)	
NNDR Adjustments	(15)	
Depreciation adjustments	18	
Technical adjustments	677	
<b>TOTAL</b>	<b>1,805</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Schools

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

## FULL TIME EQUIVALENTS

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

2022/23	2023/24
0.0	0.0
1.0	1.0
0.0	0.0
1.0	1.0

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	922	0	0	922	922	0
Premises	147	0	(5)	142	142	0
Transport	0	0	0	0	0	0
Supplies and Services	156,582	0	700	157,282	147,377	9,905
Third Party Payments	156	0	0	156	156	0
Transfer Payments	0	0	0	0	0	0
Support Services	0	0	0	0	0	0
Depreciation and Impairment Losses	9,801	0	397	10,198	0	10,198
<b>GROSS EXPENDITURE</b>	<b>167,608</b>	<b>0</b>	<b>1,092</b>	<b>168,700</b>	<b>148,597</b>	<b>20,103</b>
<b>Income</b>						
Government Grants	(183,695)	0	(786)	(184,481)	(174,576)	(9,905)
Other Reimbursements and Contributions	(1,872)	0	0	(1,872)	(1,872)	0
Customer and Client Receipts	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Recharges	0	0	0	0	0	0
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(185,567)</b>	<b>0</b>	<b>(786)</b>	<b>(186,353)</b>	<b>(176,448)</b>	<b>(9,905)</b>
<b>NET EXPENDITURE</b>	<b>(17,959)</b>	<b>0</b>	<b>306</b>	<b>(17,653)</b>	<b>(27,851)</b>	<b>10,198</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Depreciation adjustments	397	
Use of Reserves adjustment	0	
NNDR Adjustments	0	
Technical adjustments	(91)	
<b>TOTAL</b>	<b>306</b>	<b>0.0</b>

## CHILDREN, SCHOOLS AND FAMILIES DEPARTMENT

## Other Children Schools and Families Budgets

This budget covers asylum seeker costs, past and present pension and redundancy costs, ESG income and PFI unitary charges.

## FULL TIME EQUIVALENTS

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

2022/23	2023/24
15.3	15.3
0.0	0.0
0.0	0.0
15.3	15.3

## SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000	2023/24 DSG Estimate £000	2023/24 LA Estimate £000
<b>Expenditure</b>						
Employees	2,455	83	(550)	1,988	0	1,988
Premises	575	17	0	592	0	592
Transport	3	0	0	3	0	3
Supplies and Services	11,042	372	(279)	11,135	0	11,135
Third Party Payments	2,154	65	123	2,342	0	2,342
Transfer Payments	0	0	0	0	0	0
Support Services	171	0	(32)	140	0	140
Depreciation and Impairment Losses	0	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>16,401</b>	<b>537</b>	<b>(738)</b>	<b>16,200</b>	<b>0</b>	<b>16,200</b>
<b>Income</b>						
Government Grants	(1,200)	0	0	(1,200)	0	(1,200)
Other Reimbursements and Contributions	(3,408)	0	0	(3,408)	0	(3,408)
Customer and Client Receipts	(79)	0	0	(79)	0	(79)
Interest	0	0	0	0	0	0
Recharges	(46)	0	0	(46)	0	(46)
Reserves	0	0	0	0	0	0
<b>GROSS INCOME</b>	<b>(4,733)</b>	<b>0</b>	<b>0</b>	<b>(4,733)</b>	<b>0</b>	<b>(4,733)</b>
<b>NET EXPENDITURE</b>	<b>11,668</b>	<b>537</b>	<b>(738)</b>	<b>11,467</b>	<b>0</b>	<b>11,467</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Savings	(596)	
Growth	160	
Transfer between departments	0	
Overhead adjustments	(33)	
Use of Reserves adjustment	(290)	
Technical adjustments	21	
<b>TOTAL</b>	<b>(738)</b>	<b>0.0</b>



## **2023/2024 ESTIMATES**

# **ENVIRONMENT AND REGENERATION DEPARTMENT**

## SUMMARY: ENVIRONMENT & REGENERATION

### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

**Total FTE**

2022/23	2023/24
386	398
1	1
<b>387</b>	<b>399</b>

### SERVICE AREA ANALYSIS

Public Space, Contracting & Commissioning

Public Protection and Development

Sustainable Communities

Senior Management and Support

**TOTAL EXPENDITURE**

	2022/23 Estimate £000	Inflation £000	Other Variations £000	2023/24 Estimate £000
Public Space, Contracting & Commissioning	19,267	871	(507)	19,632
Public Protection and Development	(12,239)	546	(1,011)	(12,704)
Sustainable Communities	10,605	446	(32)	11,019
Senior Management and Support	11	18	24	53
<b>TOTAL EXPENDITURE</b>	<b>17,645</b>	<b>1,881</b>	<b>(1,525)</b>	<b>18,001</b>

## ENVIRONMENT AND REGENERATION DEPARTMENT

### Departmental Summary

#### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2022/23	2023/24
386	398
1	1
387	399

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	19,432	965	1,115	21,512
Premises	3,460	114	8	3,582
Transport	1,314	9	(3)	1,320
Supplies and Services	22,883	695	(937)	22,641
Third Party Payments	3,388	98	0	3,486
Transfer Payments	0	0	0	0
Support Services	7,951	0	(638)	7,313
Depreciation and Impairment Losses	11,701	0	1,216	12,917
<b>GROSS EXPENDITURE</b>	<b>70,128</b>	<b>1,881</b>	<b>761</b>	<b>72,770</b>
<b>Income</b>				
Government Grants	(49)	0	0	(49)
Other Reimbursements and Contributions	(12,167)	0	(107)	(12,274)
Customer and Client Receipts	(39,505)	0	(1,151)	(40,656)
Recharges	(2,076)	0	0	(2,076)
Reserves	1,314	0	(1,028)	285
<b>GROSS INCOME</b>	<b>(52,483)</b>	<b>0</b>	<b>(2,287)</b>	<b>(54,770)</b>
<b>NET EXPENDITURE</b>	<b>17,645</b>	<b>1,881</b>	<b>(1,525)</b>	<b>18,001</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(1,969)	0.0
Growth	255	1.5
Depreciation adjustments	1,216	0.0
Overheads adjustments	(613)	0.0
Transfer between departments	(113)	0.0
Technical adjustments	395	0.0
Use of Reserves adjustments	286	0.0
<b>TOTAL*</b>	<b>(544)</b>	<b>1.50</b>

\* Any difference due to roundings.



## ENVIRONMENT AND REGENERATION DEPARTMENT

### Public Space, Contracting, and Commissioning:

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

#### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2022/23	2023/24
70	71
1	1
71	72

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	3,406	185	38	3,629
Premises	1,435	50	19	1,504
Transport	1,066	1	(1)	1,066
Supplies and Services	17,715	562	(162)	18,114
Third Party Payments	2,588	73	0	2,661
Transfer Payments	0	0	0	0
Support Services	1,687	0	(147)	1,540
Depreciation and Impairment Losses	2,883	0	222	3,105
<b>GROSS EXPENDITURE</b>	<b>30,781</b>	<b>871</b>	<b>(31)</b>	<b>31,621</b>
<b>Income</b>				
Government Grants	(49)	0	0	(49)
Other Reimbursements and Contributions	(5,289)	0	165	(5,124)
Customer and Client Receipts	(6,601)	0	(215)	(6,816)
Interest	0			0
Recharges	0	0	0	0
Reserves	425	0	(425)	(0)
<b>GROSS INCOME</b>	<b>(11,513)</b>	<b>0</b>	<b>(475)</b>	<b>(11,989)</b>
<b>NET EXPENDITURE</b>	<b>19,267</b>	<b>871</b>	<b>(507)</b>	<b>19,632</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(362)	
Growth	178	
Depreciation adjustments	222	
Overheads adjustments	(147)	
Transfer between departments	0	
Technical adjustments	212	
Use of reserves adjustments	0	
<b>TOTAL*</b>	<b>104</b>	<b>0.0</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

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

### FULL TIME EQUIVALENTS (FTE)

Permanent Staff  
Fixed Term Contract  
Total FTE

2022/23	2023/24
214	222
214	222

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	10,438	463	324	11,224
Premises	807	25	(3)	830
Transport	165	5	(1)	169
Supplies and Services	1,615	39	(241)	1,414
Third Party Payments	431	14		445
Transfer Payments	0			0
Support Services	3,360		(290)	3,070
Depreciation and Impairment Losses	424		10	433
<b>GROSS EXPENDITURE</b>	<b>17,241</b>	<b>546</b>	<b>(201)</b>	<b>17,586</b>
<b>Income</b>				
Government Grants	(0)			(0)
Other Reimbursements and Contributions	(5,738)		(150)	(5,888)
Customer and Client Receipts	(23,799)		(639)	(24,438)
Recharges	0			0
Reserves	57		(21)	36
<b>GROSS INCOME</b>	<b>(29,480)</b>	<b>0</b>	<b>(810)</b>	<b>(30,290)</b>
<b>NET EXPENDITURE</b>	<b>(12,239)</b>	<b>546</b>	<b>(1,011)</b>	<b>(12,704)</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(1,184)	
Growth	650	
Depreciation adjustments	10	
Overheads adjustments	(290)	
Transfer between departments	8	
Technical adjustments	325	
Use of Reserves adjustments	36	
<b>TOTAL*</b>	<b>(446)</b>	<b>0</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

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

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

### FULL TIME EQUIVALENTS (FTE)

Permanent Staff

Fixed Term Contract

Total FTE

2022/23	2023/24
94	97
94	97

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	4,795	308	703	5,806
Premises	1,216	39	(9)	1,246
Transport	75	2		77
Supplies and Services	3,305	86	(523)	2,868
Third Party Payments	366	11		377
Transfer Payments	0			0
Support Services	2,768		(187)	2,582
Depreciation and Impairment Losses	8,394		984	9,379
<b>GROSS EXPENDITURE</b>	<b>20,920</b>	<b>446</b>	<b>969</b>	<b>22,335</b>
<b>Income</b>				
Government Grants	(1)			(1)
Other Reimbursements and Contributions	(1,140)		(123)	(1,262)
Customer and Client Receipts	(9,106)		(297)	(9,402)
Recharges	(900)			(900)
Reserves	832		(582)	250
<b>GROSS INCOME</b>	<b>(10,315)</b>	<b>0</b>	<b>(1,001)</b>	<b>(11,316)</b>
<b>NET EXPENDITURE</b>	<b>10,605</b>	<b>446</b>	<b>(32)</b>	<b>11,019</b>

Other variations are analysed as follows:

Major Items	£000	fte
Savings	(412)	
Growth	77	1.5
Depreciation adjustments	984	
Overheads adjustments	(187)	
Transfer between departments	(121)	
Technical adjustments	(157)	
Use of Reserves adjustments	250	
<b>TOTAL*</b>	<b>434</b>	<b>1.5</b>

\* Any difference due to roundings.

## ENVIRONMENT AND REGENERATION DEPARTMENT

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

### FULL TIME EQUIVALENTS (FTE)

**Permanent Staff**  
**Fixed Term Contract**  
**Total FTE**

2022/23	2023/24
8	8
0	0
8	8

### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	792	9	51	852
Premises	1	0	0	1
Transport	8	0	0	8
Supplies and Services	248	8	(12)	244
Third Party Payments	3	0	0	3
Transfer Payments	0	0	0	0
Support Services	135	0	(15)	120
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,186</b>	<b>18</b>	<b>24</b>	<b>1,228</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Recharges	(1,175)	0	0	(1,175)
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(1,175)</b>	<b>0</b>	<b>0</b>	<b>(1,175)</b>
<b>NET EXPENDITURE</b>	<b>11</b>	<b>18</b>	<b>24</b>	<b>53</b>

Other variations are analysed as follows:

Major Items	£000	fte
Salaries	19	
Savings	(11)	
Overheads adjustments	11	
Technical adjustments	16	
Use of Reserves adjustments	0	
<b>TOTAL*</b>	<b>34</b>	<b>0.0</b>

\* Any difference due to roundings.

# 2023-24 ESTIMATES

## COMMUNITY AND HOUSING DEPARTMENT

**SUMMARY: COMMUNITY AND HOUSING DEPARTMENT**

	<b>2022/23</b>	<b>2023/24</b>
Number of FTE Staff	481.29	484.39
Number of FTE TUPE staff	8.58	8.58
Number of Fixed Term contract	11.49	19.89
<b>Total FTE</b>	<b>501.36</b>	<b>512.86</b>

**SERVICE AREA ANALYSIS**

	<b>2022/23 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2023/24 Original Estimate £000</b>
Adult Social Care	63,748	3,256	983	67,987
Libraries and Heritage	3,213	144	(202)	3,155
Merton Adult Education	33	0	1	34
Housing General Fund	3,861	243	244	4,348
Public Health	0	0	0	0
<b>NET EXPENDITURE</b>	<b>70,855</b>	<b>3,643</b>	<b>1,027</b>	<b>75,524</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Total**

The department includes Adult Social Care, Housing, Libraries, Public Health and Merton Adult Learning.

<b>FULL TIME EQUIVALENTS</b>	<b>2022/23</b>	<b>2023/24</b>
Number of FTE Staff	481.29	484.39
Number of FTE TUPE staff	8.58	8.58
Number of Fixed Term contract	11.49	19.89
<b>Total FTE</b>	<b>501.36</b>	<b>512.86</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	<b>2022/23 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2023/24 Original Estimate £000</b>
<b>Expenditure</b>				
Employees	23,754	1,885	460	26,099
Premises	1,018	30	17	1,065
Transport	1,441	40	(89)	1,393
Supplies and Services	8,021	182	2,760	10,963
Third Party Payments	60,438	1,506	(1,149)	60,795
Transfer Payments	6,962	0	370	7,332
Support Services	9,749	0	194	9,942
Depreciation and Impairment Losses	832	0	(39)	793
<b>GROSS EXPENDITURE</b>	<b>112,216</b>	<b>3,643</b>	<b>2,524</b>	<b>118,382</b>
<b>Income</b>				
Government Grants	(12,412)	0	(1,054)	(13,465)
Other Reimbursements and Contributions	(12,544)	0	(1,682)	(14,226)
Customer and Client Receipts	(9,915)	0	(48)	(9,963)
Recharges	(4,934)	0	(270)	(5,204)
Reserves	(1,556)	0	1,556	0
<b>GROSS INCOME</b>	<b>(41,361)</b>	<b>0</b>	<b>(1,497)</b>	<b>(42,858)</b>
<b>NET EXPENDITURE</b>	<b>70,855</b>	<b>3,643</b>	<b>1,027</b>	<b>75,524</b>

Other Variations are analysed as follows:

<b>Major Items</b>	<b>£000</b>	<b>fte</b>
Salary	469	
Savings	(1,913)	
Growth	2,523	
Overheads adjustments	193	
Depreciation & NNDR adjustments	(38)	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	1,341	
Transfers between departments	0	
Grants-social care	(619)	
Other	(929)	
<b>TOTAL</b>	<b>1,027</b>	<b>0.00</b>

## COMMUNITY AND HOUSING DEPARTMENT

### Adult Social Care

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

FULL TIME EQUIVALENTS	2022/23	2023/24
Number of FTE Staff	396.49	400.64
Number of FTE TUPE staff	8.58	8.58
Number of Fixed Term Contract	11.49	11.40
<b>Total FTE</b>	<b>416.56</b>	<b>420.62</b>

#### SUBJECTIVE ANALYSIS OF ESTIMATES

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	19,627	1,653	(347)	20,932
Premises	398	12	(8)	402
Transport	1,404	39	(89)	1,354
Supplies and Services	4,607	159	1,829	6,594
Third Party Payments	48,525	1,393	(1,250)	48,667
Transfer Payments	6,432	0	370	6,802
Support Services	8,452	0	333	8,785
Depreciation and Impairment Losses	143	0	23	166
<b>GROSS EXPENDITURE</b>	<b>89,587</b>	<b>3,256</b>	<b>860</b>	<b>93,703</b>
<b>Income</b>				
Government Grants	(22)	0	(422)	(444)
Other Reimbursements and Contributions	(10,129)	0	(753)	(10,882)
Customer and Client Receipts	(9,197)	0	12	(9,185)
Interest	0	0	0	0
Recharges	(4,934)	0	(270)	(5,204)
Reserves	(1,556)	0	1,556	0
<b>GROSS INCOME</b>	<b>(25,839)</b>	<b>0</b>	<b>123</b>	<b>(25,716)</b>
<b>NET EXPENDITURE</b>	<b>63,748</b>	<b>3,256</b>	<b>983</b>	<b>67,987</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salaries	0	
Savings	(1,853)	
Growth- Social Care Funding, Market Sustainability, Social Care Precept	2,249	
Overheads adjustments	333	
Depreciation & NNDR adjustments	23	
Inflation	0	
Rebasing of Income	0	
Technical adjustments- Concessionary Fares	231	
Transfers between departments/Service	0	
Grants-social care	0	
Other Income	0	
<b>TOTAL</b>	<b>983</b>	<b>0.00</b>



**COMMUNITY AND HOUSING DEPARTMENT**  
**Library & Heritage Services**

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

**FULL TIME EQUIVALENTS**

Number of FTE Staff

**2022/23**

29.58

**2023/24**

30.57

Number of FTE TUPE staff

0.00

0.00

Number of Fixed Term Contract

0.00

1.00

**Total FTE****29.58****31.57****SUBJECTIVE ANALYSIS OF ESTIMATES**

	<b>2022/23 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2023/24 Original Estimate £000</b>
<b>Expenditure</b>				
Employees	1,156	110	39	1,306
Premises	536	16	25	576
Transport	4	0	0	4
Supplies and Services	563	17	(1)	579
Third Party Payments	36	1	0	38
Transfer Payments	0	0	0	0
Support Services	733	0	(144)	590
Depreciation and Impairment Losses	621	0	(61)	560
<b>GROSS EXPENDITURE</b>	<b>3,651</b>	<b>144</b>	<b>(142)</b>	<b>3,652</b>
<b>Income</b>				
Government Grants	0	0	0	0
Other Reimbursements and Contributions	(85)	0	0	(85)
Customer and Client Receipts	(353)	0	(60)	(413)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(438)</b>	<b>0</b>	<b>(60)</b>	<b>(498)</b>
<b>NET EXPENDITURE</b>	<b>3,213</b>	<b>144</b>	<b>(202)</b>	<b>3,155</b>

Other Variations are analysed as follows:

<b>Major Items</b>	<b>£000</b>	<b>fte</b>
Salary	0	2.00
Savings	(60)	
Growth	0	
Overheads adjustments	(144)	
Depreciation adjustments	(61)	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	63	
Transfers between departments	0	
Grants Decrease/(Increase)	0	
Other	0	
<b>TOTAL</b>	<b>(202)</b>	<b>2.00</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Merton Adult Learning**

This a commissioned service via South Thames College, RHACC, GSS and May Project Gardens. The service continues to provide popular courses whilst expanding provision for families and enhancing offer in Maths, English and employability courses.

**FULL TIME EQUIVALENTS**

	2022/23	2023/24
Number of FTE Staff	3.75	3.75
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term contract	0.00	0.00
<b>Total FTE</b>	<b>3.75</b>	<b>3.75</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	201	0	12	213
Premises	17	0	0	17
Transport	0	0	0	0
Supplies and Services	21	0	0	21
Third Party Payments	1,228	0	0	1,228
Transfer Payments	0	0	0	0
Support Services	33	0	1	34
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,501</b>	<b>0</b>	<b>13</b>	<b>1,514</b>
<b>Income</b>				
Government Grants	(1,468)	0	(12)	(1,479)
Other Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(1,468)</b>	<b>0</b>	<b>(12)</b>	<b>(1,479)</b>
<b>NET EXPENDITURE</b>	<b>33</b>	<b>0</b>	<b>1</b>	<b>34</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salary	0	
Savings	0	
Growth	0	
Overheads adjustments	1	
Depreciation adjustments	0	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	0	
Transfers between departments	0	
Grants-Decrease (Increase)	0	
Use of Reserves Adjustment	0	
<b>TOTAL</b>	<b>1</b>	<b>0.00</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Housing General Fund**

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

**FULL TIME EQUIVALENTS**

Number of FTE Staff

Number of FTE TUPE staff

Number of Fixed Term Contract

**Total FTE**

	2022/23	2023/24
Number of FTE Staff	33.41	33.41
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contract	0.00	0.00
<b>Total FTE</b>	<b>33.41</b>	<b>33.41</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	2022/23 Original Estimate £000	Inflation £000	Other Variations £000	2023/24 Original Estimate £000
<b>Expenditure</b>				
Employees	1,471	122	330	1,924
Premises	65	2	0	67
Transport	31	1	0	32
Supplies and Services	223	7	0	229
Third Party Payments	3,713	111	0	3,824
Transfer Payments	530	0	0	530
Support Services	369	0	0	369
Depreciation and Impairment Losses	68	0	0	68
<b>GROSS EXPENDITURE</b>	<b>6,470</b>	<b>243</b>	<b>331</b>	<b>7,044</b>
<b>Income</b>				
Government Grants	(136)	0	(86)	(223)
Other Reimbursements and Contributions	(2,108)	0	0	(2,108)
Customer and Client Receipts	(365)	0	0	(365)
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(2,609)</b>	<b>0</b>	<b>(86)</b>	<b>(2,696)</b>
<b>NET EXPENDITURE</b>	<b>3,861</b>	<b>243</b>	<b>244</b>	<b>4,348</b>

Other Variations are analysed as follows:

Major Items	£000	fte
Salary- Secondment	43	
Savings	0	
Growth	274	
Overheads adjustments	0	
Depreciation	0	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	13	
Transfers between services	0	
Grants-(Increase)	(86)	
Other	0	
<b>TOTAL</b>	<b>244</b>	<b>0.00</b>

**COMMUNITY AND HOUSING DEPARTMENT**  
**Public Health**

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

<b>FULL TIME EQUIVALENTS</b>	<b>2022/23</b>	<b>2023/24</b>
Number of FTE Staff	18.06	16.02
Number of FTE TUPE staff	0.00	0.00
Number of Fixed Term Contracts	0.00	7.49
<b>Total FTE</b>	<b>18.06</b>	<b>23.51</b>

**SUBJECTIVE ANALYSIS OF ESTIMATES**

	<b>2022/23 Original Estimate £000</b>	<b>Inflation £000</b>	<b>Other Variations £000</b>	<b>2023/24 Original Estimate £000</b>
<b>Expenditure</b>				
Employees	1,298	0	426	1,724
Premises	3	0	0	3
Transport	2	0	0	2
Supplies and Services	2,607	0	932	3,539
Third Party Payments	6,936	0	101	7,037
Transfer Payments	0	0	0	0
Support Services	162	0	3	165
Depreciation and Impairment Losses	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>11,007</b>	<b>0</b>	<b>1,462</b>	<b>12,470</b>
<b>Income</b>				
Government Grants	(10,786)	0	(533)	(11,320)
Other Reimbursements and Contributions	(221)	0	(929)	(1,150)
Customer and Client Receipts	0	0	0	0
Interest	0	0	0	0
Recharges	0	0	0	0
Reserves	0	0	0	0
<b>GROSS INCOME</b>	<b>(11,007)</b>	<b>0</b>	<b>(1,462)</b>	<b>(12,470)</b>
<b>NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Other Variations are analysed as follows:

<b>Major Items</b>	<b>£000</b>	<b>fte</b>
Salary	426	5.45
Savings	0	
Growth	0	
Overheads adjustments	3	
Depreciation adjustments	0	
Inflation	0	
Rebasing of Income	0	
Technical adjustments	1,033	
Transfers between departments	0	
Grants Reduction/(Increase)- for 2 years	(533)	
Other Income	(929)	
<b>TOTAL</b>	<b>0</b>	<b>5.45</b>

## Standard Subjective Analysis – The Key

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

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

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

The SeRCOP provides guidance in following areas:

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

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

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

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

## Direct employee expenses and benefits

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

## Indirect employee expenses

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

## Contributions to employee-related provisions

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

**Premises-related expenditure**

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

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

**Transport-related expenditure**

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

## Direct transport costs

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

## Recharges

Contract hire and operating leases

Public transport

Transport insurance

Car allowances

Contributions to transport-related provisions

**Supplies and services**

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

## Equipment, furniture and materials

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

Catering

Clothes, uniform and laundry

Printing, stationery and general office expenses

Services

Communications and computing

Members' allowances

Expenses

Grants and subscriptions

Private Finance Initiative and Public Private Partnership schemes

Contributions to provisions

Miscellaneous expenses

**Third party payments**

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

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

**Transfer payments**

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

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

**Support services**

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

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

**Depreciation and impairment losses**

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

- Depreciation
- Revaluation losses
- Loss on impairment of assets



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

### **Income**

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

Government grants

- Specific and special government grants.

Other grants reimbursements and contributions

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

Customer and client receipts

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

Interest

Recharges

- Value of costs recharged to internal users.

Credits resulting from soft loans

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

### **Capital financing costs**

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

Interest payments

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

Debt management expenses

## Risk Analysis for General Fund

- 1 The Council's draft budget for 2023/24, has been analysed to identify key areas of risk. Costs that are regarded as fixed have been disregarded along with Schools' budgets.

	£m
Employees	112.9
Premises Related Expenditure	8.6
Transport Related Expenditure	11.4
Supplies and Services exc. DSG	75.4
Third Party Payments	86.4
Transfer Payments	66.1
<b>Incomes</b>	
Government Grants exc. DSG	87.3
Other Grants, Reimbursements and Contributions	35.0
Customer and Client Receipts	70.1
<b>Savings</b>	
Low Deliverability Risk	2.9
Medium Deliverability Risk	2.3
High Deliverability Risk	1.2
DSG (based on deficit - December 2022 monitoring)	35.6
Safety Net Threshold	2.2
Price Inflation Risk (per 1% increase)	1.5
<b>Total</b>	<b>599.1</b>

2. In addition the savings proposals for 2023-27 have been assessed in terms of deliverable risk. The level of deliverable risk is:

Risk Rating	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2023-27 £000
<b>Low</b>	2,915	175	(92)	0	2,998
<b>Medium</b>	2,340	140	591	30	3,101
<b>High</b>	1,203	0	0	0	1,203
<b>Total</b>	<b>6,458</b>	<b>315</b>	<b>499</b>	<b>30</b>	<b>7,302</b>

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

### Risk Analysis 2023/24

	£m	Min %	Mid %	Max %
Employees	112.9	0.30	0.50	0.75
Premises Related Expenditure	8.6	1.50	2.50	3.50
Transport Related Expenditure	11.4	1.00	2.00	3.00
Supplies and Services exc. DSG	75.4	1.50	2.00	3.00
Third Party Payments	86.4	4.00	5.50	7.50
Transfer Payments	66.1	2.75	3.75	4.75
<b>Incomes</b>				
Government Grants exc. DSG	87.3	1.00	2.00	3.00
Other Grants, Reimbursements and Contributions	35.0	1.00	2.00	3.00
Customer and Client Receipts	70.1	2.00	3.25	4.00
<b>Savings</b>				
Low Deliverability Risk	2.9	1.50		
Medium Deliverability Risk	2.3		3.00	
High Deliverability Risk	1.2			7.50
DSG (based on deficit - December 2022 monitoring)	35.6	5.00	25.00	50.00
Safety Net Threshold	2.2	100.00	100.00	100.00
Price Inflation Risk (per 1% increase)	1.5	25.00	50.00	75.00
<b>Total</b>	<b>599.1</b>			

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

	£m	Min £m	Mid £m	Max £m
Employees	112.9	0.34	0.56	0.85
Premises Related Expenditure	8.6	0.13	0.22	0.30
Transport Related Expenditure	11.4	0.11	0.23	0.34
Supplies and Services exc. DSG	75.4	1.13	1.51	2.26
Third Party Payments	86.4	3.46	4.75	6.48
Transfer Payments	66.1	1.82	2.48	3.14
<b>Incomes</b>				
Government Grants exc. DSG	87.3	0.87	1.75	2.62
Other Grants, Reimbursements and Contributions	35.0	0.35	0.70	1.05
Customer and Client Receipts	70.1	1.40	2.28	2.81
<b>Savings</b>				
Low Deliverability Risk	2.9	0.0		
Medium Deliverability Risk	2.3		0.07	
High Deliverability Risk	1.2			0.09
DSG (based on deficit - December 2022 monitoring)	35.6	1.78	8.90	17.80
Safety Net Threshold	2.2	2.15	2.15	2.15
Price Inflation Risk (per 1% increase)	1.5	0.38	0.75	1.13
<b>Total</b>	<b>599.1</b>	<b>13.96</b>	<b>26.35</b>	<b>41.02</b>

# Merton's Capital Strategy 2023-27



February 2023 – 4th Draft

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## SECTION 2

### Delivering Building a Better Merton Together

Merton as a borough has a huge amount to offer those who live, work or visit here. There is so much that our residents can take pride in – from hosting the internationally renowned Wimbledon Championships each year to the wealth of parks, green spaces and rivers across the borough, or the strong communities that pull together to support each other.

We have heard from our residents that they are ambitious for the future of Merton. Recent borough-wide engagement showed us that residents, businesses and communities want Merton to be a place that they can feel proud of – cleaner streets, improved town centres, safe neighbourhoods and green spaces that can be enjoyed by all. They want to be involved in the decisions that matter to them and see the Council take leadership in tackling the climate emergency<sup>1</sup>.

‘Building a Better Merton Together’ is our Corporate Plan for 2023/24, setting out our ambition for rebuilding pride in Merton over the next four years and what we will be doing to achieve this over the coming year.

We have faced difficult times over the last two years, responding to the challenges of the Covid-19 pandemic and its impact on the borough. The cost-of-living crisis brings more challenges ahead for our residents, businesses, and wider communities, especially those who are most vulnerable.

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



Councillor Ross Garrod, Leader, Merton Council

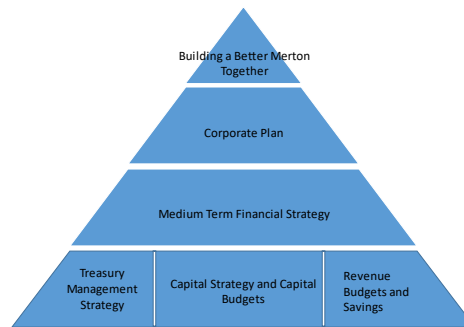


Councillor Billy Christie, Lead Member Finance & Corporate Services

## SECTION 2

### Strategic Planning Framework

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



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

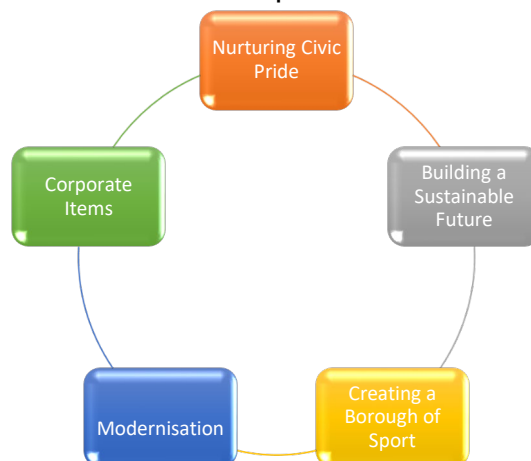
The Medium Term Financial Strategy (MTFS) is a 4 year plan which sets out our commitment to provide services that meet the needs of people locally, and represents good value for money. It links our council vision and priorities with forecasted resources and budgets. This shows how our finances will be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

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

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

### Strategic Themes

The Corporate Plan sets out the key themes, for analysing the capital programme two further areas have been added modernisation and corporate items:





## SECTION 2

Underneath these five Themes sit a set of priorities which we would work with our partners to develop and deliver on. The impact of the pandemic continues to be felt by all our communities, businesses and the local economy. As a Council we continue to respond to these challenges making sure we position ourselves to recover as quickly as possible from its effects. Strong financial management is at the heart of the Capital Strategy enabling it to play a key role in the Council's response.

### Capital Strategy

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

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



## SECTION 2

### Evidence of Need

Merton is an outer London borough with a current population in 2021 of 204,676, projected to increase to 210,416 in 2026 and 221,303 in 2036 (BPO projections dated March 2021). The Borough Preferred Option (BPO) population projections are calculated using the Merton housing trajectory, as published in the Authority Monitoring Report (AMR) each year. This is considered to be the best estimate of assumed growth in Merton and is used for the Local Plan.

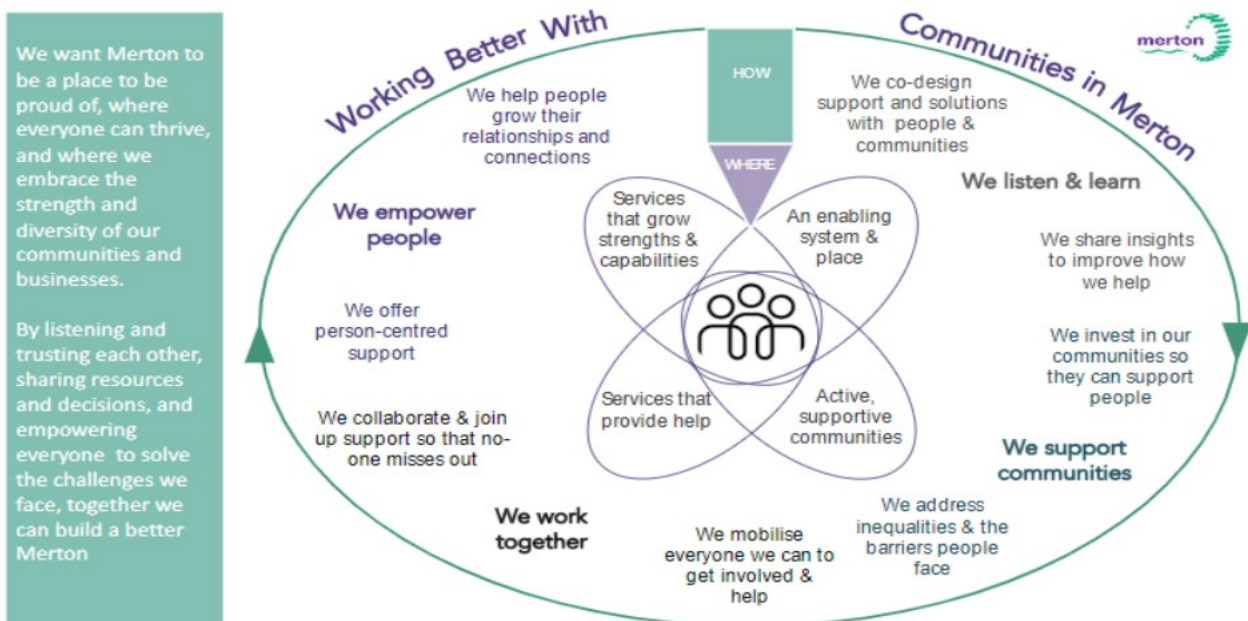
Over the next 15 years it is projected that the number of residents aged over 65 across Merton is projected to increase by a minimum of 43%. The population aged 85 and over is projected to increase by an even greater proportion, 52% (BPO March 2021). Local research supports the increasing need identified in the London Plan for housing designed for older people, including sheltered and extra-care.

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

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

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

The Authority has developed a framework which sets out how the council can take action at different levels to mobilise all the assets in the borough and to create the connectivity and community resilience needed to ensure that everyone gets help when they need it.



## SECTION 2

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

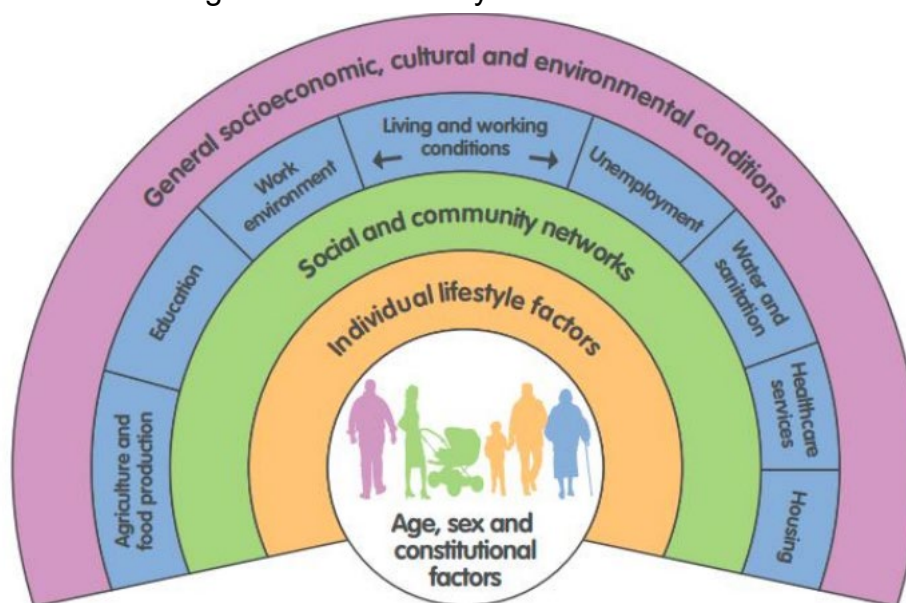


Diagram 1 – Wider determinants of health  
Source: Dahlgren & Whitehead, 1991

The Merton Story (2021) is Merton's Joint Strategic Needs Assessment (JSNA), which sets out the population health and wellbeing needs for the Health and Wellbeing Board. It identifies the following key themes and challenges:

- Start well priorities: 1) Emotional health and wellbeing for Children and Young People; 2) Integrated children's services and 3) Developing pathways into adulthood
- Live well priorities: 4) East Merton model of health and wellbeing, 5) Diabetes, 6) Primary care at scale, 7) Primary mental healthcare
- Age well priority: 8) Integrated health and social care

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

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

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



## SECTION 2

The number of people in Merton with dementia is predicted to increase from 2,050 to 3,300 by 2035. The new Local Plan policies incorporate how dementia-friendly design through housing, transport and public realm can help to make communities more dementia-friendly.

### Projections

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

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

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

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



## SECTION 2

### Strategic Theme 1 - Nurturing Civic Pride

Civic pride is about the relationship that people and communities have with a place – not only their physical surroundings but also their feelings of identity and belonging. To nurture civic pride across Merton, however, the borough must become a fairer, more equal, and inclusive place. That means tackling inequalities and disadvantage across the borough and supporting those who are most in need. We want our local communities and businesses to be engaged and active partners in building a better Merton together, so we will take steps to encourage increased levels of volunteering and community involvement across the borough – helping us to nurture civic pride from the ground up.

There are 11 established priorities in this area which detailed below, capital investment is being utilised to deliver them where necessary

1. **Resident-centric customer service, communication, and engagement**
2. **Deliver a waste service that works for residents** the proposed capital programme includes £6 million investment in a new waste transfer station and £15 million for the replacement of the bulk of the waste and cleansing fleet with a carbon neutral alternative
3. **Invest in the appearance of our town centres and high streets and borough boundaries** the proposed programme provides £6 million match funding for Morden town centre regeneration.
4. **Support a thriving local economy and bring in an increased cultural offering to residents** the approved programme contains £14 million of regeneration schemes spread throughout the borough
5. **Increase levels of volunteering and community involvement across Merton**
6. **Giving children in Merton the best start in life and a Good or Outstanding education for all, including lifelong learning** from the mid-2000s the authority undertook considerable investment in expanding first primary, then secondary schools. The Authority is now forecasting a reducing school roll, apart from:
  - a. There are significantly higher pupil numbers reaching 6th form age form next September (2023) and there will be significantly increased demand.
  - b. There has been a more than doubling increase in the number of EHCPs over the last 7 years, from 1075 in January 2016 to 2467 in January 2022 (SEN2 count). As part of the safety valve intervention programme the council has agreed a range of actions and this includes a significant increase in the number of local special school places, with additional capital funding provided (circa £13m expected spend 2023-24 onwards).The indicative and approved Capital Programme includes circa £2.5 million p.a. grant funded provision for maintenance of school premises for maintained and voluntary controlled schools
- 7) **Keep Merton in top 3 safest boroughs** the proposed and indicative capital programme includes provision to replace, enhance and extend the CCTV provision within the borough. The capital programme also includes a small sum for to designing out crime in selected places throughout the borough.
- 8) **Address the cost-of-living crisis facing residents and businesses in Merton**
- 9) **Merton to secure London living wage accreditation and work towards becoming a London Living wage borough**
- 10) **Maximise Social Value in all our contracts**
- 11) **Equality, diversity, and inclusion in all policies**

## SECTION 2

### Strategic Theme 2 - Building a Sustainable Future

Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change and supporting the health and wellbeing of our local communities.

Supporting the health and wellbeing of our residents is integral to our work towards a sustainable future and Merton as a healthy place. With changes to local health and care systems in place, we will work closely with Integrated Care partners to ensure that there is local provision to meet the needs of the communities in Merton – advocating for fair and equal access to health care in Merton particularly for the east of the borough and working together to address health inequalities.

There are 13 established priorities in this area which detailed below, capital investment is being utilised to deliver them where necessary

- 1. Build 400 homes on council owned land and ensure the increased supply of affordable homes in the borough** Like other London boroughs, Merton faces a housing crisis with increasing numbers of households in temporary accommodation and too many people living with high housing costs and poor-quality accommodation. The proposed capital programme includes £29 million for the provision of affordable housing and £9.8 million for the provision of learning disability housing
- 2. Guardian of standards in social and private housing**
- 3. Bring in planning policies that encourage sustainable development**
- 4. Start regeneration of Morden and Mitcham town centres** the proposed programme provides £6 million match funding for Morden town centre regeneration.
- 5. Establish key libraries as community hubs on the high street** the programme includes £0.2 million for the re-fit of West Barnes Library
- 6. Achieve ambition for the council to be Net zero by 2030** - 89% of Merton residents in our latest residents' survey told us that it was important for the Council to act on climate change, and it remains a top concern for young people. There are regular updates to committees on the progress of this work – £0.5 million is being added to the capital programme for community retrofit loans and a business support scheme
- 7. Boost Electric Vehicle infrastructure strategy and delivery across Merton** the Authority will be looking to utilise grant funding to develop the electric vehicle infrastructure within the borough.
- 8. Increasing walking and cycling in the borough as active travel** just under £0.5million is within the proposed capital programme to fund cycle improvement schemes.
- 9. Increase tree canopy and biodiversity in our parks and green spaces**
- 10. Improving air quality in the Borough** the proposed capital programme includes £0.25million for the enhanced replacement of equipment
- 11. Increase number of residents from low pay into good well-paid jobs and develop green skills**
- 12. Work with ICB health partners to ensure that there is fair access to good quality health services in Merton** the proposed programme includes £0.15million contribution for the new Rowan Park facility
- 13. Develop our approach to the One Public Estate within a wider approach to our assets** to maximise asset usage and rationalise the assets held.

## SECTION 2

### Strategic Theme 3 Creating a Borough of Sport

A priority for the administration is to establish Merton as a borough of sport. As the home of the Wimbledon Championships and AFC Wimbledon, Merton has a great sporting heritage to build on. From internationally renowned organisations like the All-England Club to grassroots clubs and organisations like Tooting and Mitcham FC, we want to strengthen our partnerships with sports clubs, organisations and businesses across the borough and promote increased participation in sports and activity. We will be working with Sport England to develop a blueprint, set our direction and seek funding to support this.

Our approach to establishing Merton as a borough of sport must be inclusive and closely linked to wider work on making Merton a healthy place. Health inequalities in Merton have been deepened by the impact of Covid-19 with residents in the East of the borough continuing to experience worse health outcomes compared to elsewhere in the borough. Involvement in sports and exercise activities not only delivers significant benefits to health and wellbeing but wider benefits such as social contact and connectedness. Sports can offer a positive outlet and diversion for young people as well as fun and healthy activity. Soft skills developed through the social elements of sport can also help with employment and offer routes out of poverty.

Through our Health and Wellbeing Board, we will develop an Actively Merton programme as part of a wider approach to embed health in all policies. Supporting our residents to be active and incorporate more movement into their lives will help prevent ill health and promote independence, especially for older people and disabled people. To support this, we will be investing in improvements to our local facilities and provision, including a full programme of improvements to sports pitches, tennis courts and our multi-use sports areas.

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

- 1. National recognition of Merton's sporting heritage and access to weekly physical activity for all 4–16-year-olds and over 65s**
- 2. Increasing participation in sport and physical activity amongst all residents**
- 3. Investment in sporting and active infrastructure**

The proposed capital programme includes just under £12 million investment in sports and green spaces.

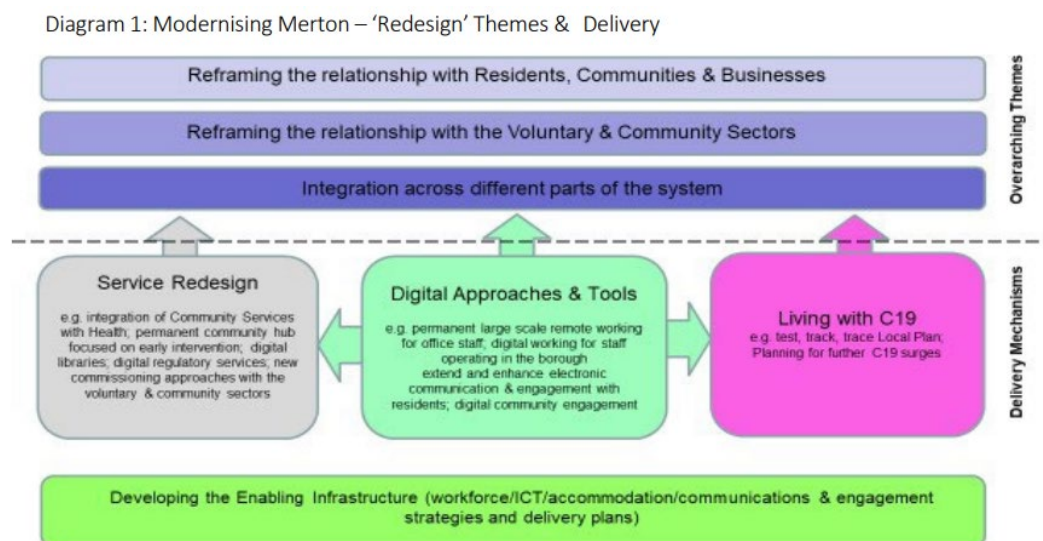




## SECTION 2

### Modernisation ( 4)

The Modernising Merton framework sets out high level themes for the Programme and the delivery mechanisms for turning aspiration into reality (see diagram below)



The Enabling Infrastructure strand of the Programme picks up the recommendations from the internal review and LGA Peer Challenge relating to the operation of the council’s internal functions, processes and governance, as well as the cross-cutting strategies and frameworks led by corporate functions that support departmental planning and delivery e.g. workforce planning, accommodation, ICT/digital. It is focused on several high level outcomes including:

- reducing bureaucracy and costs;
- freeing up capacity
- better alignment of ambition, priorities, activity and resources
- speedier decision making, with a sensible balance between risk and efficiency

A framework for the development of digital approaches is encompasses several, inter-linked strategic themes, including:

- a) Customer Access Ensure services can be accessed online 24/7 (primary channel) by residents who are able to self-serve, alongside redesigning secondary access channels (face to face and telephone) to integrate with digital approaches e.g. single view of the customer;
- b) Smarter Working Equip staff with the digital tools to improve the way they work, whether in offices, remotely, or in the borough;
- c) Digital Inclusion Coordinate digital inclusion activity across the borough to tackle the ‘digital divide’;
- d) Customer Single View Manage customer intelligence so that it can be safely and securely shared and analysed to join up service delivery and improve decision making;
- e) Technology and Automation Reduce the overall costs of Council services by redesigning service processes to maximise the use of technology.

The proposed programme includes just under £9 million investment in the Council’s computerised systems



## SECTION 2

### Corporate Items (5)

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

1. Acquisitions Budget £6.3 million for the purchase of land and buildings to aid the delivery of capital schemes
2. Capital Bidding Fund £1.0 million to provide match funding to lever in external funding for capital schemes
3. Capital Contingency £1.7 million to offset funding shortfalls in capital schemes

### External and Partner Influences

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

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

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

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

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

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

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



## SECTION 2

### Property as a Corporate Resource

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

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

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

The Financial Aims are to:

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

The Service aims are to:

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

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

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

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

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

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



## SECTION 2

### Capital Investment Mapping

The Authority has the following identified priorities:

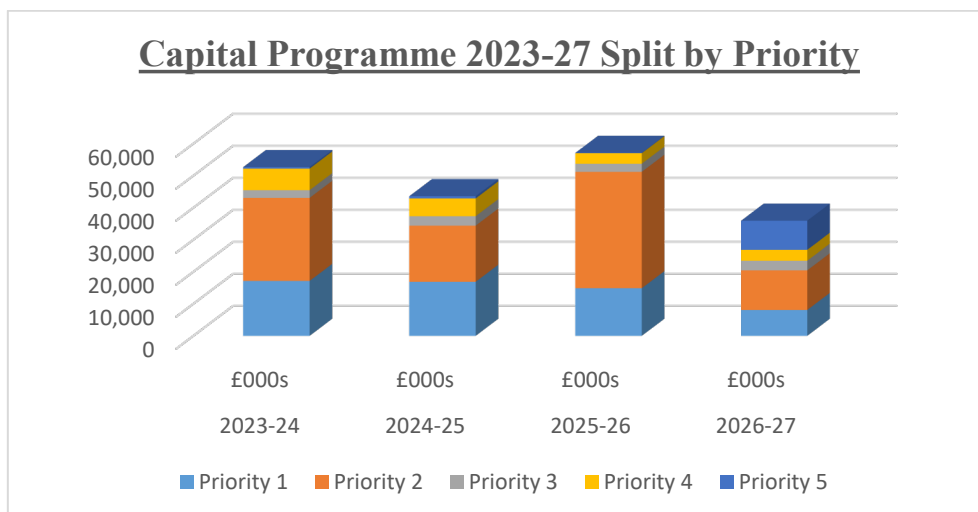
1. Nurturing Civic Pride – is about the relationship that people and communities have with a place this includes their physical surroundings and feelings of identity and belonging.
2. Building a Sustainable Future - Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change and supporting the health and wellbeing of our local communities.
3. Creating a Borough of Sport - From internationally renowned organisations like the All-England Club to grassroots clubs and organisations like Tooting and Mitcham FC, we want to strengthen our partnerships with sports clubs, organisations and businesses across the borough and promote increased participation in sports and activity.
4. Modernisation - The aims of the programme are two-fold. Firstly, to plan and support recovery as the country emerges from the pandemic. Secondly, to capture and build on some of the new ways of working to develop a modern council fit for the future.
5. Corporate Budgets

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

**Capital Programme 2023-27 Split by Priority**

Priority	2023-24	2024-25	2025-26	2026-27
	£000s	£000s	£000s	£000s
1	17,144	16,881	14,870	8,079
2	25,932	17,527	36,349	12,370
3	2,400	2,958	2,525	3,005
4	6,734	5,535	3,280	3,400
5	474	700	100	9,097
<b>Total</b>	<b>52,685</b>	<b>43,601</b>	<b>57,124</b>	<b>35,951</b>

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



# The Detail ...

## SECTION 2

### Capital Investment Planning

#### Capital resources 2023-27

Capital expenditure is funded from a variety of sources:-

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

#### Capital receipts

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

#### Projected Capital Receipts

Due to the impact of Covid 19 and Brexit 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 (ends in the financial year 2024/25), however a Development and Disposals Clawback Agreement was entered into as part of the same transfer and this could result in a significant capital receipt should these development plans go ahead.

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

<b>Anticipated Capital Receipts</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</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*	900	900	500	500
<b>Total</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>500</b>

\* Umbrella agreement with Clarion ceases March 2025

As there is currently no need to enter into external borrowing, investment balances will rise with the addition of capital receipts until utilised to fund the capital programme. Average expected interest rates on investments across the years of the capital programme are approximately 2.43%, as such an increase in receipts of £1m would be expected to generate a £2,430 increase in interest in a full year.

## SECTION 2

### Grant Funding

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

Grants	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
Heritage Lottery Fund (earmarked)	349	0	0	0	0
Environment Agency (earmarked)	204				
Transport for London LIP/Department for Transport (earmarked) Capital	1,465	269	0	0	0
<b>TOTAL: E&amp;R</b>	<b>2,019</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>0</b>
School Condition 2021-22 (semi-ringfenced)	1,362	0	0	0	0
School Condition 2022-23 (semi-ringfenced)	1,767	633	0	0	0
Estimated School Condition Future Years (semi-ringfenced)*	0	2,500	2,500	2,500	2,500
High Needs (ringfenced)	4,318	4,513	6,065	0	0
Estimated High Needs (ringfenced)	0	0	0	0	900
Devolved Formula Capital (Earmarked)	1,082	TBA	TBA	TBA	TBA
Family Hubs	15	15			
<b>TOTAL: CSF</b>	<b>8,543</b>	<b>7,661</b>	<b>8,565</b>	<b>2,500</b>	<b>3,400</b>
De-Carbonisation Grant	207				
Salix Grant		1,500	1,637		
<b>TOTAL: CS</b>	<b>207</b>	<b>1,500</b>	<b>1,637</b>	<b>0</b>	<b>0</b>
Disabled Facilities Grant Allocation 2020-21	768	0	0	0	0
Support Health & Social Hospital Discharges	0	0	0	0	172
Disabled Facilities Grant Allocation 2021-22	286	827	339	0	0
Disabled Facilities Grant Allocation 2022-23 Onwards	0	0	488	827	138
<b>TOTAL: C&amp;H</b>	<b>1,054</b>	<b>827</b>	<b>827</b>	<b>827</b>	<b>310</b>
<b>TOTAL GRANT FUNDING</b>	<b>11,823</b>	<b>10,257</b>	<b>11,029</b>	<b>3,327</b>	<b>3,710</b>



## SECTION 2

### Contributions

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

<b>Capital Contributions</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>	<b>2026/27 £000s</b>
Strategic Community Infrastructure Levy	4,126	6,481	2,216	6,629	2,800
Neighbourhood Community Infrastructure Levy	957	1,249	0	0	0
Section 106 Agreements	310	4,449	1,728	0	0
School Contributions	200	0	0	0	0
Clarion Contributions to fund CPOs	0	13,934	0	0	0
<b>Total Used to Fund the Programme</b>	<b>5,593</b>	<b>26,113</b>	<b>3,944</b>	<b>6,629</b>	<b>2,800</b>

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

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

<b>Capital Expenditure</b>	<b>2022/23 Estimate £000</b>	<b>2023/24 Estimate £000's</b>	<b>2024/25 Estimate £000's</b>	<b>2025/26 Estimate £000's</b>	<b>2026/27 Estimate £000's</b>
Capital Expenditure	30,123	52,685	43,601	57,124	35,951
Slippage and Underspends	(6,069)	(7,466)	940	(3,149)	6,423
Total Capital Expenditure *	24,054	45,219	44,541	53,975	42,374
<b>Financed by:</b>					
Capital Receipts *	3,135	900	900	500	500
Capital Grants & Contributions	14,229	33,150	18,793	10,238	7,262
Revenue Provisions	708	1,169	1,438	229	40
<b>Net financing need for the year</b>	<b>5,982</b>	<b>10,000</b>	<b>23,410</b>	<b>43,008</b>	<b>34,571</b>

\* Includes Multi-Function Devices finance lease

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

	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>	<b>2026/27 £000s</b>
Grant & Contributions *	33,150	18,793	10,238	7,262
Council Funding	12,068	25,747	43,738	35,111
<b>Total</b>	<b>45,219</b>	<b>44,541</b>	<b>53,975</b>	<b>42,374</b>

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



## SECTION 2

### Impact of the Capital Programme on Revenue

The capital strategy recognises that the prudential framework provides the council with flexibility, subject to the constraints of the council's revenue budget. This flexible ability to borrow, either from internal cash resources or by external borrowing, coupled with the revised treatment of finance leases with effect from 1 April 2010, means that prudential borrowing is used for the acquisition of equipment, where it is prudent, affordable and sustainable. Since 2006/07 it has been possible to borrow from internal cash resources rather than external borrowing and it is forecast that this will continue to be the case until 2025/26. Over the period 2023-27 the Authority is scheduled to repay £26.5 million (24.03%) of long term debt. This will be kept under review as part of general Treasury Management.

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

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

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

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

MTFS March 2022	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
MRP	4,960	5,863	6,909	7,786	11,348
Interest on Borrowing	6,106	6,041	6,020	4,949	4,838
<b>Total Borrowing Costs</b>	<b>11,066</b>	<b>11,903</b>	<b>12,929</b>	<b>12,736</b>	<b>16,186</b>
Interest on Investments	(73)	(62)	(32)	(11)	0
CCLA Investment Two Loans @ £10m	(323)	(323)	(323)	(323)	(323)
<b>Total Borrowing Costs Net of Investment interest</b>	<b>10,670</b>	<b>11,519</b>	<b>12,575</b>	<b>12,402</b>	<b>15,863</b>

Proposed Programme Business Plan 2023-27	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
MRP	4,841	4,841	5,197	6,129	7,861
Interest on Borrowing	6,106	6,041	6,020	4,949	5,097
<b>Total Borrowing Costs</b>	<b>10,947</b>	<b>10,882</b>	<b>11,217</b>	<b>11,078</b>	<b>12,958</b>
Interest on Investments	(639)	(1,430)	(722)	(181)	0
CCLA Investment Two Loans @ £10m	(457)	(323)	(323)	(323)	(323)
<b>Total Borrowing Costs Net of Investment interest</b>	<b>9,851</b>	<b>9,129</b>	<b>10,172</b>	<b>10,574</b>	<b>12,635</b>



## SECTION 2

Movement in Projected Costs	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
MRP	(119)	(1,021)	(1,712)	(1,658)	(3,487)
Interest on Borrowing	0	0	0	0	259
<b>Total Borrowing Costs</b>	<b>(119)</b>	<b>(1,021)</b>	<b>(1,712)</b>	<b>(1,658)</b>	<b>(3,228)</b>
Interest on Investments	(566)	(1,368)	(690)	(170)	0
CCLA Investment Two Loans @ £10m	(134)	0	0	0	0
<b>Total Borrowing Costs Net of Investment interest</b>	<b>(819)</b>	<b>(2,389)</b>	<b>(2,402)</b>	<b>(1,828)</b>	<b>(3,228)</b>

### Debt repayment

The council has had a strategy to reduce its level of debt when opportunity arises in the market. The average interest payable on outstanding debt is 5.5%. For the period 2023-27, capital receipts may continue to be used to pay the premiums on the repayment of those authority debts which have high fixed interest charges, if the terms offered will result in appropriate revenue savings. Any decision to repay debt early will be considered alongside the funding however, this is unlikely to be the case in the short to medium term requirement of the programme.

The Table below shows the maturity structure of current external debt

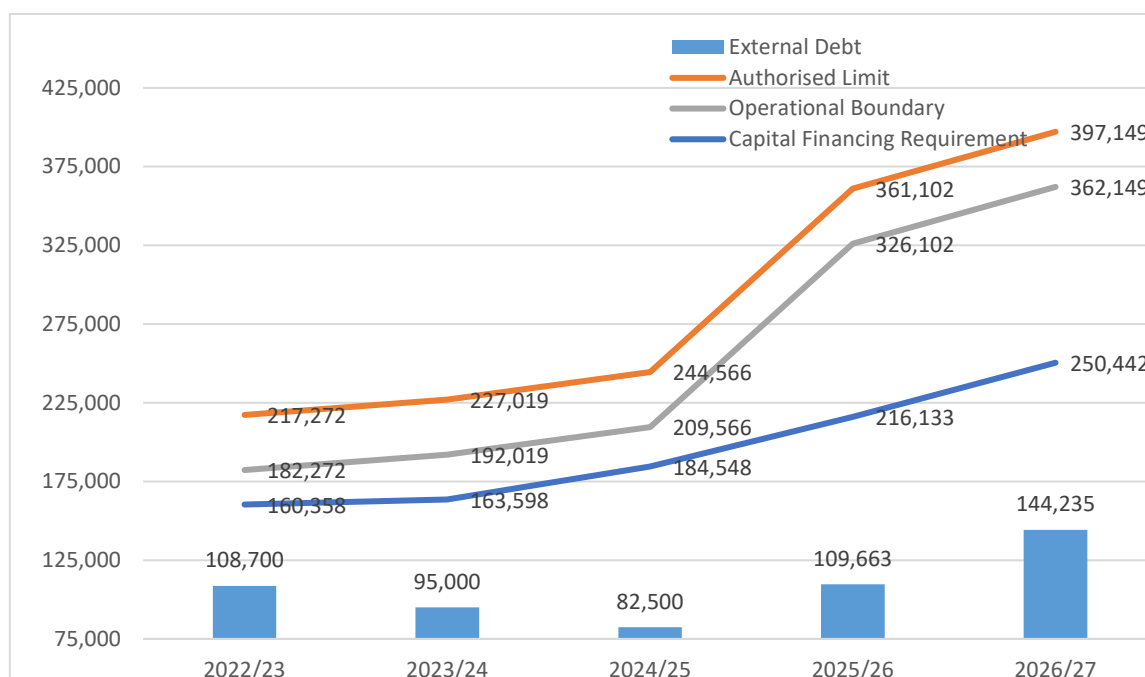
Maturity Structure of Borrowing		
Length of Time	Actual November 2022	Value £'000
less than 1 year	0.28%	310
1 to 2 years	24.03%	26,200
2 years to 5 years	4.13%	4,500
5 years to 10 years	0.92%	1,000
10 years to 20 years	10.55%	11,500
20 years to 30 years	18.81%	20,500
30 years to 40 years	22.93%	25,000
40 years to 50 years	18.35%	20,000
<b>Total</b>	<b>100.00%</b>	<b>109,010</b>

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

## SECTION 2

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

### Treasury Management Limits on Activity



The Table below summarises the Indicative Capital Programme for 2027 to 2032. Additional detail is provided as Annex 5:

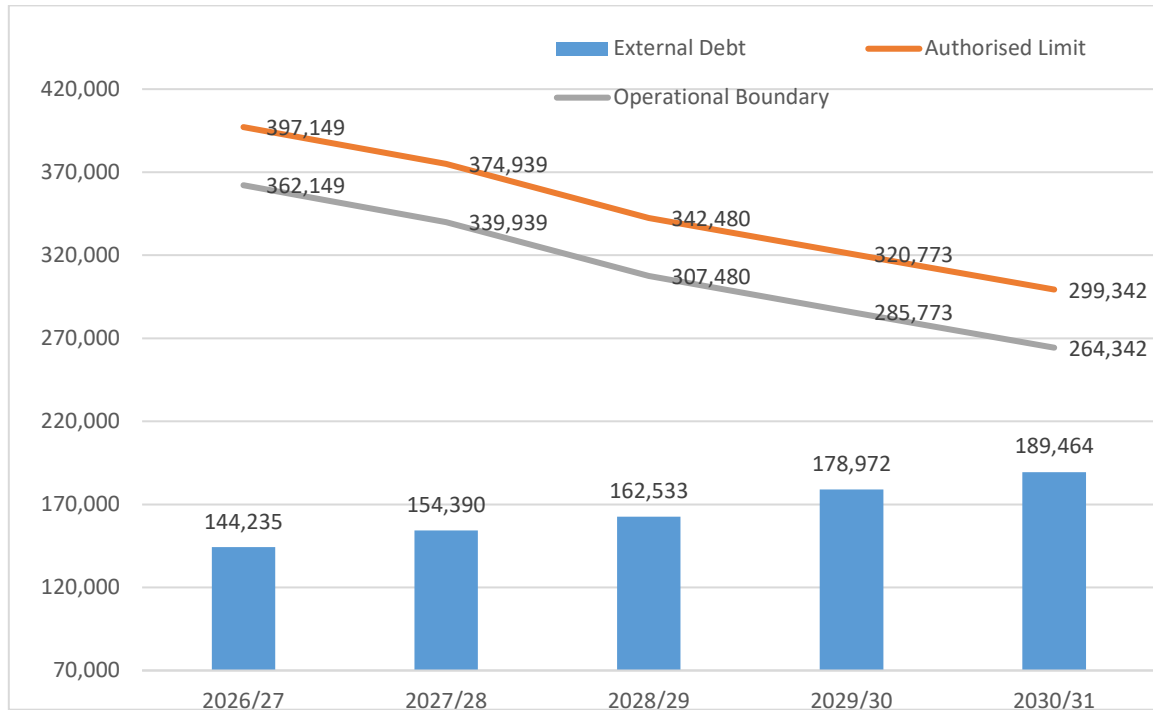
Department	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30	Indicative Budget 2030-31	Indicative Budget 2031-32
Corporate Services	3,230	3,570	4,405	5,530	3,550
Community and Housing	515	375	375	725	375
Children, Schools and Families	2,500	2,500	2,500	2,500	2,500
Environment and Regeneration	6,842	5,454	12,934	5,119	6,576
<b>Total</b>	<b>13,087</b>	<b>11,899</b>	<b>20,214</b>	<b>13,874</b>	<b>13,001</b>

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

For every £1 million capital expenditure that is funded by external borrowing it is estimated that there will be annual revenue debt charges of between £247k for assets with a life of 5 years to £67k for an asset life of 50 years.

## SECTION 2

The Table below shows the impact of the indicative programme 2026-31 on the Authority's debt:



## SECTION 2

### Capital Investment Strategy for Non-Core Activity

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

During the period 2023-27 the Authority is planning the following investment activity:

- i) Section 5 of the Treasury Management Strategy sets out the Authority's short to medium term Investment Strategy. This strategy focusses on short to medium term low risk investments.
- ii) Having sold the financial interest in CHAS the Authority will be considering balancing the activity in (i) with debt redemption and legacy asset investment.

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

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

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

#### **Liquidity**

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

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

**Yield** - Expected yield:

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

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

#### **Borrowing in Advance of Need**

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

Current indications are that interest rates are likely to rise making it more expensive to borrow, but will start to reduce in around 2 years. Consideration will be given to the timing of required borrowing to minimise the cost to the Authority and with regard to the current debt portfolio (detailed in Section 4.5 of the Treasury Management Strategy)

#### **Capacity, Skills and Culture**

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

## SECTION 2

### Capital Planning Process

#### Capital Bids and Prioritisation Criteria

The authority has an annual bidding process for capital resources, in keeping with corporate priorities and identified service priorities. Submitted bids are reviewed and challenged as part of the process. Proposed capital bids are subject to scrutiny in the autumn and January. The table below summarises the movement in the capital programme from this year's process (detail in Annex 4):

Department	Revised Budget	Revised Budget	Indicative Budget	Indicative Budget
	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Corporate Services	16,651	4,180	(9,316)	2,938
Community and Housing	4,980	10,722	15,762	9,204
Children, Schools and Families	4,633	4,437	79	(10,300)
Environment and Regeneration	8,371	8,313	12,730	4,035
<b>Total</b>	<b>34,635</b>	<b>27,652</b>	<b>19,255</b>	<b>5,877</b>

Given the scarcity of financial resources the Authority has dovetailed the CIL annual bidding processes with the capital bidding process.

### Corporate Governance

#### Accounting Definitions and Practices

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

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

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

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

IFRS 9 requires that investment in risk capital will need to be valued annually at fair value with any loss or gain being written through the profit and loss account in the year it occurs.

IFRS 16 will require all but short-term de-minimis leasing rental/leasing arrangements appear on the Authority's balance sheet from the financial year 2024/25.

## SECTION 2

### Capital Programme Board

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

The Terms of Reference of the Board are:

- Lead on the development and maintenance of the capital investment strategy and ensure it is consistent with the council's strategic objectives, 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.

The role of the Board is to:

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

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

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



## SECTION 2

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

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

### Capital Programme Approval and Amendment

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

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

- Virements up to £5k can be signed off by the budget manager and the Chief Financial Officer (CFO) is informed of these changes as part of the monthly financial monitoring
- Virements £5k up to £100k must be approved by the Chief Officer of the area or areas affected along with the Chief Financial Officer, typically this will be as part of the monthly financial monitoring report to CMT however approval can be sought from these officers at any time if necessary
- Virements £100k and upwards go to Cabinet for approval
- Any virement which diverts resources from a scheme not started, resulting in a delay to that scheme, will be reported to Cabinet  
(Please note virement rules are cumulative i.e. two virements of £5,000 from one project; the latter would require the approval of Chief Officers)

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

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

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

Approval thresholds are kept under review.

## SECTION 2

### Capital Monitoring

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

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

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

### Capacity, Skills and Culture

Team planning and staff appraisals highlight staff developmental requirements and monitor their progression. Qualified financial staff meet the continual professional development requirements of their relevant CCAB organisation.

Member induction and development is led corporately by the Authority's Human Resources division, this is supplemented, where appropriate, with additional financial briefings.





## SECTION 2

### Risk Management and Assessment

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

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

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

Within its portfolio of risk Merton is developing a balance between financial and non-financial investments



## SECTION 2

### Capital Investment Programme - Schemes for Approval 2022-27

### Annex 1

Department	Revised Budget 2022-23 £000's	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's
Corporate Services	7,544	22,221	8,935	3,580	12,697
Community and Housing	1,095	5,952	11,442	16,452	9,685
Children, Schools and Families	9,257	8,033	8,737	3,479	3,400
Environment and Regeneration	12,578	16,479	14,487	33,613	10,169
<b>Total</b>	<b>30,474</b>	<b>52,685</b>	<b>43,601</b>	<b>57,124</b>	<b>35,951</b>

Department	Revised Budget 2022-23 £000's	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's
<b>Corporate Services</b>					
Facilities Management	2,412	3,790	3,980	950	950
Information Technology & Business Systems	4,074	3,373	4,355	2,630	2,750
Finance	0	700	0	0	0
Corporate Items	1,058	14,358	600	0	8,997
<b>Total Corporate Services</b>	<b>7,544</b>	<b>22,221</b>	<b>8,935</b>	<b>3,580</b>	<b>12,697</b>
<b>Community and Housing</b>					
Adult Social Care	0	0	0	0	0
Housing	1,066	5,952	11,102	16,102	9,685
Libraries	29	0	340	350	0
<b>Total Community and Housing</b>	<b>1,095</b>	<b>5,952</b>	<b>11,442</b>	<b>16,452</b>	<b>9,685</b>
<b>Children, Schools and Families</b>					
Primary School	2,602	3,083	2,500	2,500	2,500
Secondary Schools	289	0	0	0	0
SEN Schools and ARPs	4,986	4,563	6,237	979	900
Other	1,381	387	0	0	0
<b>Total Children, Schools and Families</b>	<b>9,257</b>	<b>8,033</b>	<b>8,737</b>	<b>3,479</b>	<b>3,400</b>
<b>Environmental and Regeneration</b>					
Public Protection and Development	802	3,576	420	465	480
Street Scene and Waste	386	324	1,024	20,778	524
Sustainable Communities	11,390	12,580	13,043	12,370	9,165
<b>Total Environmental and Regeneration</b>	<b>12,578</b>	<b>16,479</b>	<b>14,487</b>	<b>33,613</b>	<b>10,169</b>
<b>Total Capital</b>	<b>30,474</b>	<b>52,685</b>	<b>43,601</b>	<b>57,124</b>	<b>35,951</b>

**Please Note:**

1. Excludes budget relating to future year announcements of Better Care Fund
  2. Excludes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant
- OSC = Overview and Scrutiny, CYP = Children and Young People, HCOP = Healthier Communities and Older People and SC - Sustainable Communities

## SECTION 2

FUNDING THE CAPITAL PROGRAMME 2022-27Annex2

Merton	Capital Programme £000s	Funded by Merton £000s	Funded by grant and capital contributions £000s
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<b>2022/23 Current Budget</b>	<b>30,474</b>	<b>12,810</b>	<b>17,664</b>
Potential Slippage b/f	0	0	0
<b>2022/23 Revised Budget</b>	<b>30,474</b>	<b>12,810</b>	<b>17,664</b>
Potential Slippage c/f	(4,761)	(1,452)	(3,309)
Potential Underspend not slipped into next year	(1,660)	(1,534)	(126)
<b>Total Spend 2022/23</b>	<b>24,054</b>	<b>9,825</b>	<b>14,229</b>

<b>2023/24 Current Budget</b>	<b>52,685</b>	<b>16,682</b>	<b>36,370</b>
Potential Slippage b/f	4,761	1,452	3,309
<b>2023/24 Revised Budget</b>	<b>57,446</b>	<b>18,134</b>	<b>39,679</b>
Potential Slippage c/f	(10,015)	(4,304)	(6,077)
Potential Underspend not slipped into next year	(2,212)	(1,760)	(452)
<b>Total Spend 2023/24</b>	<b>45,219</b>	<b>12,068</b>	<b>33,150</b>

<b>2024/25 Current Budget</b>	<b>43,601</b>	<b>28,630</b>	<b>14,972</b>
Potential Slippage b/f	10,015	4,304	6,077
<b>2024/25 Revised Budget</b>	<b>53,616</b>	<b>32,933</b>	<b>21,050</b>
Potential Slippage c/f	(7,232)	(5,759)	(1,841)
Potential Underspend not slipped into next year	(1,842)	(1,427)	(415)
<b>Total Spend 2024/25</b>	<b>44,541</b>	<b>25,747</b>	<b>18,793</b>

<b>2025/26 Current Budget</b>	<b>57,124</b>	<b>47,168</b>	<b>9,956</b>
Potential Slippage b/f	7,232	5,759	1,841
<b>2025/26 Revised Budget</b>	<b>64,356</b>	<b>52,928</b>	<b>11,796</b>
Potential Slippage c/f	(8,657)	(7,881)	(1,143)
Potential Underspend not slipped into next year	(1,724)	(1,309)	(415)
<b>Total Spend 2025/26</b>	<b>53,975</b>	<b>43,738</b>	<b>10,238</b>

<b>2026/27 Current Budget</b>	<b>35,951</b>	<b>29,441</b>	<b>6,510</b>
Potential Slippage b/f	8,657	7,881	1,143
<b>2026/27 Revised Budget</b>	<b>44,608</b>	<b>37,322</b>	<b>7,653</b>
Potential Slippage c/f	(1,746)	(1,862)	(250)
Potential Underspend not slipped into next year	(488)	(348)	(140)
<b>Total Spend 2026/27</b>	<b>42,374</b>	<b>35,111</b>	<b>7,262</b>

## SECTION 2

### Detailed Capital Programme 2023-27

### Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2023-24 £000s	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Proposed Budget 2026-27 £000s
<b>Business Improvement</b>							
Customer Contact Programme	Customer Contact Programme	4	OSC	483	0	1,000	1,000
Customer Contact Programme	Web Content Management System	4	OSC	0	100	0	0
Business Systems	Ancillary System	4	OSC	0	0	0	50
Business Systems	Youth Justice	4	OSC	0	0	100	0
Business Systems	Parking System	4	OSC	270	400	0	0
Business Systems	Payroll System	4	OSC	0	0	0	160
Business Systems	Invoice Scanning SCIS/FIS	4	OSC	150	0	0	0
Business Systems	Environmental Asset Management	4	OSC	240	250	0	0
Business Systems	Housing System (Capita Housing)	4	OSC	0	0	120	0
Business Systems	Revenue & Benefits	4	OSC	300	400	0	0
Business Systems	Payments project	4	OSC	0	150	0	0
Business Systems	GIS Mapping (Spectrum Spatial Analyst Replac	4	OSC	100	0	200	300
Business Systems	LLPG&LSG System ((Gazetteer Management Sy	4	OSC	0	0	0	100
Business Systems	Planning&Public Protection Sys	4	OSC	241	550	0	0
Business Systems	Exacom	4	OSC	0	40	0	0
Business Systems	Safer Merton Case Management	4	OSC	0	60	0	0
Business Systems	Transport Management System	4	OSC	0	0	150	0
Replacement SC System	Replacement SC System	4	OSC	819	1,000	0	0
Replacement SC System	SEN Case Management	4	OSC	0	0	0	170
<b>Facilities Management</b>							
Works to Other Buildings	Repair and Maintenance	4	OSC	650	650	650	650
Civic Centre	Civic Centre Cycle Parking	2	OSC	60	0	0	0
Civic Centre	Civic Centre Boilers	2	OSC	2,400	2,500	0	0
Civic Centre	Workplace design	4	OSC	530	530	0	0
Invest to Save	Project General	2	OSC	100	300	300	300
Invest to Save	Photovoltaics	2	OSC	50	0	0	0
<b>Information Technology</b>							
Planned Replacement Program	Project General	4	OSC	770	1,405	1,060	970
<b>Resources</b>							
Financial Systems	Improving Financial Systems	4	OSC	700	0	0	0
<b>Corporate Budgets</b>							
Multi-Functioning Device (MFD)	Multi-Functioning Device (MFD) - Finance Lea	5	OSC	0	600	0	0
Acquisitions Budget	Acquisitions Budget	5	OSC	0	0	0	6,316
Capital Bidding Fund	Capital Bidding Fund	5	OSC	0	0	0	1,000
Corporate Capital Contingency	Corporate Capital Contingency	5	OSC	0	0	0	1,681
Westminster Coroners Court	Westminster Coroners Court	5	OSC	379	0	0	0
Governance	New Election Booths	5	OSC	45	0	0	0
Compulsory Purchase Order	Clarion - CPO	2	OSC	13,934	0	0	0
<b>Total Corporate Services</b>				<b>22,221</b>	<b>8,935</b>	<b>3,580</b>	<b>12,697</b>

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

#### Priority

1. Nurturing Civic Pride – is about the relationship that people and communities have with a place this includes their physical surroundings and feelings of identity and belonging.
2. Building a Sustainable Future - Working towards a greener, more sustainable, and resilient future for the borough means better housing, action on climate change and supporting the health and wellbeing of our local communities.
3. Creating a Borough of Sport - From internationally renowned organisations like the All-England Club to grassroots clubs and organisations like Tooting and Mitcham FC, we want to strengthen our partnerships with sports clubs, organisations and businesses across the borough and promote increased participation in sports and activity.
4. Modernisation - The aims of the programme are two-fold. Firstly, to plan and support recovery as the country emerges from the pandemic. Secondly, to capture and build on some of the new ways of working to develop a modern council fit for the future.
5. Corporate Budgets

#### Please Note:

1. Excludes budget relating to future year announcements of Better Care Fund
2. Excludes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant

## SECTION 2

### Detailed Capital Programme 2023-27 continued....

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2023-24 £000s	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Proposed Budget 2026-27 £000s
<b>Housing</b>							
Disabled Facilities Grant	Project General	2	SC/HCOP	827	827	827	310
Major Projects Affordable Hou	Empty Homes Strategy	2	SC/HCOP	125	375	375	375
Major Projects Affordable Hou	Affordable Housing Fund	2	SC/HCOP	5,000	5,000	10,000	9,000
Major Projects Social Care H	LD Supported Living	2	SC/HCOP	0	4,900	4,900	0
<b>Libraries</b>							
Library Enhancement Works	West Barnes Re-Fit	2	SC	0	200	0	0
Libraries IT	Library Management System	2	SC	0	140	0	0
Library Major Projects	Library Self Service	2	SC	0	0	350	0
<b>Total Community and Housing</b>				<b>5,952</b>	<b>11,442</b>	<b>16,452</b>	<b>9,685</b>

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2023-24 £000s	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Proposed Budget 2026-27 £000s
<b>Primary Schools</b>							
Hollymount	School Capital Maintenance	1	CYP	50	0	0	0
Hatfield School	School Capital Maintenance	1	CYP	35	0	0	0
Joseph Hood School	School Capital Maintenance	1	CYP	66	0	0	0
Wimbledon Park	School Capital Maintenance	1	CYP	50	0	0	0
Sherwood	School Capital Maintenance	1	CYP	8	0	0	0
William Morris School	School Capital Maintenance	1	CYP	10	0	0	0
Unlocated Primary School Proj	School Capital Maintenance	1	CYP	2,864	2,500	2,500	2,500
<b>Special Schools</b>							
Perseid School	School Capital Maintenance	1	CYP	50	0	0	0
Unlocated SEN	Medical PRU	1	CYP	30	0	0	0
Mainstream SEN (ARP)	West Wimbledon Primary ARP expansion	1	CYP	235	0	0	0
Mainstream SEN (ARP)	Cranmer Primary School New ARP	1	CYP	623	0	0	0
Mainstream SEN (ARP)	Further Primary School ARP expansion	1	CYP	200	216	0	0
Mainstream SEN (ARP)	Raynes Park school ARP expansion 1	1	CYP	1,015	1,019	0	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 2	1	CYP	300	576	0	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 3	1	CYP	500	1,209	0	0
Mainstream SEN (ARP)	Secondary School ARP Expansion 4	1	CYP	30	700	979	0
Mainstream SEN (ARP)	Safety Valve - New ARP	1	CYP	0	0	0	900
Perseid Lower School	Perseid School Expansion	1	CYP	1,580	2,517	0	0
<b>Other</b>							
Children's Centres	Bond Road Family Centre	1	CYP	30	0	0	0
Children's Centres	Family Hubs	1	CYP	15	0	0	0
Youth Provision	Pollards Hill Digital Divide	1	CYP	276	0	0	0
Other	Children's Safeguarding	1	CYP	0	0	0	0
Other	Care Leaving Accommodation	1	CYP	66	0	0	0
<b>Total Children, Schools &amp; Families</b>				<b>8,033</b>	<b>8,737</b>	<b>3,479</b>	<b>3,400</b>

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

#### Priority

1. Nurturing Civic Pride – is about the relationship that people and communities have with a place this includes their physical surroundings and feelings of identity and belonging.
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5. Corporate Budgets

## SECTION 2

Detailed Capital Programme 2023-27 continued.....

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2023-24 £000s	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Proposed Budget 2026-27 £000s
<b>Public Protection and Development</b>							
On Street Parking - P&D	Pay and Display Machines/emissions	4	SC	107	0	0	0
On Street Parking - P&D	Replacement ANPR cameras with air quality / t	1	SC	300	300	300	300
Off Street Parking - P&D	Car Park Upgrades	4	SC	675	0	0	0
Off Street Parking - P&D	Peel House Car Park	4	SC	700	0	0	0
CCTV Investment	CCTV cameras and infrastructure upgrade	1	SC	1,052	0	0	0
CCTV Investment	CCTV business continuity and resilience Dark F	1	SC	173	0	0	0
CCTV Investment	Rapid deployment cameras	1	SC	0	0	45	45
CCTV Investment	5 new permanent cameras per year, and enhance	1	SC	135	100	100	100
CCTV Investment	Designing out crime for ASB, violence and incre	1	SC	35	20	20	0
CCTV Investment	Brangwyn Crescent / Commons side Easte Improve	1	SC	52	0	0	0
CCTV Investment	Willow Lane Bridge BID - Improvement Projec	1	SC	27	0	0	0
Public Protection and Develop	Upgrade and Replace the Boroughs Automated A	2	SC	250	0	0	0
Public Protection and Develop	Noise Monitoring Equipment	2	SC	70	0	0	0
Public Protection and Develop	Project General	2	SC	0	0	0	35
<b>Street Scene and Waste</b>							
Fleet Vehicles	Replacement of Fleet Vehicles	2	SC	300	0	1,212	0
Alley Gating Scheme	Project General	1	SC	24	24	24	24
Waste SLWP	Project General	1	SC	0	0	42	0
Waste SLWP	Replacement of Fleet Vehicles	2	SC	0	0	15,000	0
Waste SLWP	Waste Transfer Station	1	SC	0	1,000	4,500	500
Waste SLWP	Electricity Sub Station	2	SC	0	0	0	0
<b>Sustainable Communities</b>							
Street Trees	Street Tree Programme	2	SC	60	60	60	60
Highways & Footways	Street Lighting Replacement Pr	2	SC	290	290	290	290
Highways & Footways	Traffic Schemes	1	SC	150	150	150	150
Highways & Footways	Surface Water Drainage	1	SC	100	100	100	60
Highways & Footways	Repairs to Footways	1	SC	1,300	1,300	1,300	1,300
Highways & Footways	Maintain AntiSkid and Coloured	1	SC	60	60	60	60
Highways & Footways	Borough Roads Maintenance	1	SC	2,200	2,200	2,200	1,800
Highways & Footways	Highways bridges & structures	1	SC	626	260	260	260
Highways & Footways	Motspur Park Station Access for All	2	SC	500	0	0	0
Highways & Footways	Haydons Road Access for All	2	SC	100	0	0	0
Highways & Footways	Various Culverts Strengthening & Upgrade	2	SC	208	0	0	0
Highways & Footways	ANPR Cameras Supporting Enforcement of Sch	1	SC	200	200	200	0
Highways & Footways	Residential Secure Cycle Storage	2	SC	26	0	0	0
Highways & Footways	Pollards Hill Cycling & Active Travel	2	SC	200	750	850	0
Cycle Route Improvements	Cycle Access/Parking TfL	2	SC	159	0	0	0
Cycle Route Improvements	Haydons Rd Bridge cycle lane	2	SC	135	0	0	0

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## SECTION 2

Detailed Capital Programme 2023-27 continued.....

Annex 3

Cost Centre Narrative	Project Narrative	Priority	Scrutiny	Revised Budget 2023-24 £000s	Revised Budget 2024-25 £000s	Revised Budget 2025-26 £000s	Proposed Budget 2026-27 £000s
Mitcham Area Regeneration	Rowan Park Community Facility Match Funding	2	SC	150	0	0	0
Mitcham Area Regeneration	Pollards Hill Bus Shelter/Toilets Refurbishment	1	SC	250	0	0	0
Mitcham Area Regeneration	SMCA Springboard	1	SC	87	0	0	0
Mitcham Area Regeneration	Mitcham Cricket Green	1	SC	54	0	0	0
Mitcham Area Regeneration	The Small Quarter Phase 2	1	SC	22	0	0	0
Mitcham Area Regeneration	Chapter House	1	SC	33	0	0	0
Wimbledon Area Regeneration	Crowded Places/Hostile Vehicle Mitigation	1	SC	180	0	0	0
Wimbledon Area Regeneration	Wimbledon Public Realm Implementation	1	SC	475	0	0	0
Wimbledon Area Regeneration	Wimbledon Village - Heritage Led Public Realm	1	SC	800	0	0	0
Wimbledon Area Regeneration	Kenilworth Green Pocket Park	2	SC	65	0	0	0
Wimbledon Area Regeneration	Cannizaro Park Valley Path	2	SC	83	0	0	0
Wimbledon Area Regeneration	Survive to Thrive	1	SC	116	0	0	0
Morden Area Regeneration	Morden Town Centre Improvements	1	SC	200	0	0	0
Morden Area Regeneration	Morden TC Regen Match Funding	2	SC	0	2,000	2,000	2,000
Borough Regeneration	Lost Rivers Repairs	2	SC	300	0	0	0
Borough Regeneration	42 Graham Rd Mitcham	5	SC	50	0	0	0
Borough Regeneration	Civic Pride Public Realm Improvements	1	SC	50	1,500	1,500	0
Borough Regeneration	Shopping Parade Improvements	1	SC	260	800	460	0
Borough Regeneration	Carbon Offset Funding	2	SC	50	0	0	0
Borough Regeneration	Community Retrofit Loan	2	SC	280	125	125	0
Borough Regeneration	Business Retrofit Support Scheme	2	SC	0	0	0	0
Morden Leisure Centre	New Running Track	3	SC	400	1,500	850	0
Wimbledon Park	New Wimbledon Park lakeview building - inclu	3	SC	0	0	500	2,000
Sports Facilities	Leisure Centre Plant & Machine	3	SC	300	250	250	280
Sports Facilities	Canons New Sports Hall Equipment	3	SC	0	0	0	0
Parks Investment	Parks Investment	3	SC	300	300	300	300
Parks Investment	Sports Drainage	3	SC	150	0	0	0
Parks Investment	Refurbishment of Mertons Multi Use Sports Are	3	SC	175	0	0	0
Parks Investment	Tennis Court Refurbishments	3	SC	150	75	75	75
Parks Investment	New interactive water play feature at Wimbledd	3	SC	0	183	0	0
Parks Investment	22. Bridges and Structures	1	SC	36	80	80	80
Parks Investment	23. Existing Green Flag Improvement Program	3	SC	50	150	100	0
Parks Investment	24. New Green Flag Improvement Programme	3	SC	50	150	100	0
Parks Investment	28. Parks Security Measures & Traveller Preve	1	SC	75	50	50	0
Parks Investment	29. Playground Priority Upgrades Programme	3	SC	350	350	350	350
Parks Investment	30. Wandle Tree Trail Safety & Management Pr	2	SC	60	60	60	0
Parks Investment	Paddling Pools (borough wide) OPTION 1	3	SC	70	0	0	0
Parks Investment	Morden Park Playground	3	SC	76	0	0	0
Parks Investment	Merton Saints BMX Club	3	SC	130	0	0	0
Parks Investment	Durnsford Road Recreation Ground	3	SC	45	0	0	0
Parks Investment	Garfield Recreation Ground MUGA	3	SC	120	0	0	0
Parks Investment	Green Gym for Moreton Green	3	SC	35	0	0	0
Mortuary Provision	Project General	5	SC	0	100	100	100
<b>Total Environment &amp; Regeneration</b>				<b>16,479</b>	<b>14,487</b>	<b>33,613</b>	<b>10,169</b>
<b>Total Capital</b>				<b>52,685</b>	<b>43,601</b>	<b>57,124</b>	<b>35,951</b>

## SECTION 2

**Growth/(Reductions) proposed Programme 2022-26** **Annex 4**

Department	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's
Corporate Services	16,651	4,180	(9,316)	2,938
Community and Housing	4,980	10,722	15,762	9,204
Children, Schools and Families	4,633	4,437	79	(10,300)
Environment and Regeneration	8,371	8,313	12,730	4,035
<b>Total</b>	<b>34,635</b>	<b>27,652</b>	<b>19,255</b>	<b>5,877</b>

Department	Revised Budget 2023-24 £000's	Revised Budget 2024-25 £000's	Revised Budget 2025-26 £000's	Revised Budget 2026-27 £000's
<b>Corporate Services</b>				
Facilities Management	2,115	3,030	0	0
Information Technology & Business Systems	178	1,150	150	60
Finance	0	0	0	0
Corporate Items	14,358	0	(9,466)	2,878
<b>Total Corporate Services</b>	<b>16,651</b>	<b>4,180</b>	<b>(9,316)</b>	<b>2,938</b>
<b>Community and Housing</b>				
Adult Social Care	0	0	0	0
Housing	4,980	10,582	15,822	9,405
Libraries	0	140	(60)	(201)
<b>Total Community and Housing</b>	<b>4,980</b>	<b>10,722</b>	<b>15,762</b>	<b>9,204</b>
<b>Children, Schools and Families</b>				
Primary School	583	0	0	0
Secondary Schools	0	0	0	0
SEN Schools and ARPs	3,663	4,437	79	(10,300)
Other	387	0	0	0
<b>Total Children, Schools and Families</b>	<b>4,633</b>	<b>4,437</b>	<b>79</b>	<b>(10,300)</b>
<b>Environmental and Regeneration</b>				
Public Protection and Development	2,552	(60)	0	0
Street Scene and Waste	0	1,000	4,500	500
Sustainable Communities	5,820	7,373	8,230	3,535
<b>Total Environmental and Regeneration</b>	<b>8,371</b>	<b>8,313</b>	<b>12,730</b>	<b>4,035</b>
<b>Total Capital</b>	<b>34,635</b>	<b>27,652</b>	<b>19,255</b>	<b>5,877</b>



## SECTION 2

### Indicative Capital Programme 2027-32

### Annex 5

Project Narrative	Priority	Scrutiny	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30	Indicative Budget 2030-31	Indicative Budget 2031-32
<b>Business Improvement</b>							
Customer Contact Programme	4	OSC	1,000	0	0	1,000	1,000
Ancillary System	4	OSC	0	0	0	0	50
Youth Justice	4	OSC	0	0	100	0	0
School Admissions System	4	OSC	125	0	0	0	0
Parking System	4	OSC	0	0	0	600	0
Payroll System	4	OSC	0	0	0	0	160
Invoice Scanning SCIS/FIS	4	OSC	150	0	0	0	150
Environmental Asset Management	4	OSC	0	0	0	500	0
Housing System (Capita Housing)	4	OSC	0	0	0	120	0
Revenue & Benefits	4	OSC	0	0	0	750	0
Payments project	4	OSC	0	150	0	0	0
LLPG&LSG System ((Gazetteer Manag	4	OSC	0	0	0	0	100
Planning&Public Protection Sys	4	OSC	0	0	0	550	0
Exacom	4	OSC	0	0	40	0	0
Safer Merton Case Management	4	OSC	0	0	60	0	0
Transport Management System	4	OSC	0	0	150	0	0
Replacement SC System	4	OSC	0	1,100	1,000	0	0
SEN Case Management	4	OSC	0	0	0	0	170
<b>Facilities Management</b>							
Repair and Maintenance	4	OSC	650	650	650	650	650
Project General	2	OSC	300	300	300	300	300
<b>Information Technology</b>							
Project General	4	OSC	1,005	770	1,405	1,060	970
<b>Resources</b>							
Improving Financial Systems	4	OSC	0	0	700	0	0
<b>Corporate Budgets</b>							
Multi-Functioning Device (MFD) - Fin	5	OSC	0	600	0	0	0
<b>Total Corporate Services</b>			<b>3,230</b>	<b>3,570</b>	<b>4,405</b>	<b>5,530</b>	<b>3,550</b>

Project Narrative	Priority	Scrutiny	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30	Indicative Budget 2030-31	Indicative Budget 2031-32
<b>Housing</b>							
Empty Homes Strategy	2	HCOP	375	375	375	375	375
<b>Libraries</b>							
Library Management System	2	SC	140	0	0	0	0
Library Self Service	2	SC	0	0	0	350	0
<b>Total Community and Housing</b>			<b>515</b>	<b>375</b>	<b>375</b>	<b>725</b>	<b>375</b>

Project Narrative	Priority	Scrutiny	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30	Indicative Budget 2030-31	Indicative Budget 2031-32
School Capital Maintenance	1	CYP	2,500	2,500	2,500	2,500	2,500
<b>Total Children, Schools &amp; Families</b>			<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>

## SECTION 2

### Indicative Capital Programme 2027-32 continued.....

### Annex 5

Project Narrative	Priority	Scrutiny	Indicative Budget 2027-28	Indicative Budget 2028-29	Indicative Budget 2029-30	Indicative Budget 2030-31	Indicative Budget 2031-32
<b>Environment</b>							
Pay and Display Machines/emissions	4	SC	0	0	60	0	0
Replacement ANPR cameras with air quality	1	SC	300	0	345	345	345
CCTV business continuity and resilience	1	SC	73	0	0	0	0
Rapid deployment cameras	1	SC	0	0	50	50	0
5 new permanent cameras per year, and	1	SC	100	100	100	100	100
Project General	2	SC	0	0	0	0	35
Replacement of Fleet Vehicles	2	SC	575	0	6,475	0	1,212
Project General	1	SC	24	24	24	24	24
Replacement of Fleet Vehicles	2	SC	0	0	1,290	0	0
Street Tree Programme	2	SC	60	60	60	60	60
Street Lighting Replacement Programme	2	SC	290	290	290	290	290
Traffic Schemes	1	SC	150	150	150	150	150
Surface Water Drainage	1	SC	60	60	60	60	60
Repairs to Footways	1	SC	1,300	1,300	1,300	1,300	1,300
Maintain AntiSkid and Coloured	1	SC	60	60	60	60	60
Borough Roads Maintenance	1	SC	1,800	1,800	1,800	1,800	1,800
Highways bridges & structures	1	SC	260	260	260	260	260
Various Culverts Strengthening & Upgrade	2	SC	0	0	0	0	150
Raynes Park Station Step Free Access	2	SC	250	250	0	0	0
Lost Rivers Repairs	2	SC	0	0	0	0	100
Watersport Fleet	3	SC	10	0	10	0	10
New Wimbledon Park lakeview building	3	SC	500	500	0	0	0
Leisure Centre Plant & Machine	3	SC	280	300	300	320	320
Parks Investment	3	SC	300	300	300	300	300
29. Playground Priority Upgrades Programme	3	SC	350	0	0	0	0
Project General	5	SC	100	0	0	0	0
<b>Total Environment &amp; Regeneration</b>			<b>6,842</b>	<b>5,454</b>	<b>12,934</b>	<b>5,119</b>	<b>6,576</b>
<b>Total Capital</b>			<b>13,087</b>	<b>11,899</b>	<b>20,214</b>	<b>13,874</b>	<b>13,001</b>

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5. **Corporate Budgets**

#### Please Note:

1. Excludes budget relating to future year announcements of Better Care Fund
2. Excludes indicative budgets relating to future year announcements for Transport for London and Schools Condition Grant

## SECTION 2

### Glossary of Terms

**Asset Management Plan/Strategy (AMP/S)** - An Asset Management Plan (AMP) is a tactical plan for managing an organisation's infrastructure and other assets to deliver an agreed standard of service. The plan is reviewed annually as part of the budget cycle.

**Budget** - Statement of the spending plans for the year.

**Capital Expenditure** - Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

**Capital Financing Requirement (CFR)** - The total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources i.e. a measure of the underlying borrowing need. (See Minimum Revenue Provision)

**Capital Programme** - Documentation which summarises the outcome of priority allocations contained in the capital strategy and details individual schemes for approval by Council / Cabinet.

**Capital Programme Board** - The Capital Programme Board ensures:

- that the overall capital investment strategy is consistent with strategic objectives, is affordable within the revenue budget strategy, and examines potential funding options
- that bids are submitted in accordance with the set framework and guidelines (including business cases, value for money and options appraisal) and prioritised in accordance of agreed criteria
- compiles and manages a multi-year capital programme for consideration by CMT and approval by Cabinet

**Capital Projects/Schemes** - Capital Projects / Schemes is the level at which Member approval is obtained.

**Capital Receipts** - Proceeds from the sale of fixed assets and repayments of capital grants and loans. These are divided into reserved and usable parts.

**Capital Monitoring** - The monthly comparison of actual spend against the anticipated spend (profiled budget) and the revision of projected year end spend where necessary. Periodically budget managers will be required to review their in year budget requirement and re-profile their projected expenditure over subsequent financial years.

**Capital Strategy** - A Capital Strategy is a core planning document designed to dovetail with the MTFS and Treasury Strategy to ensure that limited capital resources are deployed in accordance with corporate priorities / achieving our vision. The document will also detail how the proposed capital programme will be funded.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** - The Institute produces standards and codes of practice that must be followed in preparing the Council's financial statements.

**Corporate Governance** - Corporate Governance is the system by which local authorities direct and control their functions and communicate to their communities.

**Council's Borrowing Requirement** - Based on projected spend, this is the amount of money a local authority will need to borrow to finance this projected spend.

**Debt Rescheduling** - Where certain debt may be redeemed and a further loan obtained. This may be undertaken to provide an even spread of debt redemption date and terms, It may also be used to optimise beneficial borrowing rates in the market while maintaining activity within acceptable risk levels.

**Depreciation** - Depreciation is a charge to the revenue account to reflect the reduction in the useful economic life of a fixed asset, reducing the value of the fixed asset in the balance sheet. It is not a charge to the General Fund as it is reversed in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

## SECTION 2

### Glossary of Terms continued...

**Earmarked Capital Resources/Grants** - Money received by the Authority which has certain conditions / restrictions (loose terminology) over its use limiting the type of expenditure that it may be applied against. IFRS refers to Stipulations and sub divides them into Conditions and Restrictions. Earmarked grants (revenue or capital) are grants which are subject to restrictions.

**Finance Lease** - A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable and that, at the inception of the lease, it is reasonably certain that the option will be exercised
- the lease term is for the major part of the economic life of the asset, even if title is not transferred
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made

**Financial Year** - The financial year runs from 1 April to the following 31 March.

**Fixed Assets** - Assets that yield benefits to the local authority and the services it provides for a period of more than one year. These assets can be tangible or intangible.

**General Fund** - The main fund of the Council, from which all expenditure is met and all income is paid, with the exception of those items, which by statute have to be taken to some other account.

**Government Grants** - Financial assistance by government and other bodies, in the form of cash transfers to an authority, issued in return for compliance with certain conditions relating to the activities of the authority.

**Impairment** - The loss of value in a fixed asset arising from physical damage, deterioration in the quality of service provided by the asset or from a general fall in prices. When this occurs the asset must be written down to the recoverable value. The charge is then reversed out from the General Fund in the Movement in Reserves Statement and replaced with the Minimum Revenue Provision.

**International Financial Reporting Standard (IFRS)** - International Financial Reporting Standards are a single set of accounting standards, developed and maintained by the IASB (International Accounting Standards Board) for the purposes of being applied on a globally consistent basis by developed, emerging and developing economies. The Code of Practice on Local Authority Accounting is based on IFRSs

**Investment Strategy** - The investment of the Authority's cash balances to optimise its strategic and operational needs.

**Localism Act 2011** - It sets out a series of proposals with the potential to achieve a substantial and lasting shift in power away from central government and towards local people. They include: new freedoms and flexibilities for local government; new rights and powers for communities and individuals; reform to make the planning system more democratic and more effective

**Minimum Revenue Provision** - A provision, via a revenue charge, in respect of historical capital expenditure which has been financed by borrowing, as required by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008

**Operational Boundary** - The operational boundary is a prudential indicator for monitoring the total external debt, gross of investments, and separately identifying borrowing from other long term liabilities.

## SECTION 2

### Glossary of Terms continued...

**Operating Lease** - A contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease is not capitalised; it is accounted for as a rental expense in what is known as "off balance sheet financing." For the lessor, the asset being leased is accounted for as an asset and is depreciated as such.

**Private Finance Initiative (PFI)** - PFI contracts are agreements with private sector organisations to refurbish, maintain and operate fixed assets on behalf of public sector organisations such as local authorities.

**Prudential Code** - The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, the key objectives of which are to ensure that, within a clear framework, the capital investment and borrowing plans of the council are affordable, prudent and sustainable.

**Prudential Indicators** – Are a set of performance indicators for treasury management.

**Revenue Expenditure** - Expenditure incurred on day to day running costs and confined to accounts within one financial year.

**Reserves** - This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending. Reserves can be either capital or revenue

**Ringfenced Grant** - A grant paid to councils which has conditions attached to it, which restrict the purposes for which it may be spent.

**Risk Management** - A risk is a threat, obstacle or, barrier, that will stop the Authority from achieving its ambitions, aims and objectives. Risk management is the process of managing the risks that may prevent delivery of desired outcomes so that the organisation can anticipate and respond positively to change. Merton's approach to risk management is to raise awareness, integrate it into day to day operations and establish a robust framework and procedures to identify, analyse, assess and manage risk.

**Treasury Management** - The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

**Useful Life** - This is the period over which the local authority derives benefit from the use of a fixed asset.

SECTION 2



# LONDON BOROUGH OF MERTON

## TREASURY MANAGEMENT STRATEGY STATEMENT- 2023-24

### 1. INTRODUCTION

#### 1. Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

*"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

The Council is required to update and approve its policy framework and strategy for treasury management, annually, to reflect the changing market environment, regulation, and the Council's financial position.

The key issues and decisions are:

- a. To set the Council's Prudential Indicators for 2023/24 to 2026/27
- b. Approve the Minimum Revenue Provision (MRP) policy for 2023/24; and
- c. To agree the Treasury Management Strategy for 2023/24

## SECTION 2

### 1.2 Reporting Requirements

#### 1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

#### 1.2.2 Treasury Management Reporting

The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
  - the capital plans, (including prudential indicators)
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

#### Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Leader's strategic Group.



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### 1.2.3 Treasury Management Strategy for 2023/24.

The strategy for 2023/24 covers two main areas:

#### **Capital issues**

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

#### **Treasury management issues**

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

## 2. CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2026/27

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

The Council is required to calculate various indicators for the next three years. The aim of prudential indicators is to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential indicators are calculated for the Medium Term Financial Strategy (MTFS) period and are linked to the CIPFA Prudential Code and TM Code of Practice. The indicators relate to capital expenditure, external debt and treasury management.

The Council will monitor performance against the indicators and prepare indicators based on the Statement of Accounts (SoA) at year end. Actuals are calculated from the SoAs with estimates based on the Capital programme.

### 2.1 Capital Expenditure

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

This indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as reported in the MTFS. Environment and Regeneration figures include projects relating to Public Health programmes however these are fully funded and have no impact on the council's net financing need for the year or borrowing requirement

## SECTION 2

Please find below the capital expenditure forecast.

Capital Forecast	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Corporate Services	5,809	17,771	12,055	4,551	12,538
Community & Housing	964	4,766	9,954	14,960	12,525
Children Schools & Families	7,847	8,499	8,455	3,752	3,388
Environment & Regeneration	9,434	14,183	14,076	30,712	13,922
<b>Total</b>	<b>24,054</b>	<b>45,219</b>	<b>44,541</b>	<b>53,975</b>	<b>42,374</b>

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

The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A shortfall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme as at December 2022

	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
Capital Budget	30,123	52,685	43,601	57,124	35,951
Slippage*	(6,069)	(7,466)	940	(3,149)	6,423
Leasing Budgets	0	0	(600)	0	0
Total Capital Expenditure	24,054	45,219	43,941	53,975	42,374
<b>Financed by:</b>					
Capital Receipts	3,135	900	900	500	500
Capital Grants & Contributions	14,229	33,150	18,793	10,238	7,262
Capital Reserves	0	0	0	0	0
Revenue Provisions	708	1,169	1,438	229	40
Other Financing Sources	0	0	0	0	0
<b>Net financing need for the year (a)</b>	<b>5,982</b>	<b>10,000</b>	<b>22,810</b>	<b>43,008</b>	<b>34,571</b>

\* Please note the funding table in the Capital Strategy includes finance lease the table above excludes this expenditure.

### 2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator, Capital Financing Requirement (CFR), is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. In other words, a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR includes any other long-term liabilities like PFI schemes and finance leases which have been brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, it should be noted that these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The 2022/23 forecast movement in CFR shows a decrease of £0.657 million because MRP reduction is greater than the net financing need for the year (cap ex table v CFR table).

## SECTION 2

The 2023/24 forecast capital outturn of £45.2m, 2024/25 of £44.52m, 2025/26 of £54.0m and 2026/27 of £42.3m are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects and the level of grant income. Also, fees and charges for the Council may change.

Based on current forecasts the Council does not need to borrow over the funding period. However, the Council can borrow in advance of need if rates are likely to rise and borrowing becomes a lot more advantageous than it would be.

The Council is asked to approve the CFR projections in the following table:

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
<b>Capital Financing Requirement</b>						
CFR b/f	167,461	160,947	160,358	163,598	184,548	216,133
<b>Total CFR c/f</b>	<b>160,947</b>	<b>160,358</b>	<b>163,598</b>	<b>184,548</b>	<b>216,133</b>	<b>250,442</b>
<b>Movement in CFR</b>	<b>(6,514)</b>	<b>(589)</b>	<b>3,240</b>	<b>20,950</b>	<b>31,584</b>	<b>34,309</b>
<b>Movement in CFR represented by</b>						
Net financing need for the year (above)	0	5,982	10,000	22,810	43,008	34,571
Less Capital MRP/VRP	(4,841)	(4,841)	(4,841)	(5,197)	(6,129)	(7,861)
Less Other MRP/VRP - leasing and PFI	(695)	(682)	(697)	(2,223)	(2,486)	(2,239)
Less Other MRP/VRP - PFI - Termination	(905)	(970)	(1,040)	(1,114)	(1,194)	(1,280)
Less Other financing movements						
Adjustment of PFI Liability						
Adjustment of Leasing Liability*	(73)	(77)	(182)	6,675	(1,615)	11,118
Adjustment of MRP						
<b>Movement in CFR</b>	<b>(6,514)</b>	<b>(589)</b>	<b>3,240</b>	<b>20,950</b>	<b>31,584</b>	<b>34,309</b>

\* Figures include the estimated impact of IFRS 16

### Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream. The indicator shows the proportion of the income received from Council tax, Revenue Support Grant (RSG) and National Non- Domestic Rate (NNDR) and some specific grants that is spent on paying the borrowing associated with delivery of capital investment (interest charges of long-term borrowing).

The table below shows the monetary values, ratio and includes leasing costs

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27E estimate £'000
Net Revenue Financing Costs	846	106	(952)	4,660	(4,085)	13,392
Net Revenue Stream	160,266	166,781	181,714	181,999	186,241	190,335
Ratio of Financing Costs to Net Revenue Stream (Non HRA)	0.53%	0.06%	(0.5%)	2.56%	(2.2%)	7.04%

## SECTION 2

### Estimates of the incremental impact of capital investment decisions on council tax

The table below shows the incremental impact of changes in the capital programme (incorporating the effects of changes in treasury forecasts and investment decisions) on the Band D council tax.

	2021/22 Actual £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 Estimate £
Incremental Change in Net Revenue Financing Costs (£000)	(178)	(740)	(1,058)	5,612	(8,746)	17,477
Council Tax Base	74,220	75,755	77,694	78,083	78,473	78,866
<b>Incremental Impact on Council Tax - Band D (£)</b>	<b>(2.40)</b>	<b>(9.77)</b>	<b>(13.62)</b>	<b>71.87</b>	<b>(111.45)</b>	<b>221.60</b>
Council Tax - Band D (£)	1,340.72	1,380.87	1,449.68	1,507.66	1,537.81	1,568.56

### 3. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The Council has not made any provision for VRP in its capital expenditure.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the asset life Method – CLG regulations (option 3).

This option will be applied for any expenditure capitalised under a capitalisation direction. It should be noted that this option provides for a reduction in the borrowing need over the approximate life of the asset.

The Council is required to have regard for the Local Government Involvement in Health Act 2007. This amended the Local Government Act 2003 enabling the Secretary of State to issue guidance on accounting practices and thus on MRP. Also, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) specifies that “A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent”. Any MRP implications on how the Council will pay for unfinanced capital assets through revenue will be included in the MRP policy.

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The table below details the basis of the MRP calculation for all unfinanced capital expenditure incurred on or after 1 April 2008.

	(Years)
<b>Assets valued over £1m</b>	
Buildings	50
Mechanical & Electrical and External	20
External	20
<b>Assets valued under £1m</b>	
Buildings	40
Infrastructure (roads etc)	25
15 Year Asset	15
10 Year Asset	10
Computer software	4 and 5
Computer hardware	4 and 5
Large vehicles – e.g. buses, RCVs	7
Small vehicles – e.g. cars, vans	5
Other equipment e.g. CCTV	4 and 5
<b>MRP years where there is no depreciation equivalent</b>	
Land	50
Revenue Expenditure Funded by capital Under Statute e.g. Redundancy costs	20

#### 4. TREASURY MANAGEMENT STRATEGY

##### 4.1 The Prospects for Interest Rates and Economic Forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 07.02.2023. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 07.02.23													
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
<b>BANK RATE</b>	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

Since LINK's last update on 19 December, the Bank of England's Monetary Policy Committee (MPC) has increased Bank Rate to 4.00% from 3.50%. The increase was on 02.02.2023 and was in line with our expectations. However, there was a range of views within the Committee, with seven members voting for a 50 basis points increase and two for no increase at all.

- Over recent weeks, there has been a more upbeat feel to markets after a tumultuous 2022. The £ has been relatively stable at around \$1.22, and developed economy bond and equity markets have started 2023 in a positive mood with yields falling a little and equity markets rallying through January.

- Market expectations have softened a little and now price in Bank Rate to peak at 4.25% with the prospect of a reduction by the end of the year. There are, however, several caveats to be applied to that outcome.

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- Firstly, although market views remain similar to those of Link Group's Interest Rate Strategy Group (IRSG), we still see the peak in Bank Rate being at 4.5% in H1 2023. The challenges we foresee remain broadly as outlined in our December newsflash. That is, the CPI measure of inflation is currently at 10.5% and will need to fall considerably and quickly to persuade the MPC that they are not premature in thinking inflation will come back down below 4% by the end of the year. And remember, energy prices are expected to rise again in April. A typical household, for example, can expect to be paying £3,000 per annum under the revised scheme compared to the current £2,500. Moreover, the labour market is very tight (unemployment remains at a near 48 year low 3.7%), and average wage increases are still above 6% y/y, against the backdrop of a significant number of high profile on-going strikes in the public sector (the Bank would broadly want wage increases to be in the range of 3% - 3.5%).
- As for the housing market, annual price inflation rates are now c1% - 2% on the Halifax and Nationwide indices, but this masks the fact that mortgage approvals have fallen by more than 50% from their recent peak; up to 2 million households will see their fixed rate mortgages increase significantly through 2023; further falls in the housing market of 8% - 10% would not be unexpected; and many households in the private sector rental market will also see their rents move up too as buy-to-let debt servicing costs increase i.e. rents increased, on average, 4.2% in the year to December 2022 and that price trend is upwards.
- Regarding our forecast for PWLB rates, investors will likely remain a little nervous over the UK's future fiscal policy (the Budget is on 15 March) and foreign investors may require a "confidence premium" until it is clear that the Sunak Government is able to meet most of its spending commitments within acceptable financial constraints. As reported in December, in addition, the OBR forecasts the Central Government Net Cash Requirement is £650bn between 2023/24 and 2027/28 and maturing gilts will swell that figure to >£1.2trillion, and Quantitative Tightening will potentially push the eventual number even higher. So, the Bank and the Government will need to tread carefully in their messaging to markets and the way that funding requirements are met.
- Of course, what happens outside of the UK remains critical to movement in gilt yields. The US FOMC has led with increases of 450 basis points in the current tightening cycle and has a bit more work still to do, but at least average earnings are close to 4%, which partially offsets concern in respect of the tight labour market (unemployment is at a 54 year low of 3.4%). Similarly, the ECB has also continued to tighten monetary policy, currently to 2.5%, and rates may peak at 3.5%. Nonetheless, it is US monetary policies that will continue to have the greatest impact on global bond markets.
- From a practical standpoint those clients looking to borrow will, most probably, need to continue to focus on optimising their cashflow forecasts, and given the (still) relatively elevated level of rates right across the curve at present, seek to fund either temporarily from local authorities or with short-dated loans from the PWLB. You will see from our forecast that we expect both short- and longer-term rates to be somewhat lower over the duration of the forecast. Nonetheless, if certainty is paramount within your debt management strategy, we will help you to optimise any longer dated borrowing requirements you may have.
- On the flipside, if you are an authority that is fully funded or wishes to reduce its exposure to longdated debt, there may still be scope to repay loans prematurely (both market and PWLB) whilst the high discount rates prevail. Your Client Relationship Manager should be contacted if this is something you wish to look at.
- In terms of our forecast, our money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months. Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

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### PWLB RATES

Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View 07.02.23													
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

### PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.75%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the coming year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate later in the year or in 2024.

The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term US treasury yields rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.



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**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps as follows: -

### 4.2 Borrowing Strategy

#### Current Borrowing Portfolio Position

The following table shows the CFR as at December 2022 against the gross debt position of the Council. The gross debt includes other long-term liabilities like PFI and finance lease obligations. Gross debt should not exceed CFR in the medium to long-term.

Narrative	2021/22	2022/23	2023/24	2024/25	2025/2026	2026/27
	Actual £000s	Estimate £000s	Estimate £000s	Estimate £000s	Estimate £000s	Estimate £000s
External Debt at 1 April	109,010	108,700	95,000	82,500	109,663	144,235
Expected change in Debt (repayment and new debt)	(310)	(13,700)	(12,500)	27,163	34,571	10,156
Closing External Debt	108,700	95,000	82,500	109,663	144,235	154,390
Closing Balance PFI	15,328	14,630	12,407	9,921	7,682	5,176
Closing Partial termination Balance PFI	9,045	8,005	6,891	5,697	4,417	3,045
Total PFI	24,373	22,635	19,298	15,618	12,099	8,221
Closing Balance Finance Leases	1,033	851	7,526	5,911	17,029	16,227
Actual Gross Debt at 31 March	134,106	118,487	109,324	131,192	173,363	178,838
Capital Financing Requirement (CFR)	160,358	163,598	184,548	216,133	250,442	244,414
(Under)/over Borrowing	(26,253)	(45,112)	(75,224)	(84,941)	(77,079)	(65,576)

\* Figures include the estimated impact of IFRS 16

The table contained in section 4.2 shows the CFR forecast for 2022/23 to 2026/27. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Executive Director for Finance and Digital will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

PFI and finance lease portion of the CFR will not be funded by additional loan. Capital forecasts relating to 2023/24, 2024/25, 2025/26 and 2026/27 are very much subject to change at this stage.



## SECTION 2

The borrowing strategy to temporarily finance its capital programme, led the Council to consider setting a minimum amount of projected liquid cash of £30m. This means that cash outflows for capital purposes would primarily be met from cash investments until £30m was reached, and only at that point, would external borrowing be undertaken.

The Council will continue to review, throughout the year, its options around higher and lower levels of cash-backed balances.

### 4.3 Treasury Indicators: Limits to Borrowing Activity

**Operational Boundary** - this is the limit beyond which external borrowing is not normally expected to exceed. (The most likely prudent view, not the worst case scenario. Maximum level of external debt projected – CIPFA)

Operational Boundary	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/2026 Estimate £000s	2026/2027 Estimate £000s
Capital Financing Requirement	160,358	163,598	184,548	216,133	250,442
Other Long Term Liabilities	21,914	28,420	25,018	109,969	111,707
Operational Boundary (Borrowing)	182,272	192,019	209,566	326,102	362,149

### Authorised Limit for External Borrowing

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents a limit beyond which external borrowing must not go over in the 3 years, and this limit when set is to be revised annually by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. (The operational boundary, plus headroom for unusual cash movements – CIPFA)

The Council is asked to approve the following authorised limit:

	2022/23 Estimate £000s	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
Borrowing	190,358	193,598	214,548	246,133	280,442
Other Long Term Liabilities	26,914	33,420	30,018	114,969	116,707
Authorised Limit	217,272	227,019	244,566	361,102	397,149

## SECTION 2

Members are required to note that these authorised limits show the gross maximum borrowing for the year and, in year regulatory accounting changes which may affect the level of debt in the balance sheet as well as allow for any potential overdraft position and short-term borrowing for cashflow purposes. All of which will be counted against the overall borrowing. The authorised limit also provides headroom for any debt rescheduling which may occur during the year and any borrowing in advance of need.

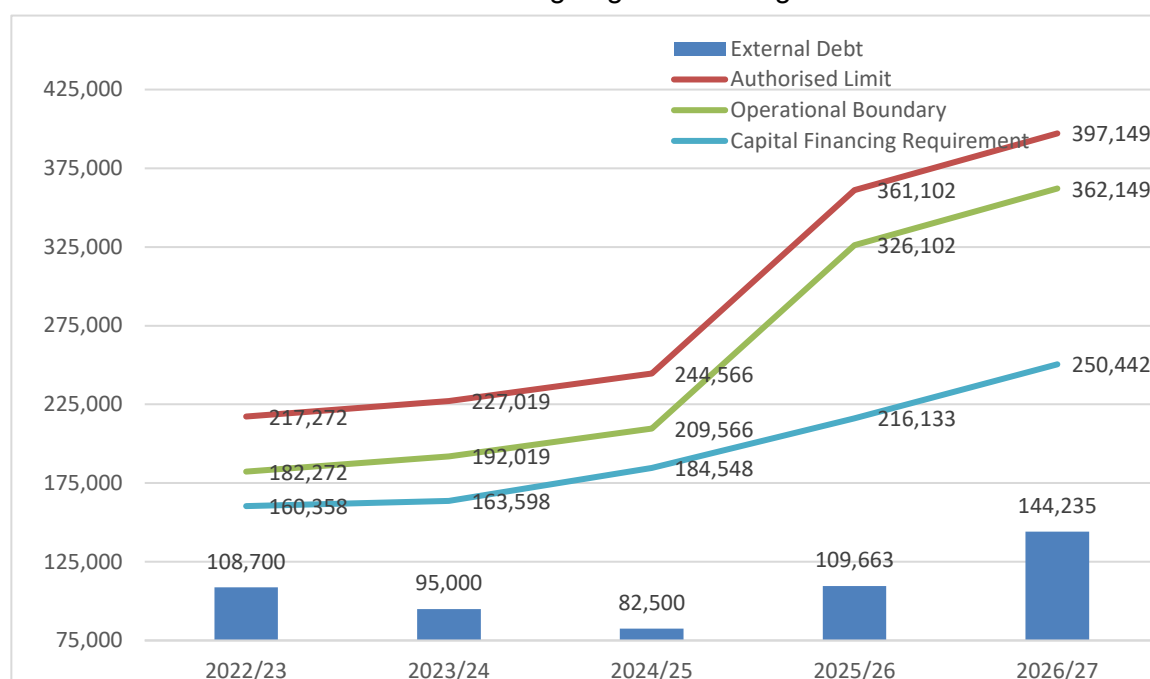
### 4.4 Treasury Management Limits on Activity

The table below shows the debt related treasury activity limits.

Maturity Structure of borrowing December 2022				
	Actual %	Value £000	Upper	Lower
less than 1 year	0.28%	310.00	60%	0%
1 to 2 years	24.03%	26,200.00	60%	0%
2 years to 5 years	4.13%	4,500.00	60%	0%
5 years to 10 years	0.92%	1,000.00	80%	0%
10 years to 20 years	10.55%	11,500.00	100%	0%
20 years to 30 years	18.81%	20,500.00	100%	0%
30 years to 40 years	22.93%	25,000.00	100%	0%
40 years to 50 years	18.35%	20,000.00	100%	0%
<b>Total</b>	<b>100.00%</b>	<b>109,010.00</b>		

Members are asked to note that the maturity structure guidance changed in The Prudential Code 2017 guidance notes for Lenders Option Borrowers Option (LOBO) Loans, the maturity dates is now deemed to be the next call date. The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment.

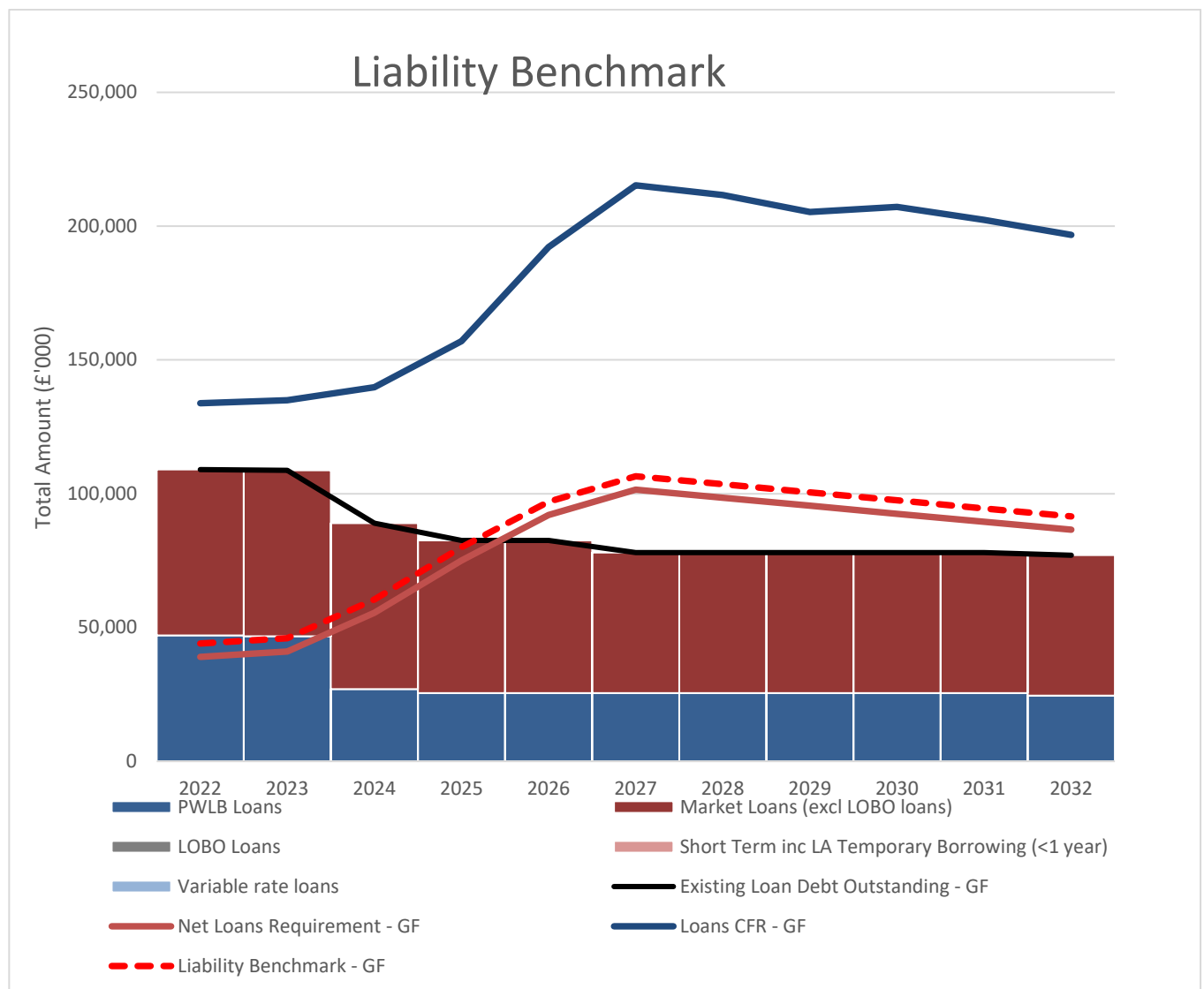
As interest rates begin to rise, it may be beneficial for the Council to go into some variable rate investments to avoid being locked into long-term investments at low rates in a period of rising interest rates or shorter duration borrowing to gain advantage of low rates.



## SECTION 2

- 4.5** Interest rate exposure is mitigated as much as possible by the council by taking into account various factors. Constantly reviewing interest rates through media outlets, communications and emails. Action is then taken to place deposits to maximize returns while always being mindful of security and liquidity
- 4.6** The Liability Benchmark is a new prudential indicator it effectively the net borrowing requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

CIPFA recommends that the optimum position for external borrowing should be at the level of the liability benchmark (i.e., all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where external loans are less than the liability benchmark, then this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity and refinancing risks. Conversely, where external loans exceed the liability benchmark then this will highlight an overborrowed position which will result in excess cash in the organisation requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry. The chart below shows the position in respect of Merton, over the funding period, with the proposed capital programme Merton will increase it's level of internal borrowing.



## SECTION 2

### Local Indicators

In setting the indicators below, the Council has taken into consideration investment risks and returns.

The table below shows target borrowing and investment rates

	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
<b>Average Investment Target Return</b>	4.00%	4.00%	3.75%	3.75%	3.50%
<b>Average Investment Target – Property Fund</b>	4.0%	4.0%	4.0%	3.40%	3.50%
<b>Long Term Borrowing Target</b>					
• Current Portfolio	5.50%	5.50%	5.50%	5.50%	5.50%

The average investment target return above is based on the expected target return for the stated periods.

#### 4.7 Policy on Borrowing in Advance of Need

London Borough of Merton will not borrow more than, or in advance of its need, purely in order to profit from the investment of the extra sums borrowed.

Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

#### 4.8 Debt Rescheduling

On any restructuring of debt, the savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

The likely method of restructuring the debt portfolio will be by new loans from PWLB.

#### 4.9 Borrowing Options

The Council will use a number of borrowing sources. These include the Public Works Loans Board, Market loans, Municipal Bond Agency (MBA), Retail Bonds, Loans from other Local Authorities and temporary loans.

#### 4.10 Changes Which May Affect Treasury Management

- **Future Regulatory Changes to Money Market Fund Valuation**
- ***Proposed Changes to Leasing***

Future changes to accounting for leasing will increase CFR and therefore MRP but there will be compensating adjustments to the cost of services so the overall impact is presentational with no effect on the General Fund. It is anticipated that there may be some impact on both capital and revenue expenditure and the changes will require all leases to be included on the balance sheet and be measured on PV of future lease payments.

## SECTION 2

### ***Environmental, Social and Governance (ESG)***

Merton Council declared the Climate emergency policy in July 2019 and aims to become carbon neutral on Council's buildings and services by 2030. When it comes to Treasury management Merton will take ESG issues into consideration when investing cash in the money markets, speaking to potential counterparties about what they offer within the parameters of the Authority's counterparty criteria and the requirement of the MHCLG Investment Guidance to prioritise security, liquidity before yield in that order of importance.

In terms of typical local authority investments there isn't a wide range of products in this area at the moment, although we expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent the council will continue to monitor it and make best use of ESG opportunities when they become available.

## SECTION 2

### 5 ANNUAL INVESTMENT STRATEGY

#### 5.1 Investment Policy

London Borough of Merton's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

#### 5.2 Investment Strategy

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

##### Investment returns expectations

Bank Rate forecasts for financial year ends (March) are:

	Now
2022/23	4.00%
2023/24	4.50%
2024/25	3.50%
2025/26	3.25%
2026/27	3.25%
Long term later years	2.50%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 12 months during each financial year are as follow

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

5.3 **Investment Treasury Indicator and Limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

	31 Dec 2022 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Estimated Principal sums invested	£10m	£50m	£100m	£100m	£100m	£100m

## SECTION 2

In addition to fixed deposits, a number of other financial instruments like Property funds will fall under the category of investments with duration exceeding 365 days. In addition to using money market funds, call accounts and notice accounts, the Council will seek to utilise other liquid and transferable instruments like certificate of deposits and gilts for its cashflow balances.

### 5.4 Use of Specified and Non-Specified Investments

Investment instruments identified for use in the financial year are as follows:

#### Specified Investments

These are sterling investments of not more than one-year maturity, or those which could be for a longer period where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small.

Along with the fixed deposits, Money Market Funds and funds being placed with the CCLA. The fund is on our treasury advisor's recommended list and has a AAA rating. The council is considering depositing money into government gild and corporate bonds to place secure stable returns while the interest rate favourable. Based on the interest rate and the liquidity requirement funds could be invested for 5-10 years maximum. All investment decisions will be guided by our treasury consultant LINK.

#### Non-Specified Investments

Non-Specified investments are defined as those not meeting the above criteria and exceeding 365 days in duration. The council currently have no fixed deposits in this category. The Authority does have an investment in a Property Fund which has a 5/10 year recommended time horizon.

A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity ahead of yield.

Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

- Total financial exposure to these type of loans is proportionate;

- They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
- They have appropriate credit control arrangements to recover overdue repayments in place; and
- The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

### 5.5 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

1. **Security** - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:
  - 5% historic risk of default when compared to the whole portfolio.

## SECTION 2

**2 Liquidity** – in respect of this area the Council seeks to maintain:

- Bank overdraft - £1m
- Liquid short term deposits of at least £65m available with a week's notice.

3. **Yield** – meet or exceed the annual budgeted interest income figure in any given year.

### 5.6 Risk Management and Creditworthiness Policy

This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies

- Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

The Council will therefore use counterparties within the following durational bands:

Y	PI1	PI2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour
	Colour (and long term rating where applicable)	Money Limit	Time Limit					
Banks	yellow	£25m	5yrs					
Banks	purple	£25m	2 yrs					
Banks	orange	£25m	1 yr					
Banks – part nationalised	blue	£25m	1 yr					
Banks	red	£10m	6 mths					
Banks	green	£5m	100 days					
Banks	No colour	Not to be used						
Other institutions limit	-	£5m	1yrs					
Government (DMADF)		unlimited						
Local authorities	Yellow	£35m	5yrs					
	Fund rating	Money Limit	Time Limit					
Money market funds (maximum 7 Funds, £40m per Fund)	AAA	£280m	Instant					
Ultra-Short/long Dated Bond funds with a credit score of 1.25	Dark pink / AAA	£100m	on Maturity					
Ultra-Short/long Dated Bond funds with a credit score of 1.5	Light pink / AAA	£100m	on Maturity					
Treasury bill	AAA	£50m	On Maturity					



## SECTION 2

The Link Group creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council uses other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

### 5.7 Country and Sector Limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 2. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

### 5.8 Banking Arrangements

The Council's bankers are Lloyds bank. The Council's bank accounts include some school accounts and client bank accounts managed as part of its Appointeeship role for residents that require this support. All schools are responsible for the management of their bank accounts.

From time to time the Council may open bank accounts with other banks for specific reasons, subject to approval by the Executive Director of Finance and Digital

### 5.9 Lending to Community Organisations, Other Third Parties and RSLs –

Any loans to or investments in third parties will be made under the Well Being powers of the Council conferred by section 2 of the Local Government Act 2000 or Localism Act of 2011.

The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations, schools, local enterprises, local companies or even individuals. Loans of this nature will be under exceptional circumstances and must be approved by Cabinet or the Director of Corporate Services as applicable. Authorisation from the Financial Conduct Authority (FCA) will also be sought where applicable.

Where it is deemed necessary, additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company. The Council will also consider other factors like the statutory powers in place, reasonableness of the investment, FCA, objective and revenue **Page 443** for the Council, MRP requirements,

## SECTION 2

accounting issues and categorisation of the expenditure as capital or revenue. In other instances, the Council may receive soft loans from government agencies.

### 5.10 Non-Treasury Investment Lending

The Council may be required to make policy investments for the good of its community by lending to local organisations and in some cases schools. Legal agreements are drawn which stipulate the terms of the loan which includes the ability of the organisation to make repayments. The Council may also lend to its wholly owned companies.

## 6 Cashflow Management

- 6.1 CIPFA requires all monies to be under the control of the responsible officer and for cashflow projections to be prepared on a regular and timely basis. Cashflow provides outline of operations. Actuals and forecast are recorded using Logotech systems. At the end of each day the net receipts and payments is either invested or borrowed to ensure that the Council's bank account is kept at a minimum.

Forecasts are based on best estimates which may slip due to unforeseen circumstances and the nature of large projects. Please see Appendix 6 for the cash flow forecast.

### 6.2 Purchase and Corporate Credit Cards

The use of corporate credit cards like other accounts payable methods carries significant risks. The Director of Corporate Services is responsible for ensuring that the Council has appropriate controls in place to protect the Council's funds.

## 7 Policy on the use of External Service Providers

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

## 8 Training

A key outcome of the recent investigations into Local Authority investments is the need to ensure that all relevant Treasury Management staff and members that are associated with treasury matters receive appropriate training and knowledge in relation to these activities. Training is provided in- house on the job, via CIPFA seminars and training courses, treasury adviser seminars and training courses and sometimes counterparties conduct training. In addition, members of the team attend national forums and practitioner user groups.

## 9 Treasury Management Practices

- 9.1 The 2017 Treasury Management Code reinforces a framework of 12 Treasury Management practices (TMPs), which define the manner in which authorities seek to achieve the policies and objectives outlined in their Treasury Management policy statement. The Council's detailed Treasury Management practices approved in March 2020/21 can be found on the Council's intranet. An updated version is included as **Appendix 4**

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### 10 Appendices

- Appendix 1 – Policy Investments (Non-Treasury Management Investments)
- Appendix 2 – Approved Countries for Investment
- Appendix 3 – The Treasury Management Role of the S151 Officer
- Appendix 4 – Treasury Management Practices 2023/24
- Appendix 5– Glossary
- Appendix 6 – Cashflow Forecast

### 11 Background Papers

- CIPFA Prudential Code for Capital Finance in Local Authorities 2021 Edition
- CIPFA Treasury Management in the Public Sector 2021 Edition
- The Guide to Local Government Finance (2018 Edition) Module 4: Treasury Management
- CIPFA Practical Considerations in Using Financial Instruments to Manage Risk in the Public Sector
- London Borough of Merton Capital Strategy 2022/26
- TM Code of Practice
- MHCLG Investment Guidance
- MHCLG MRP Guidance
- External auditor opinion on MRP provision

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### APPENDIX 1 – Policy Investments (Non-Treasury Management Investments)

Type	Duration	
Joint Development Companies	One month to 10 years	Subject to specific terms
Loans to Registered Landlords	One month to 5 years	Subject to specific terms
Loans to wholly owned companies	One month to 30 years	Subject to specific terms
Loan to any other type of organisation	One month to 10 years	Subject to specific terms

### APPENDIX 2 - APPROVED COUNTRIES FOR INVESTMENTS (as at 02/12/2022)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

#### *Based on lowest available rating*

#### **AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

#### **AA+**

- Canada
- Finland
- U.S.A.

#### **AA**

- Abu Dhabi (UAE)
- France

#### **AA-**

- Belgium
- Qatar
- U.K.

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### APPENDIX 3

#### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- Receiving and reviewing regular monitoring and acting on recommendation

#### **(ii) The S151 Officer (Director of Corporate Services)**

- recommending clauses, Treasury Management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of Treasury Management external service providers.
- Approval of appropriate money market funds for the Council to invest in.

# **LONDON BOROUGH OF MERTON** **TREASURY MANAGEMENT PRACTICES 2022/23**

## **TMP 1: RISK MANAGEMENT**

The Director of Corporate Services – the responsible officer will implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

### **1.1 Credit and Counterparty Risk Management**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Policy on the use of credit risk analysis techniques

- The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- Credit ratings will be used as supplied from all three rating agencies - Fitch, Moody's and Standard & Poor's.
- Treasury management consultants will provide regular updates of changes to all ratings relevant to the Council.
- The treasury manager will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

### **1.2 Liquidity Risk Management**

The Council will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The treasury management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the main bank account.

## SECTION 2

Bank overdraft arrangements – A £1 million net overdraft at 2% over base rate on debit balances has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts. Separate facilities are available for the Pension Fund bank account.

a. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market.

b. Special payments

Where an urgent clearing house automated payment system (CHAPS) payment is required, a CHAPS payment request form must be completed and forwarded to the Head of Transactional Services who then checks for correct required signatures and supporting paperwork. Further guidance can be found on the Council's intranet.

c. Inter account transfer

From time to time, transactions occur between the Pension Fund and the Council.

Reimbursement where necessary is by inter-account transfers between both bank accounts.

### 1.3 Interest Rate Risk Management and use of Derivatives

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council does not use derivatives, the Council's S151 Officer will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives when used will be clearly stated to members. The treasury management strategy has full details of interest rate exposure limits.

Policies concerning the use of instruments for interest rate management.

- Forward Dealing

Consideration will be given to dealing for forward periods depending on market conditions. When forward dealing is more than a 365 days period forward, the approval of the Director of Corporate Services is required.

- Callable Deposits

The Council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the AIS.

## SECTION 2

### **Policy on Use of Lender's Option Borrower's Option (LOBO) Loans**

LOBOs give the lender the option to propose an increase in the interest rate at pre-determined dates, and the borrower, the option to accept the new rate **or** redeem the loan without penalty.

#### **1.4 Exchange Rate Risk Management**

Occasionally, the Council has to make foreign exchange payments, the Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure.

#### **1.5 Refinancing Risk Management**

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms at renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage the relationships with counterparties in such a manner as to secure the above objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for rescheduling include:

- a) to generate cash savings at minimum risk;
- b) to reduce the average interest rate; and
- c) to amend the maturity profile and/or the balance of volatility of the debt portfolio

Any rescheduling will be reported to the Council at the meeting immediately following the action.

#### **1.6 Legal and Regulatory Risk Management**

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 1.1 Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The Council will ensure that its treasury management activities comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council.



## SECTION 2

The Council's powers to borrow and invest are contained in the Local Government Act 2003, section 12 and Local Government Act 2003, section 1. The treasury management scheme of delegation is contained in the Corporate Services Scheme of Delegation. This document contains the officers who are authorised signatories. The Council's monitoring officer is the Assistant Director Corporate Governance while the S151 Officer is the Director of Corporate Services.

### 1.7 Fraud, Error and Corruption, and Contingency Management

Treasury tasks are segregated and adequate internal checks have been implemented to minimise risks and fraud. Procedures are documented and staff will not be allowed to take up treasury management activities until they have had proper training and are subject to an adequate and appropriate level of supervision.

Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out. Periodic backups will be made to ensure contingency of systems is available.

#### **Details of Systems and Procedures to be Followed, Including Internet Services**

The Council uses Logotech Treasury systems as its treasury management recording tool.

- The Corporate Services Scheme of Delegation sets out the delegation of duties to officers and the Council's constitution details delegated authority of treasury management to the Section 151 Officer.
- All loans and investments are negotiated by the Treasury Manager or other authorised persons.
- All long-term loans must be authorised by the Section 151 Officer.

### 1.8 Market Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect it from the effects of such fluctuations. This is controlled mainly by setting limits on investment instruments where the principal value can fluctuate. The limits are detailed in the Treasury Management Strategy

## TMP 2: PERFORMANCE MEASUREMENT

### 2.1 Evaluation and Review of Treasury Management Decisions

#### **Periodic Review During the Financial Year**

Monthly and quarterly meetings take place (quarterly with the Treasury consultant) to review the treasury activities, economic factors and discuss the investment options. In addition to this the Director of Corporate Services will hold treasury management review meetings with the Treasury team, periodically or as required to review actual activity against the Treasury Management Strategy Statement (TMSS) and cash flow forecasts.

## SECTION 2

### **Annual Review After the end of the Financial Year**

Annual Treasury Report will be submitted to the Full Council each year after the close of the financial year.

### **Comparative Review**

Each year or on a quarterly basis, comparative review is undertaken to see how the Council's performance on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are set locally). Such reviews are: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- Other

## **2.2 Benchmarks and Calculation Methodology**

### **2.2.1 Debt management**

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

### **2.2.2 Investment**

The performance of investment earnings will be measured against any of the following benchmarks: In-house benchmark and when necessary other benchmarks such as Bank of England base rate, 7-day LIBID un compounded, 7-day LIBID compounded weekly, 1-month LIBID and 3-month LIBID compounded quarterly

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers using the CIPFA treasury management benchmark service.

## **2.3 Policy Concerning Methods for Testing Value-for-money in Treasury Management**

The process for advertising and awarding contracts will be in-line with the Council's Contract Standing Orders and procurement guidelines.

### **2.3.1 Money-broking Services**

From time to time, the Council will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of firm of brokers is maintained by the Treasury Manager. The list takes account of both prices and quality of service. No firm of brokers will be given undue preference.

### **2.3.2 Consultants / Advisers Services**

The Council's treasury management adviser is Link Asset Services.

## SECTION 2

### **TMP 3: DECISION-MAKING AND ANALYSIS**

#### **3.1 Funding, Borrowing, Lending, and New Instruments/Techniques**

##### **3.1.1 Records to be kept**

The following records will be retained:

- Daily cash balance forecasts for the day and previous day
- Money market deal booking and deal approval confirmation emails
- Dealing slips for all investment and borrowing transactions
- Brokers' confirmations for all investment and temporary borrowing transactions made through brokers
- Confirmations from borrowing / lending institutions including money market fund portals
- PWLB loan confirmations
- PWLB interest due schedule
- Certificates for market loans, local bonds and other loans
- Deal confirmation letters for deals over one month
- Treasury Management contracts ( Investment consultant and Logotech)

##### **3.1.2 Processes to be pursued**

- Cashflow analysis
- Debt and investment maturity analysis
- Ledger/Logotech/Bank reconciliations
- Review of counterparty limits in addition to monitoring of counterparties
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc)
- Treasury contracts management

##### **3.1.3 Issues to be addressed**

###### **3.1.3.1 In respect of all treasury management decisions made the Council will:**

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive; and
- f) Ensure that adequate investigation on security of the Council's funds has been conducted

## SECTION 2

### **3.1.3.2 In respect of borrowing and other funding decisions, the Council will:**

- a) Consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, use of reserves, leasing and private partnerships; and
- d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

### **3.1.3.3 In respect of investment decisions, the Council will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions; and
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital

## **TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

### **4.1 Approved Activities of the Treasury Management Operation**

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Use of external fund managers (other than Pension Fund)
- Leasing;
- Undertake treasury management activities for the Pension Fund

### **4.2 Approved Techniques**

- Forward dealing
- LOBOs – Lender's Option, Borrower's Option borrowing instrument
- Structured products such as callable deposits

### **4.3 Approved Methods and Sources of Raising Capital Finance**

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

## SECTION 2

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	
European Investment Bank(EIB)	●	
Market (long-term)	●	
Market (temporary)	●	
Market (LOBOs)	●	
Bonds administered by the Municipal Bond Agency	●	
Stock issues	●	
Local (temporary)	●	
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	
Internal (capital receipts & revenue balances)	●	
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	
Deferred Purchase	●	

### **Other Methods of Financing**

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP
  - Operating and Finance leases
  - Revenue Contributions

Borrowing will only be done in British Pound Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Corporate Services has delegated powers in accordance with Financial Regulations, Standing Orders and Scheme of Delegation to Officers to take the most appropriate form of borrowing from the approved sources.

#### **4.4 Investment Limits**

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

#### **4.5 Borrowing Limits**

The Treasury Management Strategy Statement and Prudential and Treasury Indicators state all appropriate limits.

### **TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

#### **5.1 Allocation of Responsibilities**

##### **(i) Council (Budget)**

- Receiving and reviewing reports on treasury management policy, practice and activity; and
- Approval of annual strategy.

## SECTION 2

### (ii) **Cabinet**

- Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practice;
- Budget consideration and approval;
- Approval of the division of responsibilities; and
- Receiving and reviewing regular monitoring reports and acting on recommendations.

### (iii) **Overview and Scrutiny Commission (Financial Monitoring Task Group)**

- Reviewing all treasury management reports and making recommendations to the Cabinet

## **5.2 Statement of the Treasury Management Duties/Responsibilities of Each Treasury Post**

### **5.2.1 Responsible Officer**

The Responsible Officer is the person charged with professional responsibility for the treasury management function and in this Council it is the Director of Corporate Services and is also the S151 Officer. This person or delegated persons will carry out the following duties: -

- a) Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
  - b) Submitting regular treasury management policy reports
  - c) Submitting budgets and budget variations
  - d) Receiving and reviewing management information reports
  - e) Reviewing the performance of the treasury management function
  - f) Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  - g) Ensuring the adequacy of internal audit, and liaising with external audit
  - h) Recommending the appointment of external service providers.
  - i) The Responsible Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- a) The Responsible Officer may delegate her power to borrow and invest to members of her staff, The Treasury Manager and the fund officer. Treasury management team staff must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave / sickness.
  - b) The Responsible Officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
  - c) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.
  - d) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

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### 5.2.2 Treasury Manager

The responsibilities of this post will be: -

- a) Drafting the treasury management strategy and annual report
- b) Adherence to agreed policies and practices on a day-to-day basis
- c) Maintaining relationships with counterparties and external service providers
- d) Supervising treasury management staff
- e) Monitoring performance on a day-to-day basis
- f) Submitting management information reports to the Responsible Officer; and
- g) Identifying and recommending opportunities for improved practices

### 5.2.3 Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented; and
- b) Ensuring that the Responsible Officer reports regularly to the full Council / Cabinet or General Purpose Committee on treasury policy, activity and performance.

### 5.2.4 Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the Responsible Officer with the treasury management policy statement and treasury management practice and that they comply with the law
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice; and
- c) Giving advice to the Responsible Officer when advice is sought

### 5.2.5 Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practice
- b) Reviewing division of duties and operational practice
- c) Assessing value for money from treasury activity; and
- d) Undertaking probity audit of the treasury function

### 5.3 Absence Cover Arrangements

Cover for treasury management staff will be to specific delegated staff.

### 5.4 List of Approved Brokers

A list of approved brokers is maintained by the Treasury team and a record of all transactions conducted with them can be obtained from Logotech.

#### **Policy on Brokers' Services**

It is the Council's policy to rotate business between brokers.

### 5.5 Policy on Taping of Conversations

The Council currently does not tape conversations with brokers **but** ensures that confirmations are received from counterparties.

## SECTION 2

### 5.6 Direct Dealing Practices

The Council will deal direct with counterparties if it is appropriate and the Council believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts
- Call Accounts
- Money Market Funds
- Gilt/CD purchase via custodian; and
- Fixed period account e.g. 15-day fixed period account

### 5.7 Settlement Transmission Procedures

A confirmation letter signed by an authorised signatory per the Council's bank mandate must be sent to the counterparty if the deal period exceeds one month.

For payments, any transfer to be made via Lloyds link CHAPS system must be completed by 2.00 p.m. on the same day to ensure it is authorised. Money market funds may have earlier cut-off time/deadlines.

### 5.8 Documentation Requirements

For each deal undertaken, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker and confirmation fax, email or letter.

### 5.9 Arrangements Concerning the Management of Third-Party Funds.

The Council holds a number of trust funds, appointeeship and custody bank accounts. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded.

## TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

### 6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the cabinet and then to the Council (budget) for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
  - a) Prudential and Treasury Indicators
  - b) Current Treasury portfolio position
  - c) Borrowing requirement
  - d) Prospects for interest rates
  - e) Borrowing strategy
  - f) Policy on borrowing in advance of need
  - g) Debt rescheduling
  - h) Investment strategy
  - i) Creditworthiness policy
  - j) Policy on the use of external service providers



## SECTION 2

- k) Any extraordinary treasury issue
- l) MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives.
5. There is also a requirement for the Council to carry out a mid-year report. The purpose of this report is to provide a mid-year review on progress/performance throughout the year against targets set.

### **6.2 Annual Investment Strategy Statement**

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) Which specified and non specified instruments the Council will use
- c) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- d) Which credit rating agencies the Council will use
- e) How the Council will deal with changes in ratings, rating watches and rating outlooks
- f) Limits for individual counterparties and group limits
- g) Country limits
- h) Levels of cash balances
- i) Interest rate outlook
- j) Budget for investment earnings
- k) Policy on the use of external service providers

### **6.3 Annual Minimum Revenue Provision Statement**

This statement sets out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

### **6.4 Policy on Prudential and Treasury Indicators**

- a) The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
- b) The Responsible Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Responsible Officer shall submit the changes for approval to the full Council.

### **6.5 Other Reporting**

- Annual report on treasury management activity
- Other management information reports

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### **TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

#### **7.1 Statutory / Regulatory Requirements**

The accounts are drawn up in accordance with IFRS. The Council has adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to the Council's treasury management activity.

### **TMP 8: CASH AND CASHFLOW MANAGEMENT**

#### **8.1 Arrangements for Preparing Cashflow**

Cashflow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous year's cashflow records, adjusted for known changes in levels of income and expenditure, new grant allocations and changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known. Logotech is used to record cashflow.

### **TMP 9: MONEY LAUNDERING**

#### **9.1 Proceeds of Crime Act 2002 and Amendments**

See Council's website and intranet for money laundering process and associated policies  
[http://intranet/anti\\_money\\_laundering\\_policy.pdf](http://intranet/anti_money_laundering_policy.pdf)

#### **9.2 The Terrorism Act 2000 and Amendment order**

See Council's website and staff intranet on policy. Staff should note that all individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

#### **9.3 The Money Laundering Regulations 2007 and Updates**

The Council's money laundering officer is the Head of Audit. See Council's website  
[https://mertonhub.merton.gov.uk/\\_layouts/15/WopiFrame.aspx?sourcedoc=/Merton%20Hub%20Documents/anti\\_money\\_laundering\\_policy.pdf&action=default&DefaultItemOpen=1](https://mertonhub.merton.gov.uk/_layouts/15/WopiFrame.aspx?sourcedoc=/Merton%20Hub%20Documents/anti_money_laundering_policy.pdf&action=default&DefaultItemOpen=1)

Treasury management and banking staff are required to familiarise themselves with all money laundering regulations.

#### **9.4 Procedures for Establishing Identity / Authenticity of Lenders**

It is not a requirement under Proceeds of Crime Act (POCA) for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, the Council does not accept loans from individuals except during a bond issue.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on [www.fca.gov.uk](http://www.fca.gov.uk).

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### 9.5 Methodologies for identifying Deposit Takers

Other than those organisations mentioned in para section 6.10 and Appendix 2 of the treasury strategy, in the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA Register can be accessed through their website on [www.fca.gov.uk](http://www.fca.gov.uk).

All transactions will be carried out by CHAPS, faster payments or BACS for making deposits or repaying loans.

### TMP 10: TRAINING AND QUALIFICATIONS

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity.

All treasury management staff and members tasked with financial scrutiny should receive appropriate training relevant to the requirements of their duties at the appropriate time.

In addition, training may be provided on-the-job, and it is the treasury manager's responsibility to ensure that treasury management staff and members receive appropriate training.

Treasury management staff and members will go on courses provided by the Council's treasury management consultants, CIPFA, money brokers etc

### TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

#### 11.1.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Custodian Banks, Consultants, Advisers

This Council may employ the services of other organisations to assist it in the field of treasury management. However, it will ensure that it fully understands what services are being provided and that they meet the needs of the Council, especially in terms of being objective and free from conflicts of interest.

#### 11.1.2 Banking Services

- a) The Council's supplier of banking services is Lloyds Bank. The bank is an authorised banking institution authorised to undertake banking activities in the UK by the FCA
- b) The branch address is:
  - i. Lloyds Banking Group
  - ii. 25 Gresham Street, London
  - iii. EC2V 7HN

#### 11.1.3 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

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### **11.1.4 Consultants'/Advisers' services Treasury Consultancy Services**

The Council receives mail shots on credit ratings, economic market data and borrowing data. In addition, interest rate forecasts, annual treasury management strategy templates, and from time to time, the Council may receive advice on the timing of borrowing, lending and debt rescheduling. The performance of consultants will be reviewed by the treasury manager to check whether performance has met expectations.

### **11.1.4 Custodian Banks**

The Council will use the services of custodian banks when trading in most transferable instruments like treasury bills. Due procurement process will be followed in the procurement of this service. It should be noted that it is the borrower that pays in most cases and not the lender. Property fund on the other hand do not require custody services, the investor pays all fee.

### **11.1.5 Credit Rating Information**

The Council receives notifications of credit ratings from Link Asset Services.

## **11.2 Procedures and Frequency for Tendering Services**

See TMP2

## **TMP 12: CORPORATE GOVERNANCE**

### **12.1 List of Documents to be Made Available for Public Inspection**

- a) The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b) The Council has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

## SECTION 2

### GLOSSARY OF TREASURY MANAGEMENT TERMS

#### Accrued Interest

Any interest that has accrued since the initial purchase or since the last coupon payment date, up to the date of sale/purchase

#### Basis Point

One hundredth of 1% e.g. 0.01%

#### Certificate of Deposit (CD)

A Tradable form of fixed deposit. They can be sold before maturity via the secondary market at a rate that is negotiable. Often issued by banks and Building Societies in any period from 1 month to 5 years.

#### Coupon

The total amount of interest a security will pay on a yearly basis. The coupon payment period depends on the security.

#### Covered Bond

Covered bonds are conventional bonds (fixed or floating) issued by financial institutions that are backed by a separate group of loans, usually prime residential mortgages or public sector loans.

#### Credit Rating

A measure of credit worthiness of a borrower. A credit rating can be assigned to a country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch and Moody's.

#### Credit risk

This is the risk that the issuer of a security becomes temporarily or permanently insolvent, resulting in its inability to repay the interest or to redeem the bond. The solvency of the issuer may change over time due to various factors.

#### Debt Management Office (DMO)

Debt Management Office is an executive agency of HM Treasury. They are responsible for debt management in the UK, in the form of issuing Treasury Bills and Gilts.

#### Financial Strength Rating

Rating criteria used by Moody's ratings agency to measure a bank's intrinsic safety and soundness.

#### Floating Rate Note (FRN)

An instrument issued by Banks, Building Societies and Supranational organisations which has a coupon that re-sets usually every 3 months. The refix will often be set at a premium to 3 month LIBOR.

#### Gilt

A UK Government Bond, sterling denominated, issued by HM Treasury

#### Index Linked Gilts

A government bond issued by the DMO whose coupon and final redemption payment are related to movement in the RPI (Retail Price Index)

## SECTION 2

### Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rate. Interest rate risk affects the value of bonds more directly than stocks, and it's a major risk to all bond holders. As interest rates rise, bond prices fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond decreases since investors are able to realise greater yields by switching to other investments that reflect the higher interest rate

### SONIA

Sterling Overnight Index Average SONIA interest rate benchmark | Bank of England  
SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

### Net Asset Value (NAV)

Often used when funds or investment assets are valued. This term generally means the total assets less total liabilities.

### Premium

The sale/purchase of an asset at a level that is above the par value or original price. If a security is trading at a premium, current market interest rates are likely to be below the coupon rate of the security.

### Treasury Bill (T-Bills)

A Treasury Bills is a short dated instrument issued by HM Treasury. They are issued at a discount, therefore they are not coupon bearing.

### Viability Ratings

Assessment of a bank's intrinsic creditworthiness applied by Fitch Ratings Agency. Its aim was to enhance visibility on benefits of support. This replaced the individual ratings.

### Yield Curve

The yield curve represents the relationship between yield and maturity. The conventional shape being that as the maturity lengthens, the yield will increase. Each security will have its own yield curve, depending on the yield in every time period available.

## SECTION 2

London Borough of Merton Balance Sheet Projections							
2021/22 (£'000)		2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	
<b>CAPITAL FINANCING REQUIREMENT</b>							
160,438	CFR	160,358	163,598	184,548	216,133	250,442	
(26,024)	PFI Liabilities	(24,373)	(22,635)	(19,297)	(15,617)	(12,098)	
(1,110)	Finance Lease Liabilities	(1,033)	(851)	(7,526)	(5,911)	(17,029)	
133,304	Underlying Borrowing Requirement	134,952	140,112	157,725	194,605	221,315	
(111,010)	External Borrowing c/fwd	(109,010)	(108,700)	(95,000)	(82,500)	(109,663)	
2,000	Loan Maturities	310	13,700	12,500	-	-	
	New Loans	-	-	-	(27,163)	(34,571)	
(109,010)	External Borrowing	(108,700)	(95,000)	(82,500)	(109,663)	(144,234)	
24,294	Under / (Over) Borrowing	26,252	45,112	75,225	84,942	77,081	
18%	Underborrowing as a % of Underlying Borrowing Requirement	19%	32%	48%	44%	35%	
<b>RESERVES / BALANCES, INVESTMENTS &amp; WORKING CAPITAL (£'000)</b>							
14,000	General Fund Balance	14,000	14,000	14,000	14,000	14,000	
(2,360)	Collection Fund Adjustment Account	(2,360)	(2,360)	(2,360)	(2,360)	(2,360)	
102,228	Earmarked reserves (excl. Schools)	102,228	102,228	102,228	102,228	102,228	
11,553	Schools (excl. DSG)	11,553	11,553	11,553	11,553	11,553	
(26,932)	Schools - DSG (future yrs drawn early)	(26,932)	(26,932)	(26,932)	(26,932)	(26,932)	
-	Capital Receipts Reserve	-	-	-	-	-	
7,302	Provisions (exc. any accumulating absences)	7,302	7,302	7,302	7,302	7,302	
31,049	Capital Grants Unapplied	31,049	31,049	31,049	31,049	31,049	
7,463	Capital Grants Receipts In Advance	7,463	7,463	7,463	7,463	7,463	
144,303	Amount Available for Investment	144,303	144,303	144,303	144,303	144,303	
(61,369)	Debtors	(61,369)	(61,369)	(61,369)	(61,369)	(61,369)	
102,240	Creditors	102,240	102,240	102,240	102,240	102,240	
-	Stock / WIP	-	-	-	-	-	
(6,347)	Balance LT Debtors	(6,347)	(6,347)	(6,347)	(6,347)	(6,347)	
-	Balance of LT Liabilities	-	-	-	-	-	
5,374	Deferred credits / receipts (non-capital)	5,374	5,374	5,374	5,374	5,374	
39,898	Working Capital (Deficit) / Surplus	39,898	39,898	39,898	39,898	39,898	
(24,294)	(Under) / Over Borrowing	(26,252)	(45,112)	(75,225)	(84,942)	(77,081)	
159,907	External Investments/(Borrowing Requirement)	157,949	139,089	108,976	99,259	107,120	
(10,000)	Strategic LT Investments (eg Property Funds)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	
149,907	Adjusted External Investments/(Borrowing Requirement)	147,949	129,089	98,976	89,259	97,120	

## 1. SECTION 3: Schools Funding 2023/24

- 1.1 The Government announced the Dedicated Schools Grant (DSG) allocation on 16<sup>th</sup> December 2022, and Merton's allocation is split over the four blocks as below:

<b>DEDICATED SCHOOLS GRANT ALLOCATIONS</b>			
<b>Description</b>	<b>2023/24 £'000</b>	<b>2022/23 £'000</b>	<b>% Increase</b>
Schools Block	149,708	139,774	7%
Central Schools Services Block	1,141	1,106	3%
Early Years Block	16,577	15,486	4%
High Needs Block	49,298	43,161	10%
<b>Total as at Schools Forum meeting</b>	<b>216,724</b>	<b>201,524</b>	<b>8%</b>
Academy recoupment	(33,039)	(33,035)	
<b>Final allocation for the year</b>	<b>183,685</b>	<b>168,489</b>	<b>9%</b>
<i>Overall % increase</i>	<i>9%</i>	<i>4%</i>	

- 1.1 The DSG allocation for 2023/24 includes the allocation of the Schools' Supplementary Grant funding that was paid separately during 2022/23 now forms part of the DSG baseline. Allocations were £4.263m within the Schools' Block for mainstream schools and £1.692m as part of the High Needs Block for special schools, Additional Resourced Provision (ARPs) and independent schools. Mainstream schools will be allocated additional funding through the Mainstream Schools' Additional Grant (MSAG) 2023/24 This is in addition to schools' allocations through the schools' national funding formula. Indicative published allocations are £4.15m Schools' block and £2.05m High Needs block.
- 1.2 The DSG allocation for 2023/24 also includes the Teachers' Pay and Pensions Grant for Early Years, that was paid separately during 22/23 and now forms part of the baseline. Allocations for schools with nursery classes were £120k in the separate grant in 22/23 and are estimated as £410k in 23/24 in the main Early Years DSG.
- 1.3 From 2023/24 the option for Local Authorities (LAs) on National and Non Domestic Rates (NNDR) payments to be administered by the Education and Skills Funding Agency (ESFA) is available.
- 1.4 This section provides details of how the four blocks of the DSG are budgeted to be used in 2023/24.

## 2. Schools Block



- 2.1 The Schools Block allocation of £149.708m is split into the following expenditure types as below:

<b>Schools Block</b>	<b>2023/24</b>	<b>2022/23</b>	<b>%</b>
<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>increase</b>
Falling Rolls	300	300	0%
Transfers to the High Needs Block (0.5%)	748	698	7%
*Secretary of State approval (cash transfer £500k to High Needs block)	*500	500	0%
De-delegated items (maintained schools)	2,233	1,910	7%
Central duties to maintained schools (ESG)	629	629	0%
National & Non-Domestic Rates (NNDR)	2,917	2,904	0.4%
Individual School Budgets	142,381	132,833	7%
<b>Total Schools Block</b>	<b>149,708</b>	<b>139,774</b>	<b>7%</b>

- 2.2 The proposed falling rolls fund is £300k for 2023/24 same as last year 2022/23.
- 2.3 The DfE Falling Rolls is paid outside of the school budget formula. The DfE Falling Rolls fund criteria are as designated by the DfE:

Identification of schools with falling rolls:

- The school must have been judged good or outstanding at their last Ofsted inspection
- The total NOR has dropped by at least 5% between last October census and the previous year's October census
- Capacity of school is a minimum of 15% of published admission number (PAN)
- The school does not have excessive balances (10% or more)
- local planning data shows the places will be required within the next 3 – 5 years

Where a school meets all the above criteria, funding will be provided using the following calculation:

- $\text{AWPU rate} \times \text{per pupil (falling roll) allocated based upon affordability}$

- 2.4 New free schools as they increase in size - Harris Academy Wimbledon opened in September 2018 and is funded through the schools' funding formula rather than through bulge classes. These costs are included in the formula and not funded outside of the school budget shares.

- 2.5 School Forum approval is required for the Falling Rolls criteria and budget allocation for 2023/24. This was approved at the meeting 19<sup>th</sup> January 2023.
- 2.6 For 2023/24 Merton will transfer £748k (0.5%) from the Schools Block to the High Needs Block (£698k in 2022/23). This represents 0.5% of the School Block allocation and will be used to fund the growing cost pressure of increased SEN pupils in mainstream schools with Education Health and Care Plans (EHCPs).
- 2.6.1 Following the consultation with schools, School Forum agreed the transfer from the schools' block to the high needs block at their meeting on 9th November 2022 and ratified this decision at the meeting 19<sup>th</sup> January 2023.
- 2.7 As reported to School Forum 9th November and in support of the DfE Safety Valve plan as part of the recovery of the cumulative DSG deficit £25m, it was proposed to top-slice £500k from the school block to the high needs block in support of continued high needs ongoing pressures. This will be a Dis-application request application submitted to the Secretary of State (SOS) for approval in January 2023.
- 2.8 The Dis-application request was submitted to the Secretary of State (SOS) on 18th November 2022 for approval and outcome will be known end of January 2023.
- 2.8.1 Following the consultation with schools, School Forum agreed the transfer from the schools' block to the high needs block of an additional £500k at their meeting on 9th November 2022 and ratified this decision at the meeting 19<sup>th</sup> January 2023.
- 2.9 The total de-delegated budget for 2023/24 is £2.233m (£1.910m in 2022/23). The table details the total allocation of de-delegated services as well as the unit cost for each of these services for 2023/24 and comparable 2022/23 for transparency reporting to schools.
- 2.9.1 Following the consultation with schools, both Primary and Secondary schools approved the de-delegated budgets by the relevant phase representatives at Schools Forum on the 9th November 2022 and ratified at School Forum 19<sup>th</sup> January 2023.

De-delegated budgets	Budget		2023/24 Unit Cost	Budget	2022/23 Unit Cost	
Service	2023/24 £'000	Sector		2022/23 £'000		Measure
Copyright Licensing Agency (CLA) Subscriptions recharged via DfE	£144	Primary	£6.48	£119	£6.46	NOR
		Secondary				
Schools catering equipment insurance	£40	Primary	£2.94	£40	£2.91	NOR
		Secondary	n/a		n/a	
Support & Challenge Programme	£400	Primary	£21.02	£400	£29.08	NOR
		Secondary				
Attain	£100	Primary	£5.26	£100	£7.27	NOR
		Secondary				
Parenting cover and public duties including Trade Unions duties	£770	Primary	£40.46	£755	£39.59	NOR
		Secondary				
Ethnic minorities & bilingual learners	£70	Primary	£15.12	£70	£20.07	Low Attainment
		Secondary				
Tree insurance / maintenance	£65	Primary	£3.42	£65	£3.42	NOR
		Secondary				
Behaviour Support	£207	Primary	£44.72	£207	£42.98	Low Attainment
		Secondary				
School Improvement	£149	Primary	£7.83	£149	£7.80	NOR
		Secondary				
School Improvement (Attendance)	£183	Primary	£9.62	New for 2023/24		NOR
		Secondary				
School Improvement and Brokering	£105	Primary	£5.52	New for 2023/24		NOR
		Secondary				
<b>Total budget</b>	<b>£2,233</b>			<b>£1,910</b>		

(NOR= Number on Roll; Low Attainment= Lower Attainment factor for low cost, high incidence SEN)

2.10 In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)), schools are required to make a contribution towards these services based on numbers on roll through the Age Weighted Pupil Unit (AWPU) factor (funded NOR for special schools). The cost to primary, secondary and special schools will be £33.05 per pupil on roll to provide an overall de-delegated budget of £650k (the same as in 2022/23).

2.10.1 Following the consultation with schools, School Forum approved the contribution to responsibilities budget that local authorities hold for maintained schools.

2.11 For 2023/24 budget setting this means that £629k is contributed from the schools' block while £21k comes from the high needs block for special schools (2022/23 budget split was same £629k school block and £21k high needs block). As detailed in the school's consultation document, schools are funding 32% of the costs while the LA funds 68%. We have maintained the local authority funding of these services to minimise the impact on school budgets.

2.12 The total amount available to be paid to schools, academies and free schools for 2023/24 as part of the Individual Schools Budget (ISB) is £142.381m (£135.737m in 2022/23) Details of which can be found at Annex 1.

### 3 School Funding Formula Factors

3.1 Following consultation with schools and the agreement of the Schools Forum at their meeting on the 9th November 2022, Merton is using the National Funding Formula (NFF) to delegate funding to schools and academies in 2023/24. (Option A as per the consultation). A summary of the factors used, and the total budgets allocated against each factor is set out in the Authority Proforma Tool (APT) which can be found at Annex 2.

3.2 Core NFF funding covers funding through the basic per-pupil, deprivation, low prior attainment (LPA), English as an additional language (EAL), mobility, lump sum, and sparsity factors. The area cost adjustment (ACA) is also applied to uplift funding in line with local labour market costs. The minimum per pupil funding and the funding floor are applied to ensure that all schools attract at least the minimum level of per pupil funding through the formula and that all schools attract at least a 0.5% increase compared to their 2022-23 baseline pupil-led funding per pupil.

3.3 The Age Weighted Pupil Unit (AWPU) rates for Primary and Secondary KS3 and KS4 are the NFF rates plus an Area Cost Adjustment (ACA) of 1.5111. These are shown below with a comparison against 2022/23.

AWPU rates	2023/24	2022/23
Description		
Primary	£3,906	£3,695
Secondary Key Stage 3	£5,423	£5,210
Secondary Key Stage 4	£6,196	£5,871

3.4 The primary to secondary funding ratio is 1:1.34 in 2023/24 to 1:1.35 in 2022/23. This is due to growth in census in secondary schools.

3.5 The Income Deprivation Affecting Children Index (IDACI) element of the deprivation factor is based on the IDACI dataset for 2019, which is published by the Ministry for Housing, Communities and Local Government (MHCLG). IDACI is a relative measure of socio-economic deprivation: an IDACI 'score' is calculated for a lower super output area (LSOA, an area with typically about 1,500 residents) based on the characteristics of households in that area. The IDACI score of a given area does not mean that every child living in that area has particular deprivation characteristics: it is a measure of the likelihood that a child is in a household experiencing relative socio-economic deprivation. LSOAs are ranked by score, from the most deprived LSOA, with the highest score, to the least deprived LSOA is a subset of the Indices of Multiple

Deprivation (IMD). It is an area-based measure which is interpreted as the proportion of families with children under 16 which is income deprived

- 3.6 For school funding purposes, the NFF uses IDACI ranks to group LSOAs into seven bands of decreasing deprivation; for example, Band A comprises the most deprived 2.5% of LSOAs:
- Pupils in the most deprived 2.5% of LSOAs 1 to 821 - Band A
  - Pupils in the next 5% most deprived LSOAs 822 to 2463 – Band B
  - Pupils in the next 5% most deprived LSOAs 2464 to 4105 – Band C
  - Pupils in the next 5% most deprived LSOAs 4106 to 5747 – Band D
  - Pupils in the next 10% most deprived LSOAs 5748 to 9032 - Band E
  - Pupils in the next 10% most deprived LSOAs 9033 to 12316- Band F
- 3.7 Pupils eligible to attract funding through the NFF English Additional Language (EAL) factor are those recorded on the census as having entered state education in England during the last three years, whose first language is not English. This measure is called “EAL3” in the current LA local funding arrangements. The EAL factor unit values used are NFF rates £667.64 (£648.89 for 2022/23) and £1,801.49 (£1,757.17 in 2022/23) for Primary and Secondary schools respectively. This allocates a total budget of £3.362m (£3.034m in 2022/23) for Primary schools.
- 3.8 Low Prior Attainment (LPA) is measured for primary schools on the basis of the number of pupils identified as not achieving a Good Level of Development in the Early Years Foundation Stage Profile (EYFSP); and for secondary schools on the basis of the number of the number of pupils not reaching the expected standard in KS2 in reading or writing or maths.
- 3.9 Since 2017 to 2018, the government has weighted the LPA factor for some secondary year groups so that year-on-year fluctuations in pass-rates, following the introduction of the more challenging KS2 tests in the 2015 to 2016 academic year, do not disproportionately affect the distribution of funding through the LPA factor in the mainstream formula.
- 3.10 In 2023 to 2024, the government has carried forward the weightings used in 2022 to 2023 for the year 7 to year 10 cohorts, so they will apply to the year 8 to year 11 cohorts.
- 3.11 For the financial year 2023 to 2024, the weightings are:
- pupils in year 7 in October 2022: 54%
  - pupils in years 8 to 10 in October 2022: 65%
  - pupils in year 11 in October 2022: 64%
- 3.12 The weightings will operate in the same way as in 2022: the number of pupils identified as having LPA in the data will be multiplied by the relevant weighting to determine the number of pupils eligible for the factor for funding purposes.
- 3.13 Following the cancellation or incompleteness of both EYFSP and KS2

assessments in summer 2020 and summer 2021 due to coronavirus (COVID19), assessment data from these years in the Low Prior Attainment factor in the local funding formulae is not available. 2019 assessment data will be used as a proxy for assessments which would have taken place in 2020 to 2021. This has been reflected in the APT for both primary and secondary. The same national weighting of 65% for pupils in year 10 will also be used for those who are years 8 and 9 in the academic year 2022 to 2023.

- 3.14 LPA funding has been allocated to all pupils identified as not reaching the expected standard at the previous phase, regardless of their year group. It does not only apply to those pupils in their first year of schooling. As with current funding arrangements, pupils who have not undertaken the assessment are given the overall average attainment score of their year group, so are considered when calculating a school's LPA rate.
- 3.15 For primary LPA the ratio of eligible pupils is calculated from pupils in years 1 to 6. This ratio is then applied to all pupils in years reception to year 6. This ensures that reception pupils also attract LPA funding. APT Primary Low Attainment NFF unit value for 2023/24 is £1,329.53 per eligible primary pupil (£1,297.78 in 2022/23), and the Secondary NFF unit value is £2,014.44 (£1,757.17 in 2022/23). This results in budgets of £9.304m (2023/24) and £8.601m (2022/23) for schools.
- 3.16 The mobile pupils eligible for funding through the NFF mobility factor are pupils whose school census record at their current school (or one of its predecessors) in the last three years indicates an entry date which is not 'typical'. For year groups 1 to 11, 'typical' means that the first census on which a pupil is recorded as attending the school (or its predecessors) is the October census. So, 'not typical' means that the first census a pupil is recorded as attending the school is a January or May census. For the reception year, 'typical' means the first census is October or January.
- 3.17 NFF Mobility rates for 2023/24 of £1,087.74 (primary), and £1,565.51 (secondary) per eligible pupil starting outside of normal entry dates, in comparison with 2022/23 rates of £1,062.34 (primary), and £1,527.48 (secondary). The increase in 2023/24 budget is due to an increase in primary pupils starting school outside of the normal entry dates forecast by the DfE.
- 3.18 The 2023/24 NFF lump sum factor is £130k, increased from 2022/23 (£110k), and each school receives this funding irrespective of its size or phase.
- 3.19 The split site factor remains as £102k (applicable to one Merton primary school) following the government's recent publication of a review of split site funding and criteria and aligning within the NFF funding rates.
- 3.20 The Minimum Funding Guarantee (MFG) is set at 0.5% based upon the outcomes of consultation with schools. 93% of respondents agreed to set the MFG at 0.5%. This is the maximum protection allowed for 2023/24 and schools will be protected up to 0.5% on the funding floor for 2023/24. This

requirement for MFG has decreased from £702k (2022/23) to £236.00 (2023/24). The inclusion this year of the Schools' Supplementary Funding of £4.263m within the schools funding baseline has resulted in only one school requiring MFG protection for 2023/24.

- 3.21 Capping and scaling within the formula has not been applied as last year, therefore, schools will receive for 2023/24 all formula funding with no capping applied.
- 3.22 These figures exclude the 6th form funding which still needs to be provided by the ESFA and does not form part of the schools funding formula. It also excludes additional resource provision and individual pupil statement funding which forms part of the high needs block.
- 3.23 The figures in Annex 1 exclude the bulge class funding, falling rolls and growth funding which is held centrally and will be paid to schools as part of monthly advance payments.
- 3.24 Pupil Premium funding is not included in these figures and the 2023/24 allocations will be provided separately when maintained schools are informed of their budgets for 2023/24 by 28th February 2023. Schools should use the 2022/23 figures to estimate their funding for 2023/24 until school allocations are published.
- 3.25 School Forum approval is required for the formula based upon the consultation exercise and meeting 9th November 2022 and responses received plus final ratification 19<sup>th</sup> January 2023. School Forum noted that there may be changes due to the ESFA data checking and validation exercise they undertake on all LA formulas for compliance, but an update would be provided.
- 3.26 **Schools Supplementary Grant Funding**

This has now been rolled into the DSG funding baseline for 2023/24.

## **4 Central Schools Services Block**

- 4.1 The central school services block (CSSB) was introduced in 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:
- Funding for ongoing central functions, such as admissions, previously top-sliced from the schools block.
  - Residual funding for historic commitments, previously top-sliced from the schools block and now subject to 20% (saving) reduction each year.
  - Funding previously allocated through the retained duties element of the Education Services Grant (ESG).

Region	LA number	LA name	NFF Funding in 2023-24			
			Per-pupil rate for ongoing responsibilities	2022-23 DSG schools' block pupil census	Total funding for historic commitments	Total central schools services block funding
Outer London	315	Merton	£43.66	24,187.5	£84,887	£1,140,914

4.2 Merton's Central Schools Services Block retained items are detailed in the table below.

Central Services School Block (CSSB)	2023/24	2022/23
Description	£'000	£'000
Central licences negotiated by the Secretary of State	125	126
School admissions	311	276
Servicing of school forums	12	12
Prudential borrowing	207	207
Statutory and regulatory duties LAs hold for all schools (including academies & free schools)	412	412
Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG)	74	74
<b>Total Schools Block</b>	<b>1,141</b>	<b>1,106</b>

4.2.1.1 Following the consultation with schools, School Forum agreed the budget for School admissions, servicing of school forums, Prudential borrowing and Statutory and regulatory duties that LA's hold for all schools (including academies and free schools).

4.3 The statutory and regulatory duties that LAs hold for all schools, including academies and free schools, (as set out in Schedule 2, Parts 1 to 5 of the School and Early Years Finance Regulations 2017) does not include funding that has been retained centrally from maintained school budgets only (as set out in Schedule 2, Parts 6 and 7).

## 5 Early Years Block

5.1 The DFE published the response to its consultation of the Early Years Single Funding Formula (EYSFF) on 16<sup>th</sup> December 2022.

5.2 There are increases to the overall budget, due to the updated factors that underpin the national funding formula for LAs, and the inclusion of the Teachers Pay and Pension Grant (TPPG) based on whole sector headcount (not just schools). The new requirement is to distribute the TPPG via the Quality Supplement Factor in the EYSFF from 2023/24.



5.3 School Forum approval was confirmed to approve the TPPG payment via the Quality Supplement Factor for 2023/24.

5.4 The DFE allocated Early Years Block allocation is split into the following areas as detailed below:

Description	2022/2023 £'000	PTE	Hourly rate	2023/24 £'000	PTE	Hourly rate	Difference in places take up
3&4 YO universal funding	£10,929,725	3,222.6	£5.95 (£6.12 with TPPG uplift)	£11,363,239	3,225.8	£6.18	0%
3&4 YO extended funding	£3,137,986	925.25	£5.78	£3,534,084	1,003.26	£6.18	+9%
2-Year-Old Offer	£1,252,812	349.43	£6.29	£1,511,268	383.14	£6.85	+9%
Pupil Premium	£108,302	316.67	.60p	£101,780	288	.62p	-10%
Disability Access Fund	£56,800	71p	£800 per annum	£67,068	81	£828 per annum	+12%
<b>Total Early Years Block</b>	<b>£15,485,552</b>			<b>£16,577,429</b>			

### 5.5 Funding for the free early years childcare entitlements

The hourly rates for the early years free entitlements for 2-year-olds and 3 and 4-year-olds were announced in December 2022 as set out in the [Early years funding: 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/early-years-funding-2023-to-2024)

Funding for the early years free entitlements includes:

- universal 15-hour entitlement for 3 and 4-year-olds
- additional 15-hour entitlement for 3 and 4-year-old children of eligible working parents
- Early Years Pupil Premium
- Disability Access Fund
- 15 hours entitlement for disadvantaged 2-year-olds

#### Places

- 5.6 2-, 3- and 4-year-old budget (including the TPPG allocation) is made up of:
- the number of part-time equivalents (PTEs) taking up the entitlements as recorded on the January 2022 schools, early years and AP censuses....
  - multiplied by 15 hours x 38 weeks x local authority's hourly funding rate. ESFA will update these initial allocations in:
  - July 2023 based on January 2023 census numbers: and
  - July 2024, based on five-twelfths of the January 2023 census numbers (to cover the April 2023 to August 2024 period), and seven-twelfths of the January 2024 census numbers (to cover the September 2023 to

March 2024 period)

### **Early years pupil premium (EYPP)**

5.7 The indicative allocation for each local authority is calculated as follows:

- the number of EYPP places as recorded on the January 2022 schools, early years and AP censuses....
- multiplied by 15 hours × 38 weeks × £0.62

ESFA will update these initial allocations in:

- July 2023 based on January 2023 census number: and
- July 2024, based on five-twelfths of the January 2023 census numbers (to cover the April 2023 to August 2023 period), and seven-twelfths of the January 2024 census numbers (to cover the September 2023 to March 2024 period).

5.8 For the grant allocations based on headcount (ie places and EYPP) the following applies:

Final allocations are based on five-twelfths January 2023 census numbers + seven-twelfths January 2024 census numbers. Final 2023/24 budgets are not finalised until July 2024, and financial year 2023/34 grant is either increased or decreased based on updated census data.

5.9 The indicative Early Years DSG budget at the start of the financial year is based on the previous year's take up. The funding allocation is then updated and adjusted mid-year to reflect more recent data, and then a final reconciliation is made in the following financial year based on actual take up.

### **Disability Access Fund**

5.10 Allocations are calculated based on estimated Disability Living Allowance (DLA) applications. These allocations will not change and are final for 2023 to 2024.

## **5. 11 Early Years Funding distribution**

On receipt of the 3 and 4 budget places allocation only, the LA does the following:

- Allocates 5% for retained items (the maximum that can be retained is 5%)
- Allocates 95% of the budget (called pass through) to the required base rate and supplements (not be greater than 12% of the total allocation within the formula), SENDIF and contingency.

The table below shows how the DFE allocation of £6.18 per hour is applied across the various elements. To note not all children, receive all elements, the purpose is to show the proportionate amount for each element (not per child), and how the 95% high pass through rate is applied.

Note the new quality supplement for distribution of the TPPG, as well as the percentage increase to deprivation factor as a commitment to narrowing the gap for children living in low-income households/deprivation.

### 3 and 4-year-old distribution

3 and 4-Year-Old		
Type	%	£ / Hour
Gov Rate	100.00%	6.18
Retention	5.00%	£0.31
Base Rate	85.92%	£5.31
Sparsity	0.22%	£0.01
Deprivation	3.20%	£0.20
SENIF 1b	0.25%	£0.02
SENIF 1c	2.54%	£0.16
TPPG	1.43%	£0.09
Contingency	1.45%	£0.09

5.12 The contingency for 2023/24 has been set at £215,799 and forms part of the high pass-through rate. This provides a small amount of funding to accommodate any variance in the actual take up of places that are not fully accounted for in the overall final grant allocation. It also allows some additional funds to support any possible pressure on the SENDIF or deprivation factor.

5;13 In accordance with the Safety Valve programme, a request has been made to the SoS to allow any possible remaining funds within the 95%, at the end of the financial year funding cycle (July 2024) to be moved to the HNB. The outcome of the request is still pending. It is estimated the maximum amount this would be is the amount of the contingency.

5.14 Early Years Pupil Premium (EYPP) is a separate funding stream. This is paid to settings and schools after each term's headcount at 0.62 pence per hour. Any underspend on EYPP is expected to be clawed back. Total allocated budget is £101,780

5.15 The Disability Access Fund (DAF) is a one-off lump sum payment of £828 and the total budget is £67,000. The LA is currently able to retain the DAF, which has not been distributed to a setting and use this in line with the principles and aims of DAF.

### 5.16 Centrally Retained Items

There is an allocation for centrally retained items which includes funding for information, advice and guidance, training, inclusion and SEND support and advisory work, market management/ sufficiency and information, and back office/administrative functions. This represents 5% of the expected – 3 & 4-year-old grant which is £745,000. The amount of funding that must pass through to providers for 3- and 4-year-olds is called the “High Pass-Through Rate”.

- 5.17 On receipt of the 2-year allocation, the LA does the following
- Allocates 100% to the required base rate, SENDIF and contingency

### 2-year-old distribution

2-Year-Old		
Type	%	£ / Hour
Gov Rate	100.00%	6.92
Retention	0.00%	£0.00
Base Rate	96.82%	£6.70
Sparsity	0.00%	£0.00
Deprivation	0.00%	£0.00
SENIF 1b	0.00%	£0.00
SENIF 1c	2.35%	£0.16
SENIF 1d	0.00%	£0.00
Contingency	0.83%	£0.06

## 6. Early Years Funding Formula

### 6.1 3 and 4-year-old formula – pass through to settings

The methodology/local funding formula used to distribute funding to settings, following on from consultation, is detailed in this section of the report. Consultation feedback is Appendix E and has guided the methodology within the formula

- 6.2 In line with the statutory requirement Merton has one **base rate** in the formula for 3- and 4-year-olds (universal and extended entitlement) for all settings as per the table 12 below.

Base rate Description	2022/23 Rate	2023/24 Rate
All settings	£5.16	£5.31

- 6.3 Criteria for EYPP will continue to be used as a measure of **deprivation** for 2020/21.

Deprivation rate Description	2022/23 Rate	2023/24 Rate
Criteria for EYPP (deprivation)	£1.90	£2.90

6.4 The table below shows the optional supplementary supplement for “sparsity”

Sparsity rate Description	2022/23 Rate	2023/24 Rate
Sparsity/small providers child-minders	60p	60p

#### 6.5 Outside of formula: SEN Inclusion Fund – pass through to settings

6.6 The table below shows the mandatory **SEN inclusion Fund** (SENIF) pupil rates (3- and 4-year-olds)

SEN Inclusion Fund Description	2022/23 Rate	2023/24 Rate
SEN Support Level 1a (local offer)	nil	nil
SEN Support Level 1b	£2.80	£2.80
SEN Support Level 1c	£10.50	£10.50

6.7 SEN support funding is allocated following the published criteria and associated processes. The SENDIF, whilst not an allowable supplement within the formula, is included within the 95% high pass through rate. There is a requirement to publish the value of the fund each year.

6.8 The indicative SENDIF budget for 2023/24 £415,438

6.9 The funding element for each SEN support level of the SENDIF is through this inclusion fund.

#### 6.10 Outside of formula: Contingency

6.11 There is a contingency of £215,799 for 3- and 4-year-olds and to support any in-year growth for children, including those with SEND, children eligible for the deprivation factor and for children who start mid-way through a funding period (after headcount).

6.12 The contingency is included as part of the high pass-through rate and as such any surplus should be distributed across the sector following agreed methodology.

#### 6.13 Outside of formula: Retained Items

6.14 Within the grant allocation LAs can retain up to 5% of the total 3- and 4-year-old allocation for 2023/24.

6.15 Retained items can only be used to support the delivery of early year’s provision in accordance with the statutory duties, including advice; training; information

and securing sufficiency and market management. These duties are embedded within the Childcare Act 2006 and are underpinned by Statutory Guidance.

6.16 This year £745,000 has been allocated for retained items for 3- and 4-year-olds.

### 6.17 2-year-old formula

6.18 The table below shows the **base rate** for 2-year-olds

2 year old rate Description	2021/2022 Rate	2022/23 Rate
All settings	£5.80	£5.95

### 6.19 Outside of formula: SEN Inclusion Fund

6.20 The table below shows the **discretionary SEN Inclusion Fund** for 2-year-olds

SEN Inclusion Fund Description	2021/22 Rate	2022/23 Rate
SEN Support Level 1a (local offer)	nil	nil
SEN Support Level 1b	£2.55	£2.55
SEN Support Level 1c	£7.80	£7.80

6.21 The funding element for each level of the SENDIF is through the inclusion fund.

6.22 There is no requirement to have a SENDIF for 2-year funding, and therefore not a requirement to publish this. However, the total indicative fund for 2-year-olds is £35,500

### 6.23 Outside of formula: Contingency

6.24 There is a limited contingency for 2-year-old places, which is a balancing budget.

6.24.1 Following the consultation with Early Years providers and settings, School Forum approved the 5% retainer towards central costs and quality supplement within the formula and noted the SoS application of any underspend to be used in support of the Safety Valve Programme.

## 7. High Needs Block

7.1 The high needs funding system is designed to support a continuum of provision for pupils and students with Special Educational Needs and Disabilities (SEND), from their early years to age 25.

7.2 Funding to institutions from the high needs block is allocated within the 'place plus' funding approach. The base funding ("place funding") is given to local authorities to distribute (commission) to institutions for them to provide places on an on-going basis. This is supplemented with "top-up funding" which follows

individual pupils and students to receive educational support. The top-up funding provided to local authorities includes funding for central services or statutory duties to support these high-cost places.

7.3 The table below shows how Merton’s High Needs Block funding is allocated.

<b>High Needs Block</b>	<b>2023/24</b>	<b>2022/23</b>
<b>Description</b>	<b>£'000</b>	<b>£'000</b>
Mainstream settings (Individual SEN EHCPs)	4,360	4,360
Special Schools	12,062	10,196
Additional Resource Provision bases (ARPs)	3,454	2,083
Pupil Referral Unit (PRU)	2,034	2,034
Centrally retained High Needs funding for commissioned services	466	466
SEN EHCPs for Children and Young People (CYP)	21,258	20,841
Post 16 Further Education (FE) and Independent Special Provision (ISP) funding	2,652	2,452
High Needs Contingency – additional funding (in year)	3,084	3,226
Centrally retained High Needs funding for special schools (ESG)	52	52
Central duties to maintained schools - Education Support Grant (ESG)	15	15
Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG)	163	155
Recoupment for academies places commissioned	(2,414)	(2,444)
Transfers from other blocks	749	698
SOS transfer (awaiting approval)	500	500
<b>Total Funding</b>	<b>49,156</b>	<b>44,634</b>

### **Mainstream settings and SEN**

7.4 Schools are expected to contribute the first £6,000 of additional educational support for High Needs pupils and students in mainstream settings before additional SEN funding. This additional support is for a provision over and above the standard offer of teaching and learning for all pupils or students in a setting. Pre-16, schools and academies will continue to receive a clearly identified 'notional' SEN budget from which to make this contribution. Merton will provide this budget for maintained schools while the ESFA will provide it for academies. The notional SEN will comprise three elements as detailed below in table 19 from school budgets/formula.

<b>Notional Formula factor</b>	<b>2023/24</b>
Age Weighted Pupil Unit / allowance (AWPU)	2.50%
Deprivation (Free School Meals & IDACI)	10%
Low cost, high incidence SEN (Low Attainment)	100%

7.5 The total notional SEN budget included within the formula is £13.503m for 2023/24 (£12.453m 2022/23) and should be used to support pupils with low

cost, high incidence (LCHI) SEN as well as the first £6,000 support for pupils with EHCPs/statements.

- 7.6 The notional allocation is only a guide and schools are expected to set their budgets in such a way as to meet the needs of all their pupils, including those with additional needs, within the resources available.
- 7.7 Early Years settings with SEN children are funded differently from mainstream schools at SEN support, as all funding is child led. All children whose places are funded through the Early Years Dedicated School Grant (EY DSG) (school nursery classes and Private Voluntary and Independent (PVI)) receive their SEN funding as described in section 6 of this report from the early years block.
- 7.8 Where schools have a high number of SEN students, the allocation to support these pupils through the school's formula might not be sufficient. Funding will be set aside in the High Needs Block to support such schools. If more than 3.4% of a school's NOR are pupils with EHCP's, the excess percentage will be multiplied by the school's NOR and multiplied by £6,000 to calculate additional support for the school.
- 7.9 As part of the consultation with schools and academies for 2023/24 79% of respondents approved the budget reduction to £350k (2022/23 £538k) to pay outside of the school formula funding in supporting schools with high numbers of SEN pupils recorded on census. The percentage is set as 3.4% in accordance with affordability.

Example of calculation	
School census (Oct 22)	184
SEN census	13
Percentage	7.07%
Threshold 3.4%	-3.04%
186 x 3.67%	6.75 pupils
6.75 pupils x £6,000	£40,500

- 7.10 The NOR is based on the October count and the numbers of EHCPs are based on the numbers as per the October EHCPs payment to schools. The number of EHCPs used will exclude pupils funded in special units/ARPs.
- 7.11 Merton's basic EHCP funding will be kept the same as in 2023/24 and is detailed in the table 21 below.

EHCP funding	Reception onwards		Universal Entitlement 2, 3 and 4 year olds		Extended Entitlement 2, 3 and 4 year olds	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Band						



Band1	Part of £6,000 notional SEN funding	Part of £6,000 notional SEN funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding	Part of SEN support funding
Band 2	£5,805	£5,805	£5,903	£5,903	£9,739	£9,739
Band 3	£7,983	£7,983	£6,992	£6,992	£11,536	£11,536
Band 4	£10,160	£10,160	£8,080	£8,080	£13,332	£13,332
Band 5	£12,338	£12,338	£9,169	£9,169	£15,129	£15,129

7.12 The band amounts shown for 2-, 3- and 4-year-olds are inclusive, and represent the total funds that a setting will receive. This amount is made up from the EYDSG as explained in section 6 above and the “top up” is from the High Needs Block (HNB). For children taking up the extended entitlement the EHCP is not transferable and therefore a child can only access one provision. On this basis, the extended hours EHCP is funded at 60%.

### **Special Schools**

7.13 Specialist SEN schools will continue to receive a base level of funding on the basis of an agreed number of planned places commissioned at £10,000 per place. Top-up funding above this level will be commissioned by the LA for 2023/24 as in previous years and as mainstream school places.

7.14 An additional £660 per place will be paid to specialist SEN settings, including Alternative Provision (AP), in support of the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG). This was previously paid outside of the DSG in a separate grant but since 2021/22 this has now been rolled into the DSG. There is a minimum place setting of 40 for this additional grant funding as designated by the DfE.

7.15 Due to the budgeted increase in growth of pupil numbers at special schools, the special school budget will be increased to cover the cost pressure of supporting these additional children and is built into the budget as reported in table 18 above.

7.16 The total for specialist SEN and LDD settings includes the school budgets for Cricket Green, Perseid, and Melrose special schools.

### **Additional Resource Provision (ARP) bases**

7.17 Places in special units and resourced provision attracts a base level of funding of either £6,000 or £10,000 per empty place, depending on whether a place was occupied or empty at the time of the October census. Each child will also receive a 'top-up' element of funding which is recalculated annually to ensure that the funding change does not impact on the total base funding settings received in the previous financial year. The place funding is included in the school block formula and current settings and place numbers as reported in the APT are:

URN	LAESTAB	School Name	2022/23 Pre 16 SEN Places	2023/24 Pre 16 SEN Places	Change/ growth from last year
102632	3152059	Hatfeild Primary School	16	24	8
102652	3152081	West Wimbledon Primary School	25	48	23
102653	3152082	Cranmer Primary School		24	24
102662	3152091	Wimbledon Chase Primary School	16	16	
102673	3154050	Ricards Lodge High School	10	10	
102674	3154052	Raynes Park High School	27	27	
102679	3154500	Rutlish School	10	10	
141143	3152002	Harris Primary Academy Merton	22	22	
146401	3152004	Stanford Primary School	24	24	
			<b>150</b>	<b>205</b>	<b>55</b>

7.18 Where numbers have increased (+55 new ARP places 2023/24), top-up funding will be adjusted to reflect the growth within the high needs budget. Any additional top up funding banding will be agreed by the SEN Manager and current top-up banding levels.

7.19 ARP allocations for 2023/24 will remain similar to the 2022/23 allocations apart from ARP place number growth as reported above.

### **Pupil Referral Unit (Canterbury Campus and Lavender)**

7.20 The PRU (Canterbury Campus) will receive a base level of funding of £10,000 per commissioned place. Top-up funding above this level is set at £6,800 (total place plus top up £16,800 per place). Medical pupils attending the PRU will be funded based upon the medical needs of the pupils and commissioning arrangements.

7.21 Mainstream schools and academies have important commissioning responsibilities with regard to pupils of compulsory school age who are placed in Alternative Provision (AP) for the purpose of early intervention or as a result of fixed-term exclusion. In such instances they are responsible for paying top-up funding to the AP settings in which they place pupils.

7.22 Alternative education and medical service provision are also delivered through the Melbury College.

7.23 The exclusion process currently involves a deduction of Age Weighted Pupil Unit (AWPU) against a national criteria and a local agreement to pay £3,000 per excluded pupil and receive £3,000 for a re-integrated pupil. This agreement

is between all secondary maintained schools and academies and will continue in 2023/24.

### Centrally retained funding for commissioned services

- 7.24 These services are retained centrally by the Local Authority to deliver direct services or procure services from external providers to ensure the most economic use of resources. The following table 20 details these services:

Centrally retained funding for commissioned services	2023/24	2022/23
Description	£'000	£'000
Cost of Merton pupils in other LA maintained schools	2,164	2,164
Cost to other LAs for their children in Merton maintained schools	(1,159)	(1,159)
Merton academies (Individual SEN statements)	1,459	1,459
Virtual school	265	265
Sensory team	422	422
Schools standards quality core offer	350	350
Language and learning therapy	662	662
Other non-maintained school related costs	357	357
Education psychology	177	177
Behaviour support	254	254
Education welfare	178	178
SEN referral & early help 0-25 team	158	158
Vulnerable children's education	125	125
Social inclusion	109	109
Merton Autism Outreach Service (MAOS)	102	102
SEN support	86	85
Therapy in special schools	457	457
Independent hospital provision	51	51
Portage	39	39
Independent Providers	14,347	13,999
Independent Residential placements	3,943	3,943
Post 16 providers (FE & ISP)	2,412	2,412
<b>Total Cost</b>	<b>26,958</b>	<b>26,610</b>

- 7.25 Of the centrally retained services funding, Merton has tried to limit cost pressures as far as possible. The increase in number of EHCPs has however resulted in major cost pressure on independent, residential placements and out of borough provision.

- 7.26 The growth received on the HNB is not sufficient to cover the rising cost pressures. For 2023/24 the increase will be allocated against various budgets with known pressures to address the expected overspends, but still leaves a

shortfall to meet growth and demand and cost-effective savings to achieve a balanced budget and within the delivery of the Safety Valve agreement.

### **Post 16 Further Education (FE) College and Independent Specialist Provider (ISP) funding**

- 7.27 The funding in this area relates to high level SEN or LDD costs for young people aged over 16 in Further Education (FE) colleges and Individual Service Providers (ISPs). The responsibility for these payments transferred to Local Authorities within the Children and Families Act 2013 with statutory educational responsibility for young people up to the age of 25.

### **Centrally retained funding for special schools**

- 7.28 This includes the funding for centrally provided services for the special schools, similar to de-delegated budgets held for the maintained primary and secondary schools. The services available are detailed in table below.

<b>Central de-delegation</b>				
<b>Service</b>	<b>Total £</b>	<b>2023/24 Unit Cost</b>	<b>2022/23 Unit Cost</b>	<b>Measure</b>
Licences and Subscriptions	£3,000	£5.28	£4.41	NOR
School Meals Subsidy	£2,000	£3.52	£1.98	NOR
Schools in Challenging Circumstances	£10,000	£17.61	£14.82	NOR
Parenting and TU cover	£17,017	£29.96	£28.53	NOR
Support to underperforming ethnic minority groups and bilingual learners	£2,000	£3.52	£2.04	NOR
Tree work	£2,000	£3.52	£2.40	NOR
Behaviour Support	£5,000	£8.80	£7.66	NOR
School Improvement	£4,000	£7.04	£5.52	NOR
Attain	£2,000	£3.52	£3.71	NOR
<b>Total budget</b>	<b>£47,017</b>			

### **Central duties to maintained schools (ESG)**

- 7.29 In order to maintain the statutory central duties to Merton maintained schools (the services previously funded by the Education Service Grant (ESG)); schools are required to make a contribution towards these services based on numbers on roll through the AWPU factor (top-up NOR for special schools). The cost to primary, secondary, and special schools will be £37.34 per pupil on roll to provide an overall de-delegated budget of £650k.
- 7.30 For 2023/24 £629k is contributed from the schools' block while £21k comes from the high needs block for special schools (same contribution for 2022/23).

As detailed in the school's consultation document, schools are 32% of these costs while the LA funds 68%.

### Transfers from other blocks

- 7.31 For 2023/24 Merton will transfer £749k (0.5%) from the Schools' Block to the High Needs Block (£698k in 2022/23). This represents 0.5% of the Schools Block allocation and will be used to continue to fund the growing cost pressure of increased numbers of EHCPs.
- 7.32 A dis-application request was submitted to the Secretary of State (SOS) on 18<sup>th</sup> November 2022 to transfer an additional £500k (cash) from the school block to the high needs block. The outcome of this request will be known end of January 2023.
- 7.33 Another dis-application request has been submitted to the SOS on 18<sup>th</sup> November 2022 with regards to utilising any underspends from the Early Years Block against the overall DSG deficit balance and in support of the Safety Valve agreement with the DfE. Again, the outcome of this request will be known end of January 2023.

### Financial pressure on the High Needs Block

- 7.34 The continued increase in numbers of EHCPs as detailed in the table below and this pressure is expected to continue and grow in 2023/24.

EHCPs Type of Provision	Jan 2016 Total Statements and EHCPs		Jan 2017 Total Statements and EHCPs		Jan 2018 Total Statements and EHCPs		Jan 2019 Total Statements and EHCPs		Jan 2020 Total Statements and EHCPs		Jan 2021 Total Statements and EHCPs		Jan 2022 Total Statements and EHCP's	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Early Years (incl. Private & Voluntary Settings)	0	0%	1	0%	7	0%	7	0%	7	0%	8	0%	9	0%
Mainstream Schools (incl. Academies, Free and Independent)	422	39%	461	37%	526	35%	584	34%	707	37%	816	36%	889	36%
Additional Resourced Provision	110	10%	111	9%	116	8%	125	7%	125	6%	133	6%	145	6%
State Funded Special Schools	358	33%	388	31%	416	27%	440	26%	474	25%	520	23%	563	23%
Independent Special Schools	132	12%	153	12%	176	12%	228	13%	280	15%	367	16%	338	14%
Post 16 College and traineeships	25	2%	93	7%	183	12%	212	12%	199	10%	268	12%	343	14%
Post 16 Specialist	10	1%	25	2%	44	3%	37	2%	35	2%	44	2%	43	2%
Alternative Education (incl. EOTAS, Hospital Schools and EHE)	15	1%	10	1%	22	1%	28	2%	61	3%	37	2%	34	1%
No placement (including NEET)	3	0%	0	0%	28	2%	51	3%	40	2%	59	3%	103	4%
<b>Total</b>	<b>1075</b>	<b>100</b>	<b>1242</b>	<b>100</b>	<b>151</b>	<b>100</b>	<b>1712</b>	<b>100</b>	<b>1928</b>	<b>100%</b>	<b>2252</b>	<b>100</b>	<b>2467</b>	<b>100</b>
Change over previous year				16%		22%		13%		11%		17%		10%

- 7.35 Since January 21 we have seen an increase from 2,252 finalised EHCPs to 2,467 EHCPs in January 2022 (SEN2 data return) which is an increase this financial year of 215 finalised EHCPs, and since COVID we have seen a continued increase in referrals for an EHC Needs assessment.

### **DSG Safety Valve**

- 7.36 Due to the ongoing cost pressures within the High Needs Block, Merton's DSG cumulative reported DSG deficit for 2021/22 closedown was £24.981m. The continued increase in numbers of EHCPs means that this pressure is expected to continue and grow in 2022/23, and in 2023/24, while the funding growth received on the HNB grant is not sufficient to cover these cost pressures. As at period 8, the forecast deficit reported was cumulative c£25m.
- 7.37 After acceptance on to the DfE Safety Valve Programme in January 2022, Merton has been undertaking actions in line with our Safety Valve agreement to reduce the DSG deficit, and we have received support from the DfE in relation to the ongoing deficit. Quarterly reporting to the DfE is a requirement to demonstrate the impact of the strategies implemented to reduce the DSG deficit over the next 5 years. This includes work with partners to implement collaborative and system wide strategies. We have also reviewed our local provision and in conjunction with our strategic needs analysis have expanded our own provision and continue to look at further opportunities for state funded provision that may reduce reliance on more expensive Independent School Placements.

## **8 Appendices**

- 8.1 Annex 1: ISB allocations  
8.2 Annex 2: School Funding Pro-forma  
8.3 Annex 3: Early year's allocations



Local Authority Funding Reform Proforma

LA Name:

Merton

LA Number:

315

Primary minimum per pupil funding level	Secondary (KS3 only) minimum per pupil funding level	Secondary (KS4 only) minimum per pupil funding level	Secondary minimum per pupil funding level	Disapplication number where alternative MPPF values are used
£4,405.00	£5,503.00	£6,033.00	£5,715.00	

Pupil Led Factors

1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Reception uplift	No	Pupil Units		0.00						
	Description	Amount per pupil		Pupil Units		Sub Total	Total	Proportion of total pre MFG funding (%)	Notional SEN (%)		
	Primary (Years R-6)	£3,906.00		15,164.00		£59,230,584	£111,348,938	39.98%	2.50%		
	Key Stage 3 (Years 7-9)	£5,422.78		5,531.00		£29,993,402		20.24%	2.50%		
	Key Stage 4 (Years 10-11)	£6,195.73		3,571.00		£22,124,952		14.93%	2.50%		
		Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
2) Deprivation	FSM	£552.53	£552.53	3,637.00	2,500.46	£3,391,151	£14,152,519	9.55%	10.00%	10.00%	
	FSM6	£811.53	£1,185.64	3,796.00	2,909.25	£6,529,910			10.00%	10.00%	
	IDACI Band F	£264.76	£385.62	1,407.10	1,095.52	£794,995			10.00%	10.00%	
	IDACI Band E	£322.31	£512.24	2,632.24	1,663.27	£1,700,402			10.00%	10.00%	
	IDACI Band D	£506.49	£713.69	425.09	408.31	£506,711			10.00%	10.00%	
	IDACI Band C	£552.53	£782.75	552.06	409.52	£625,584			10.00%	10.00%	
	IDACI Band B	£587.07	£840.31	487.04	361.07	£589,331			10.00%	10.00%	
	IDACI Band A	£771.24	£1,070.53	9.00	7.00	£14,435			10.00%	10.00%	
		Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
4) English as an Additional Language (EAL)	EAL 3 Primary	£667.64		3,825.57		£2,554,119	£3,523,127	2.27%	0.00%		
	EAL 3 Secondary		£1,801.49		448.24	£807,491			0.00%		
5) Mobility	Pupils starting school outside of normal entry dates	£1,087.74	£1,565.51	148.49	0.00	£161,517		0.11%	0.00%	0.00%	
		Description	Weighting	Amount per pupil (primary or secondary respectively)	Percentage of eligible pupils	Eligible proportion of primary and secondary NOR respectively	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
	Primary low prior attainment			£1,329.53	26.07%	3,953.99	£5,256,951			100.00%	
	Secondary low prior attainment (year 7)	54.47%			21.25%						



6) Low prior attainment	Secondary low prior attainment (year 8)	64.53%	£2,014.44	22.48%	2,008.89	£4,046,790	£9,303,741	6.28%		100.00%
	Secondary low prior attainment (year 9)	64.53%		22.38%						
	Secondary low prior attainment (year 10)	64.53%		22.53%						
	Secondary low prior attainment (year 11)	63.59%		21.71%						

## Other Factors

Factor	Lump Sum per Primary School (£)	Lump Sum per Secondary School (£)	Lump Sum per Middle School (£)	Lump Sum per All-through School (£)	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
7) Lump Sum	£130,000.00	£130,000.00			£6,760,000	4.56%	0.00%	0.00%
8) Sparsity factor	£64,807.49	£94,275.91	£94,275.91	£94,275.91	£0	0.00%	0.00%	0.00%

Rows 45 to 48 are populated with the NFF methodology, please leave this as is if you wish to follow the NFF. As per the Operational Guidance, the distance thresholds can be increased or the year group size thresholds decreased and the distance threshold taper is optional. An alternative method of allocation to the NFF's average year group size taper can be chosen: the continuous taper (Tapered) or fixed sum (Fixed). Examples of each are provided in the Operational Guidance.

Primary distance threshold (miles)	2.00	Primary pupil number average year group threshold	21.40	Apply primary distance taper	Yes	NFF, tapered or fixed sparsity primary lump sum?	NFF	
Secondary distance threshold (miles)	3.00	Secondary pupil number average year group threshold	120.00	Apply secondary distance taper	Yes	NFF, tapered or fixed sparsity secondary lump sum?	NFF	
Middle schools distance threshold (miles)	2.00	Middle school pupil number average year group threshold	69.20	Apply middle school distance taper	Yes	NFF, tapered or fixed sparsity middle school lump sum?	NFF	
All-through schools distance threshold (miles)	2.00	All-through pupil number average year group threshold	62.50	Apply all-through distance taper	Yes	NFF, tapered or fixed sparsity all-through lump sum?	NFF	
9) Fringe Payments					£0	0.00%		
10) Split Sites					£102,000	0.07%		
11) Rates					£2,969,127	2.00%		
12) PFI funding					£0	0.00%		

13 ) Exceptional circumstances (can only be used with prior agreement of ESFA)

Circumstance	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
Additional lump sum for schools amalgamated during FY22-23	£0	0.00%	0.00%	0.00%
Additional sparsity lump sum for small schools	£0	0.00%		
Exceptional Circumstance3	£0	0.00%		
Exceptional Circumstance4	£0	0.00%		
Exceptional Circumstance5	£0	0.00%		
Exceptional Circumstance6	£0	0.00%		
Exceptional Circumstance7	£0	0.00%		

<b>Total Funding for Schools Block Formula (excluding minimum per pupil funding level and MFG Funding Total)</b>	<b>£148,159,451</b>	<b>100.00%</b>		
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14) Additional funding to meet minimum per pupil funding level				£0	0.00%			
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>				<b>£148,159,451</b>	<b>100.00%</b>			
15) Minimum Funding Guarantee		0.50%	£236					
Where a value less than 0% or greater than 0.5% has been entered please provide the disapplication reference number authorising the value								
Apply capping and scaling factors? (gains may be capped above a specific ceiling and/or scaled)				No				
Capping Factor (%)	0.50%	Scaling Factor (%)	0.50%					
Total deduction if capping and scaling factors are applied				£0				
				Total (£)			Proportion of Total funding(%)	Notional SEN (%)
MFG Net Total Funding (MFG + deduction from capping and scaling)				£236			0.00%	0.00%
<b>Total Funding for Schools Block Formula</b>				<b>£148,159,687</b>				<b>£13,502,716</b>
High Needs threshold (only fill in if, exceptionally, a high needs threshold different from £6,000 has been approved)								
Additional funding from the high needs budget				£0.00				
Growth fund (if applicable)				£0.00				
Falling rolls fund (if applicable)				£300,000.00				
Other Adjustment to 22-23 Budget Shares				£0				
<b>Total Funding For Schools Block Formula (including growth and falling rolls funding)</b>				<b>£148,459,687</b>				
<b>% Distributed through Basic Entitlement</b>				<b>75.15%</b>				
<b>% Pupil Led Funding</b>				<b>93.36%</b>				
<b>Primary: Secondary Ratio</b>				<b>1 :</b>	<b>1.34</b>			
23-24 NFF NNDR allocation				£2,917,255				
<b>Total Funding For Schools Block Formula (including growth and falling rolls funding) after deduction of 23-24 NFF NNDR allocation</b>				<b>£145,542,431</b>				

School/Setting	2 PTE	2 £	SENIF 2 £	U PTE	U £	E PTE	E £	SENIF 3 4 £	No. DAF	DAF £	No. EYPP	EYPP £	No. Dep	Dep £	TPPG	TPPG £	Total £
Abbotsbury Primary School	0	£0.00	£0.00	137	£136,360.80	29	£28,833.30	£5,355.00	0	£0.00	44	£5,077.80	44	£23,751.00	166	£4,977.60	£204,355.50
All Saints' CofE Primary School	0	£0.00	£0.00	69	£65,950.20	14	£13,381.20	£10,552.50	1	£828.00	10	£1,116.00	10	£5,220.00	83	£2,390.40	£99,438.30
Aragon Primary	0	£0.00	£0.00	51	£56,870.10	12	£13,381.20	£0.00	0	£0.00	1	£130.20	1	£609.00	63	£2,116.80	£73,107.30
Aragon Primary School	0	£0.00	£0.00	172	£164,397.60	60	£57,348.00	£3,486.00	0	£0.00	0	£0.00	0	£0.00	232	£6,681.60	£231,913.20
Beecholme Primary School	0	£0.00	£0.00	64.58	£63,955.76	19	£18,956.70	£0.00	0	£0.00	12	£1,413.60	12	£6,612.00	83.58	£2,498.30	£93,436.37
Benedict Academy	0	£0.00	£0.00	63	£62,604.90	0	£0.00	£0.00	0	£0.00	40	£4,668.60	40	£21,837.00	63	£1,886.40	£90,996.90
Bishop Gilpin CofE Primary School	0	£0.00	£0.00	135	£135,564.30	40	£40,143.60	£7,507.50	0	£0.00	3	£353.40	3	£1,653.00	175	£5,294.40	£190,516.20
Bond Primary School	0	£0.00	£0.00	148.58	£147,110.36	16	£15,611.40	£12,915.00	0	£0.00	20	£2,380.80	20	£11,136.00	164.58	£4,903.10	£194,056.67
Cranmer Primary School	0	£0.00	£0.00	160	£160,255.80	35	£35,046.00	£8,568.00	1	£828.00	33	£3,813.00	33	£17,835.00	195	£5,884.80	£232,230.60
Dundonald Primary School	0	£0.00	£0.00	136	£135,723.60	6	£6,690.60	£0.00	0	£0.00	2	£223.20	2	£1,044.00	142	£4,291.20	£147,972.60
Garfield Primary School	0	£0.00	£0.00	141.99	£142,245.34	36.42	£36,881.14	£3,780.00	0	£0.00	23	£2,752.80	23	£12,876.00	178.41	£5,397.41	£203,932.69
Gorringe Park Primary School	0	£0.00	£0.00	177	£174,911.40	37	£36,957.60	£3,402.00	0	£0.00	23	£2,641.20	23	£12,354.00	214	£6,384.00	£236,650.20
Harris Primary Academy Merton	34	£43,617.00	£0.00	154	£154,361.70	33	£33,612.30	£3,780.00	0	£0.00	29	£3,515.40	29	£16,443.00	187	£5,664.00	£260,993.40
Haslemere Primary School	35.4	£44,983.80	£0.00	150	£151,016.40	33	£33,134.40	£0.00	0	£0.00	21	£2,399.40	21	£11,223.00	183	£5,548.80	£248,305.80
Hatfield Primary School	0	£0.00	£0.00	129.66	£128,070.83	57	£56,551.50	£19,572.00	1	£828.00	2	£223.20	2	£1,044.00	186.66	£5,563.01	£211,852.54
Hillcross Primary School	0	£0.00	£0.00	116	£110,872.80	44	£42,055.20	£504.00	0	£0.00	6	£669.60	6	£3,132.00	160	£4,608.00	£161,841.60
Hollymount School	0	£0.00	£0.00	97	£92,712.60	0	£0.00	£3,780.00	0	£0.00	10	£1,116.00	10	£5,220.00	97	£2,793.60	£105,622.20
Holy Trinity CofE Primary School	0	£0.00	£0.00	72	£68,817.60	21	£20,071.80	£17,640.00	0	£0.00	2	£223.20	2	£1,044.00	93	£2,678.40	£110,475.00
Joseph Hood Primary School	0	£0.00	£0.00	114	£113,262.30	0	£0.00	£2,205.00	0	£0.00	8	£930.00	8	£4,350.00	114	£3,412.80	£124,160.10
Liberty Primary	0	£0.00	£0.00	99	£94,624.20	36.5	£34,886.70	£924.00	0	£0.00	10	£1,116.00	10	£5,220.00	135.5	£3,902.40	£140,673.30
Links Primary School	0	£0.00	£0.00	155	£154,998.90	50	£49,860.90	£0.00	0	£0.00	36	£4,166.40	36	£19,488.00	205	£6,172.80	£234,687.00
Lonesome Primary School	0	£0.00	£0.00	143	£141,777.00	18	£18,160.20	£3,780.00	0	£0.00	41	£4,705.80	41	£22,011.00	161	£4,819.20	£195,253.20
Malmesbury Primary School	0	£0.00	£0.00	107	£102,270.60	37	£35,364.60	£0.00	0	£0.00	22	£2,455.20	22	£11,484.00	144	£4,147.20	£155,721.60
Merton Key Primary School	0	£0.00	£0.00	100	£99,243.90	21	£20,390.40	£1,890.00	0	£0.00	11	£1,357.80	11	£6,351.00	121	£3,604.80	£132,837.90
Merton Park Primary School	0	£0.00	£0.00	92	£91,438.20	24	£24,691.50	£7,560.00	0	£0.00	5	£576.60	5	£2,697.00	116	£3,499.20	£130,462.50
Morden Primary School	0	£0.00	£0.00	86	£85,384.80	23	£23,257.80	£1,890.00	0	£0.00	15	£1,729.80	15	£8,091.00	109	£3,273.60	£123,627.00
Pelham Primary School	0	£0.00	£0.00	88	£87,615.00	16	£16,726.50	£12,495.00	1	£828.00	7	£799.80	7	£3,741.00	104	£3,144.00	£125,349.30
Poplar Primary School	0	£0.00	£0.00	224	£222,064.20	0	£0.00	£14,196.00	0	£0.00	21	£2,418.00	21	£11,310.00	224	£6,691.20	£256,679.40
Sacred Heart Catholic Primary School	0	£0.00	£0.00	106.8	£107,814.24	32	£32,656.50	£0.00	0	£0.00	7	£874.20	7	£4,089.00	138.8	£4,232.64	£149,666.58
Singletons Primary School	0	£0.00	£0.00	135	£134,130.60	9	£10,035.90	£0.00	0	£0.00	14	£1,599.60	14	£7,482.00	144	£4,344.00	£157,592.10
St John Fisher RC Primary School	0	£0.00	£0.00	68	£64,994.40	30	£28,674.00	£4,788.00	0	£0.00	8	£892.80	8	£4,176.00	98	£2,822.40	£106,347.60
St Mark's Primary School	0	£0.00	£0.00	55	£52,569.00	0	£0.00	£1,890.00	0	£0.00	26	£2,901.60	26	£13,572.00	55	£1,584.00	£72,516.60
St Mary's Catholic Primary School	0	£0.00	£0.00	112	£111,828.60	7	£7,805.70	£3,213.00	0	£0.00	10	£1,190.40	10	£5,568.00	119	£3,604.80	£133,210.50
St Matthew's CofE Primary School	0	£0.00	£0.00	48	£45,878.40	19	£18,160.20	£0.00	0	£0.00	4	£446.40	4	£2,088.00	67	£1,929.60	£68,502.60
St Peter and Paul Catholic Primary School	0	£0.00	£0.00	60	£57,348.00	21	£20,071.80	£7,560.00	0	£0.00	6	£669.60	6	£3,132.00	81	£2,332.80	£91,114.20
St Teresa's Catholic Primary School	0	£0.00	£0.00	194	£193,549.50	104.58	£105,214.46	£7,560.00	0	£0.00	13	£1,506.60	13	£7,047.00	298.58	£9,002.30	£323,879.87
St Thomas of Canterbury Catholic Primary School	0	£0.00	£0.00	127	£121,386.60	44	£42,055.20	£0.00	1	£828.00	13	£1,450.80	13	£6,786.00	171	£4,924.80	£177,431.40
Stanford Primary School	0	£0.00	£0.00	40	£39,347.10	8.4	£8,188.02	£0.00	0	£0.00	14	£1,599.60	14	£7,482.00	48.4	£1,432.32	£58,049.04
The Priory CofE School	0	£0.00	£0.00	37	£35,364.60	14	£13,381.20	£0.00	0	£0.00	6	£669.60	6	£3,132.00	51	£1,468.80	£54,016.20
The Sherwood School	0	£0.00	£0.00	110	£107,846.10	22.53	£22,012.07	£29,610.00	0	£0.00	11	£1,283.40	11	£6,003.00	132.53	£3,912.86	£170,667.44
West Wimbledon Primary School	0	£0.00	£0.00	55	£52,569.00	24	£22,939.20	£0.00	0	£0.00	11	£1,227.60	11	£5,742.00	79	£2,275.20	£84,753.00
William Morris Primary School	0	£0.00	£0.00	92	£92,234.70	22	£22,142.70	£5,985.00	1	£828.00	22	£2,566.80	22	£12,006.00	114	£3,446.40	£139,209.60
Wimbledon Chase Primary School	0	£0.00	£0.00	172	£171,088.20	58	£58,144.50	£12,894.00	0	£0.00	2	£223.20	2	£1,044.00	230	£6,907.20	£250,301.10
Wimbledon Park Primary School	0	£0.00	£0.00	154	£152,609.40	16	£15,292.80	£1,417.50	0	£0.00	4	£446.40	4	£2,088.00	170	£5,059.20	£176,913.30
All Saints' C Of E Primary	0	£0.00	£0.00	31	£34,568.10	9	£10,035.90	£2,047.50	1	£828.00	4	£520.80	4	£2,436.00	40	£1,344.00	£51,780.30
Hillcross Primary	0	£0.00	£0.00	29	£32,337.90	11	£12,266.10	£2,205.00	0	£0.00	3	£390.60	3	£1,827.00	40	£1,344.00	£50,370.60
Hollymount Primary	0	£0.00	£0.00	34	£37,913.40	0	£0.00	£2,205.00	0	£0.00	1	£130.20	1	£609.00	34	£1,142.40	£42,000.00
Holy Trinity C/E Primary	0	£0.00	£0.00	37	£41,258.70	5	£5,575.50	£0.00	0	£0.00	1	£130.20	1	£609.00	42	£1,411.20	£48,984.60
Liberty Primary School	0	£0.00	£0.00	33	£36,798.30	8	£8,920.80	£0.00	0	£0.00	2	£260.40	2	£1,218.00	41	£1,377.60	£48,575.10
Malmesbury Primary	0	£0.00	£0.00	34	£37,913.40	11	£12,266.10	£0.00	0	£0.00	9	£1,171.80	9	£5,481.00	45	£1,512.00	£58,344.30
S S Peter & Paul Catholic Primary	0	£0.00	£0.00	20	£22,302.00	8	£8,920.80	£0.00	0	£0.00	2	£260.40	2	£1,218.00	28	£940.80	£33,642.00
St John Fisher Rc Primary	0	£0.00	£0.00	31	£34,568.10	19	£21,186.90	£3,108.00	0	£0.00	2	£260.40	2	£1,218.00	50	£1,680.00	£62,021.40
St Matthew'S Primary School	0	£0.00	£0.00	17	£18,956.70	10	£11,151.00	£0.00	0	£0.00	0	£0.00	0	£0.00	27	£907.20	£31,014.90
St Thomas Of Canterbury Rc School	0	£0.00	£0.00	27	£30,107.70	9	£10,035.90	£0.00	0	£0.00	4	£520.80	4	£2,436.00	36	£1,209.60	£44,310.00
St. Mark'S Primary School	0	£0.00	£0.00	20	£22,302.00	0	£0.00	£0.00	0	£0.00	5	£651.00	5	£3,045.00	20	£672.00	£26,670.00

The Priory Ce Primary School	0	£0.00	£0.00	12	£13,381.20	5	£5,575.50	£0.00	0	£0.00	3	£390.60	3	£1,827.00	17	£571.20	£21,745.50
West Wimbledon Primary	0	£0.00	£0.00	18	£20,071.80	6	£6,690.60	£0.00	0	£0.00	5	£651.00	5	£3,126.80	21	£644.40	£31,264.80

SECTION 3, Annex 3

Provider Name	2 PTE	2 £	SENIF 2 £	U PTE	U £	U Sparsity £	E PTE	E £	E Sparsity £	SENIF 34 £	DAF	DAF £	EYPP   Dep	EYPP   Dep	Total
**Redacted**	3	£3,618.00	£0.00	3	£2,867.40	£324.00	7	£6,690.60	£756.00	£0.00	0	£0.00	0	£0.00	£14,256.00
**Redacted**	2	£2,412.00	£0.00	0	£0.00	£0.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£5,780.70
**Redacted**	8	£10,050.00	£0.00	17	£17,363.70	£1,962.00	18.01	£18,276.49	£2,064.00	£6,426.00	0	£0.00	0	£0.00	£56,142.19
**Redacted**	2	£2,412.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£6,667.20
**Redacted**	0	£0.00	£0.00	3	£2,867.40	£324.00	9	£9,239.40	£1,044.00	£0.00	0	£0.00	0	£0.00	£13,474.80
**Redacted**	0	£0.00	£0.00	6	£6,053.40	£684.00	4	£4,141.80	£468.00	£0.00	0	£0.00	0	£0.00	£11,347.20
**Redacted**	0	£0.00	£0.00	11	£10,832.40	£1,224.00	10	£9,717.30	£1,098.00	£0.00	0	£0.00	0	£0.00	£22,871.70
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	1	£1,407.00	£0.00	4	£3,982.50	£450.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£9,208.20
**Redacted**	0	£0.00	£0.00	7	£6,849.90	£774.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£8,687.70
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	3	£2,867.40	£324.00	£0.00	0	£0.00	0	£0.00	£3,191.40
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	6	£5,894.10	£666.00	£0.00	0	£0.00	0	£0.00	£8,687.70
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£3,368.70
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£3,368.70
**Redacted**	0	£0.00	£0.00	2.6	£2,485.08	£281.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£3,829.88
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	4	£3,823.20	£432.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	1	£1,407.00	£0.00	7	£7,009.20	£792.00	8	£8,124.30	£918.00	£0.00	0	£0.00	0	£0.00	£18,250.50
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	3	£2,867.40	£324.00	£0.00	0	£0.00	0	£0.00	£3,191.40
**Redacted**	0	£0.00	£0.00	2.4	£2,453.22	£278.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£6,099.92
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2.1	£2,007.18	£226.00	£0.00	0	£0.00	0	£0.00	£2,233.18
**Redacted**	1	£1,206.00	£0.00	4	£3,823.20	£432.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£7,588.80
**Redacted**	7	£9,045.00	£0.00	2	£1,911.60	£216.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£14,541.30
**Redacted**	0	£0.00	£0.00	4	£3,982.50	£450.00	4	£3,982.50	£450.00	£0.00	0	£0.00	0	£0.00	£8,865.00
**Redacted**	0	£0.00	£0.00	4	£3,982.50	£450.00	4	£3,982.50	£450.00	£0.00	0	£0.00	0	£0.00	£8,865.00
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£3,191.40
**Redacted**	0	£0.00	£0.00	4	£3,823.20	£432.00	9	£8,761.50	£990.00	£0.00	0	£0.00	0	£0.00	£14,006.70
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	4	£3,823.20	£432.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	8	£10,251.00	£3,042.00	4	£4,141.80	£468.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£21,271.50
**Redacted**	0	£0.00	£0.00	6	£5,894.10	£666.00	7	£6,849.90	£774.00	£0.00	0	£0.00	0	£0.00	£14,184.00
**Redacted**	0.83	£1,000.98	£0.00	4	£3,982.50	£450.00	4	£3,982.50	£450.00	£0.00	0	£0.00	0	£0.00	£9,865.98
**Redacted**	0	£0.00	£0.00	5	£4,938.30	£558.00	4	£4,141.80	£468.00	£0.00	0	£0.00	0	£0.00	£10,106.10
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	1	£828.00	0	£0.00	£2,955.60

**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	3	£2,867.40	£324.00	£504.00	0	£0.00	0	£0.00	£3,695.40
**Redacted**	1	£1,206.00	£0.00	21	£20,709.00	£2,340.00	19	£18,797.40	£2,124.00	£0.00	0	£0.00	0	£0.00	£45,176.40
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£4,255.20
**Redacted**	0	£0.00	£0.00	2	£1,911.60	£216.00	3	£3,026.70	£342.00	£0.00	0	£0.00	0	£0.00	£5,496.30
**Redacted**	0	£0.00	£0.00	0.67	£640.39	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£640.39
**Redacted**	0	£0.00	£0.00	2	£2,070.90	£234.00	2	£2,070.90	£234.00	£0.00	0	£0.00	0	£0.00	£4,609.80
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£1,063.80
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	1.67	£1,596.19	£180.00	£0.00	0	£0.00	0	£0.00	£1,776.19
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£1,063.80
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	2	£2,070.90	£234.00	£0.00	0	£0.00	0	£0.00	£2,304.90
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£1,063.80
**Redacted**	4	£4,824.00	£0.00	1	£955.80	£108.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£6,951.60
**Redacted**	4	£5,025.00	£0.00	0	£0.00	£0.00	2	£2,070.90	£234.00	£0.00	0	£0.00	0	£0.00	£7,329.90
**Redacted**	1	£1,206.00	£0.00	2	£1,911.60	£216.00	2	£1,911.60	£216.00	£0.00	0	£0.00	0	£0.00	£5,461.20
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£1,063.80
**Redacted**	0	£0.00	£0.00	1	£955.80	£108.00	1	£955.80	£108.00	£0.00	0	£0.00	0	£0.00	£2,127.60
**Redacted**	0	£0.00	£0.00	3	£3,026.70	£342.00	2.66	£2,754.30	£312.00	£0.00	0	£0.00	0	£0.00	£6,435.00
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	1	£1,115.10	£126.00	£0.00	0	£0.00	0	£0.00	£1,241.10
**Redacted**	2	£2,412.00	£0.00	1	£1,115.10	£126.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£3,653.10
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	1	£1,115.10	£126.00	£0.00	0	£0.00	0	£0.00	£1,241.10
**Redacted**	0	£0.00	£0.00	0	£0.00	£0.00	1	£1,115.10	£126.00	£0.00	0	£0.00	0	£0.00	£1,241.10
**Redacted**	1	£1,407.00	£0.00	1	£1,115.10	£126.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£2,648.10
**Redacted**	0	£0.00	£0.00	1	£1,115.10	£126.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£1,241.10
**Redacted**	1	£1,407.00	£0.00	1	£1,115.10	£126.00	0	£0.00	£0.00	£0.00	0	£0.00	1	£739.00	£3,387.10
**Redacted**	2	£2,412.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£2,412.00
**Redacted**	2	£2,412.00	£0.00	0	£0.00	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£2,412.00
**Redacted**	1	£1,407.00	£306.00	0	£0.00	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	0	£0.00	£1,713.00

SECTION 3, Annex 3

DUPLICATE

Provider Name	2 PTE	2 £	SENIF 2 £	U PTE	U £	E PTE	E £	SENIF 34 £	DAF	DAF £	EYPP   Dep	EYPP   Dep	Total
Abbey Pre School	49	£62,913.00	£459.00	3	£2,867.40	0	£0.00	£0.00	0	£0.00	0	£0.00	£66,239.40
Acacia Pre School	101	£127,836.00	£11,290.50	17	£17,045.10	0	£0.00	£12,600.00	4	£3,312.00	5	£3,275.00	£175,358.60
Acorn Nursery	15	£19,497.00	£0.00	15	£14,655.60	7.4	£7,072.92	£0.00	0	£0.00	1	£739.00	£41,964.52
Banana Moon Day Nursery - Wimbledon	5	£6,030.00	£0.00	52	£51,453.90	31	£30,267.00	£4,200.00	1	£828.00	0	£0.00	£92,778.90
Bliss Childcare And Nursery School	0	£0.00	£0.00	19.68	£18,810.14	8.01	£7,655.96	£0.00	0	£0.00	0	£0.00	£26,466.10
Blooming Years Nursery Schools	28	£35,778.00	£0.00	45	£45,719.10	18	£18,797.40	£1,008.00	1	£828.00	0	£0.00	£102,130.50
Blossom House School	0	£0.00	£0.00	8.29	£8,033.50	0	£0.00	£0.00	0	£0.00	0	£0.00	£8,033.50
Bow Lane Pre-School	26.6	£33,888.60	£842.40	75.22	£74,182.82	35.3	£34,599.96	£6,615.00	5	£4,140.00	15	£9,825.00	£164,093.78
Bright Horizons - Raynes Park	0	£0.00	£0.00	70.76	£70,799.29	28.83	£29,201.28	£0.00	0	£0.00	0	£0.00	£100,000.58
Bright Horizons - Wimbledon	19.04	£24,345.12	£0.00	72.64	£72,589.82	31.28	£31,351.83	£0.00	0	£0.00	0	£0.00	£128,286.78
Building Blocks Childcare	2	£2,412.00	£0.00	28	£26,762.40	8	£7,646.40	£0.00	0	£0.00	0	£0.00	£36,820.80
Building Blocks Nursery School	0	£0.00	£0.00	89.1	£89,956.71	30.33	£30,316.38	£0.00	1	£828.00	2	£1,268.00	£122,369.09
Bumpsa Daisies Nursery	35	£44,421.00	£0.00	41	£40,621.50	14	£13,540.50	£1,092.00	0	£0.00	0	£0.00	£99,675.00
Busy Bees Nurseries Ltd	1.34	£1,750.71	£0.00	80.27	£80,397.12	47.14	£47,393.34	£1,680.00	0	£0.00	0	£0.00	£131,221.17
Butterflies Childcare	8	£9,849.00	£0.00	36	£36,320.40	11	£10,991.70	£0.00	0	£0.00	0	£0.00	£57,161.10
Carousel Nursery - Motspur Park	1	£1,407.00	£0.00	59	£59,259.60	42	£42,214.50	£0.00	0	£0.00	0	£0.00	£102,881.10
Coccinelle Bumblebees	31	£39,597.00	£0.00	31	£31,063.50	7	£6,849.90	£0.00	0	£0.00	0	£0.00	£77,510.40
Crown Kindergarten	0	£0.00	£0.00	21	£21,186.90	11	£11,151.00	£0.00	0	£0.00	0	£0.00	£32,337.90
Date Valley School Trust	0	£0.00	£0.00	89.6	£90,068.22	32.6	£32,911.38	£0.00	0	£0.00	0	£0.00	£122,979.60
Dee's Day Nursery - Wimbledon	0	£0.00	£0.00	25	£25,010.10	7	£7,168.50	£0.00	0	£0.00	0	£0.00	£32,178.60
Dees Day Nursery	2	£2,412.00	£0.00	21	£20,868.30	14	£13,859.10	£0.00	0	£0.00	0	£0.00	£37,139.40
Dicky Birds Nurseries Ltd - Pelham Road	2	£2,613.00	£0.00	31	£31,700.70	18.13	£18,411.89	£0.00	0	£0.00	0	£0.00	£52,725.59
Dicky Birds Nurseries Ltd - Pepys Road	1	£1,407.00	£0.00	44	£43,329.60	20	£20,231.10	£0.00	0	£0.00	0	£0.00	£64,967.70
Dicky Birds Pre School Nurseries - Dundonald	0	£0.00	£0.00	60	£58,941.00	27.66	£27,393.23	£0.00	0	£0.00	0	£0.00	£86,334.23
Dicky Birds Pre School Nurseries - Queens Road	3	£3,618.00	£0.00	130	£127,758.60	51.77	£51,254.78	£0.00	0	£0.00	0	£0.00	£182,631.38
Dicky Birds Pre School Nurseries - Raynes Park	5	£6,231.00	£2,808.00	104	£103,545.00	51.47	£51,340.80	£3,780.00	0	£0.00	0	£0.00	£167,704.80
Donhead Preparatory School	0	£0.00	£0.00	56.96	£57,997.94	3.84	£3,670.27	£0.00	0	£0.00	0	£0.00	£61,668.22
Fennies Day Nurseries	2	£2,412.00	£0.00	85.5	£85,464.45	30.2	£29,964.33	£12,285.00	1	£828.00	0	£0.00	£130,953.78
Fennies Raynes Park	2	£2,613.00	£0.00	20	£21,186.90	7.5	£8,124.30	£0.00	0	£0.00	0	£0.00	£31,924.20
First Little Steps Day Nursery Ltd - Mitcham	26	£32,763.00	£0.00	68.16	£69,289.13	38	£38,869.20	£0.00	6	£4,968.00	3	£2,217.00	£148,106.33
Flourish Day Nursery	0	£0.00	£0.00	22	£22,142.70	20	£20,071.80	£0.00	0	£0.00	0	£0.00	£42,214.50
Forest Village Kindergarten	5.67	£7,039.02	£0.00	34.83	£35,202.11	14	£14,177.70	£1,008.00	1	£828.00	0	£0.00	£58,254.83
Funky Owls Nursery	2	£2,412.00	£3,033.00	34	£33,453.00	24	£23,576.40	£3,780.00	0	£0.00	0	£0.00	£66,254.40
Haslemere House Day Nursery	33	£41,205.00	£0.00	37	£37,116.90	18	£17,841.60	£588.00	0	£0.00	2	£1,268.00	£98,019.50
Holiplay Pre School At St Marks	43	£54,873.00	£1,404.00	33	£32,656.50	16	£15,770.70	£6,174.00	0	£0.00	0	£0.00	£110,878.20
Imagine Nation Preschool And Day Care	25	£31,155.00	£0.00	32	£31,541.40	8	£7,805.70	£9,156.00	0	£0.00	0	£0.00	£79,658.10
Jancett Childcare Newminster Road Morden	41.36	£53,144.40	£2,808.00	44.33	£44,175.48	15	£15,133.50	£10,857.00	1	£828.00	0	£0.00	£126,946.38
Jigsaw Day Nursery	14	£18,090.00	£0.00	52	£51,772.50	36	£35,523.90	£8,190.00	1	£828.00	0	£0.00	£114,404.40
Jigsaw Out Of School Care	0	£0.00	£0.00	0	£0.00	33.63	£33,895.85	£0.00	0	£0.00	0	£0.00	£33,895.85
Jollytime Playgroup	8	£10,050.00	£0.00	3	£2,867.40	0	£0.00	£0.00	0	£0.00	0	£0.00	£12,917.40
Kiddies Kottage Nursery	19	£23,919.00	£0.00	57	£56,232.90	34	£33,293.70	£0.00	0	£0.00	0	£0.00	£113,445.60
Kido Tooting	0	£0.00	£0.00	11.6	£11,724.48	6.6	£6,786.18	£0.00	0	£0.00	0	£0.00	£18,510.66
Kingswood Daycare Nursery	21	£26,934.00	£0.00	81	£80,127.90	43	£42,692.40	£9,744.00	0	£0.00	0	£0.00	£159,498.30
Kingswood Early Years	53.4	£68,058.60	£1,404.00	61	£60,693.30	20	£19,753.20	£2,205.00	1	£828.00	0	£0.00	£152,942.10
La Petite Fleur Nursery	17	£21,306.00	£0.00	37	£36,798.30	11	£10,673.10	£504.00	0	£0.00	3	£2,007.00	£71,288.40

Lavender Nursery	96	£122,007.00	£4,032.00	63	£63,082.80	30.83	£30,873.93	£41,874.00	4	£3,312.00	8	£5,282.00	£270,463.73
Liberty Woodland School	0	£0.00	£0.00	25.2	£25,997.76	5.76	£5,824.01	£0.00	0	£0.00	0	£0.00	£31,821.77
Little Forest Folk	3	£3,819.00	£0.00	79.34	£79,019.17	29.6	£29,502.36	£0.00	1	£828.00	0	£0.00	£113,168.53
Little Forest Folk Morden	5.8	£7,396.80	£0.00	56.39	£56,287.06	19.26	£19,045.91	£294.00	0	£0.00	0	£0.00	£83,023.77
Little Gems At The Priory	4	£5,025.00	£0.00	3	£3,026.70	0	£0.00	£5,985.00	1	£828.00	0	£0.00	£14,864.70
Little Hands Montessori (Bridges Road)	8.14	£10,335.42	£0.00	10.62	£10,478.75	2.45	£2,478.71	£913.50	0	£0.00	0	£0.00	£24,206.38
Little Hands Montessori (Cranleigh Road)	11.03	£13,786.59	£0.00	4.54	£4,476.33	0	£0.00	£0.00	0	£0.00	0	£0.00	£18,262.92
Little Hearts Pre School	20	£25,125.00	£0.00	26	£25,488.00	16	£15,770.70	£0.00	0	£0.00	0	£0.00	£66,383.70
Little House Nursery	0	£0.00	£0.00	43	£42,373.80	4	£4,141.80	£0.00	0	£0.00	0	£0.00	£46,515.60
Little Learners In The Park	3.2	£4,194.87	£0.00	4.73	£4,669.08	10.66	£10,574.33	£0.00	0	£0.00	0	£0.00	£19,438.29
Little Raye's Daycare	17	£21,708.00	£0.00	23	£23,098.50	15	£15,133.50	£0.00	0	£0.00	3	£2,112.00	£62,052.00
Love Lane Day Nursery	22	£27,939.00	£0.00	39	£38,232.00	22	£21,346.20	£5,670.00	1	£828.00	0	£0.00	£94,015.20
MMI Preschool	1	£1,407.00	£0.00	42.4	£41,513.58	24	£23,417.10	£0.00	0	£0.00	0	£0.00	£66,337.68
Mini Treasures Day Nursery	12	£15,276.00	£0.00	37	£37,116.90	23	£23,098.50	£1,176.00	1	£828.00	2	£1,478.00	£78,973.40
Minnie And Mamma Day Nursery	43	£54,270.00	£726.75	76	£75,667.50	21	£21,027.60	£0.00	0	£0.00	15	£9,720.00	£161,411.85
Nursery On The Green - Collierswood	29.67	£38,596.02	£0.00	42	£41,418.00	17	£16,567.20	£0.00	0	£0.00	2	£1,268.00	£97,849.22
Nursery On The Green - Cricket Green	7	£8,442.00	£0.00	27	£26,603.10	9	£8,761.50	£0.00	0	£0.00	0	£0.00	£43,806.60
Oaktree Preschool	0	£0.00	£0.00	37	£37,116.90	11	£11,310.30	£0.00	0	£0.00	0	£0.00	£48,427.20
Playdays Day Nursery - Queens Road	0	£0.00	£0.00	12	£11,628.90	3	£2,867.40	£0.00	0	£0.00	0	£0.00	£14,496.30
Playdays Day Nursery - Wimbledon Hill	3.01	£3,764.73	£0.00	43.68	£42,811.88	11.34	£11,264.10	£0.00	0	£0.00	0	£0.00	£57,840.71
Rainbow Day Nursery	9.86	£12,868.02	£0.00	37	£36,639.00	40	£39,665.70	£0.00	0	£0.00	0	£0.00	£89,172.72
Seahorse Nursery Park House	0	£0.00	£0.00	10	£10,354.50	2	£2,070.90	£0.00	0	£0.00	0	£0.00	£12,425.40
Seahorse Nursery Wimbledon Park	0	£0.00	£0.00	63	£62,604.90	18	£17,523.00	£0.00	0	£0.00	0	£0.00	£80,127.90
Seahorse Nursery Wimbledon Park Two	0	£0.00	£0.00	4	£3,823.20	1	£955.80	£0.00	0	£0.00	0	£0.00	£4,779.00
St. Olaves Nursery	16	£20,100.00	£0.00	23	£22,939.20	7	£7,168.50	£0.00	0	£0.00	3	£2,007.00	£52,214.70
Sunnyside Nursery	11	£13,266.00	£0.00	14	£13,381.20	0	£0.00	£1,596.00	0	£0.00	0	£0.00	£28,243.20
The Butterfly Patch - Lower Morden	1	£1,407.00	£1,638.00	33	£33,134.40	27.33	£27,396.41	£1,575.00	0	£0.00	0	£0.00	£65,150.81
The Butterfly Preschool - Wimbledon	0	£0.00	£0.00	41.07	£40,369.81	1.46	£1,511.76	£2,667.00	0	£0.00	0	£0.00	£44,548.56
The Castle Kindergarten	0.71	£998.97	£0.00	107.94	£107,525.91	10	£10,488.31	£2,856.00	0	£0.00	0	£0.00	£121,869.19
The Eveline Day Nursery - Grand Drive	1	£1,407.00	£0.00	104.03	£103,734.57	59.03	£58,811.97	£2,205.00	0	£0.00	0	£0.00	£166,158.53
The Eveline Day Nursery - Quicks Road	0	£0.00	£0.00	72	£71,366.40	32	£32,337.90	£0.00	0	£0.00	0	£0.00	£103,704.30
The London Acorn School	0	£0.00	£0.00	30.53	£30,413.56	0	£0.00	£0.00	0	£0.00	0	£0.00	£30,413.56
The Maria Montessori - Wimbledon	1.72	£2,420.04	£0.00	59.2	£59,224.55	2.99	£3,052.19	£4,252.50	0	£0.00	0	£0.00	£68,949.28
The Oak Montessori	0	£0.00	£0.00	68.87	£68,283.95	0	£0.00	£436.80	0	£0.00	0	£0.00	£68,720.75
The Orchard Day Nursery	0	£0.00	£0.00	83	£83,632.50	42	£42,214.50	£0.00	0	£0.00	0	£0.00	£125,847.00
Ursuline Preparatory School	0	£0.00	£0.00	101.13	£101,391.26	0	£0.00	£0.00	0	£0.00	0	£0.00	£101,391.26
Willington School Foundation	0	£0.00	£0.00	50.99	£51,004.67	0	£0.00	£0.00	0	£0.00	0	£0.00	£51,004.67
Willows Preschool Colliers Wood	0	£0.00	£0.00	58	£57,188.70	32	£31,700.70	£4,410.00	0	£0.00	0	£0.00	£93,299.40
Willows Preschool Wimbledon	0	£0.00	£0.00	30	£30,267.00	9	£8,920.80	£2,205.00	1	£828.00	0	£0.00	£42,220.80
Wimbledon Day Nursery 1	0	£0.00	£0.00	81.35	£80,941.92	34.66	£34,402.43	£1,890.00	0	£0.00	0	£0.00	£117,234.35
Wimbledon Day Nursery 11	0	£0.00	£0.00	49	£49,542.30	21.99	£22,185.71	£0.00	0	£0.00	0	£0.00	£71,728.01
Wimbledon Village Montessori School	0.81	£1,139.67	£0.00	42.65	£41,926.17	0	£0.00	£0.00	0	£0.00	0	£0.00	£43,065.84

SECTION 3, Annex 3





# London Borough of Merton

## Risk Management Strategy

Revised January 2023

## SECTION 4

### Policy Statement

Merton's policy is to manage our risks by identifying, assessing and controlling them, with the aim of eliminating or reducing them to acceptable levels whilst being mindful that some risks will always exist and will never be eliminated.

The council recognises its responsibility to risk management by supporting a structured, systematic and focussed approach to risk management through the approval of our risk management strategy.

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans.

Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Merton's aims and objectives in relation to risk management are to:

- Establish and maintain a robust framework and procedures for the identification, analysis, assessment and management of risk, including reporting and recording.
- Minimise the council's exposure to unacceptable levels of risk, minimise injury, damage, loss and inconvenience to staff, residents and service users.
- Integrate risk management into the day to day activities of staff and the culture of the organisation, raising awareness of the importance and need for risk management.
- Assign clear roles and responsibilities for councillors and officers responsible for risk management
- Ensure consistent application of our methodology across all of our activities, including partnerships and projects.
- Effectively manage the total cost of risk.

We will achieve this by:

- Having a clear and concise risk management strategy which underpins our approach and responsibilities to risk
- Incorporating risk management into business planning, project management and service delivery
- Monitoring risk on a regular basis through the Corporate Risk Management Group (CRMG)
- Reporting on risk on a regular basis to the Corporate Management Team (CMT), Cabinet, **and Standards** and General Purposes Committee

## SECTION 4

### **Risk Management Strategy**

The process of identifying and evaluating risks is known as risk assessment. By understanding the risks we face, we are better able to actively recognise where uncertainty surrounding events or outcomes exists, and identify measures which can be taken to protect the council, its staff, residents, customers and assets from these risks.

This strategy provides a structured approach to identifying emerging risks as well as assessing and managing current risks. It also incorporates a process for regularly reviewing and updating identified risks.

This strategy will be reviewed on an annual basis, and updated where required.

### **What is risk?**

Risk is the threat that an event or action may adversely affect an organisation's ability to achieve its objectives and successfully execute its strategies. A risk can be a threat, obstacle, barrier, concern, problem or event that may prevent us fulfilling our objectives.

Our risk management processes also include the assessment of Issues. Issues are current problems, questions, outstanding items, tasks or a request that exists in the immediate present. There is a strong element of fact surrounding it. An issue becomes a risk when the issue cannot be addressed and could continue or get worse.

### **Definition of Risk Management**

Organisations exist to achieve their ambitions, aims and objectives. Risk Management is the process by which organisations methodically address and identify the risks that may prevent them from achieving these ambitions, aims and objectives. The intention is to achieve sustained benefit within each of their activities, and across the portfolio of all their activities.

Ultimately, risk management is about creating a better understanding of the most important problems facing organisations.

Risk is also implicit in the decisions all organisations take; how those decisions are taken will affect how successful they are in achieving their objectives. Decision making is, in turn, an integral part of the day to day existence and is particularly significant in times of change. Risk management therefore is a key component in the management of change and helps to support effective decision making.

We endeavour to identify all risks facing the council and to monitor, manage and mitigate (where possible) all those risks which are deemed to be high (scored Amber or Red). Risks are monitored via Departmental Risk Registers, and key crosscutting risks to the council are also placed on the Key Strategic Risk Register (KSRR).

### **The benefits of risk management**

In addition to the business and service benefits of our approach, we are required to undertake risk management because it forms part of the Annual Governance Statement. We must, therefore, demonstrate that we have a systematic strategy, framework and process for managing risk.

## SECTION 4

However, the council recognises that the benefits of risk management far outweigh the requirement to undertake the activity and such benefits include:

- Stronger ability to achieve our ambitions, aims and objectives as key risks are managed.
- Better decision making as we are more aware of risk.
- Ability to take advantage of opportunities because we understand the risks attached to them.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, loss, damage and injury caused by risk
- Improvement in our ability to adapt to change
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

### **Organisational awareness of risk and risk management**

Ensuring that there is a strong organisational awareness of risk management will be achieved through training sessions, reviews, departmental meetings, briefings and staff bulletins which will take place on a regular basis. Each department has an assigned Risk Champion who will offer guidance to staff where required. The [risk management intranet page](#) will be regularly reviewed and staff will be signposted to the information they need to pro-actively identify and manage risk i.e., the Risk Management Toolkit and other guidance.

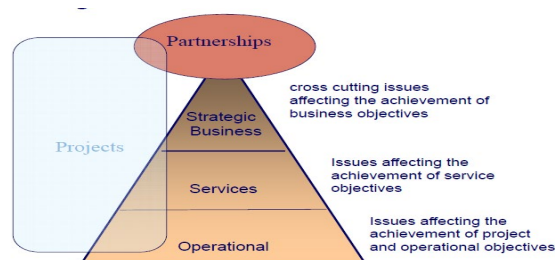
### **Risk Appetite**

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

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

### **How does risk management integrate with other policies?**

Risk management links closely with Health and Safety, Business Continuity, Emergency Planning and Insurance; by ensuring close links we can enhance our resilience. Generally, a single issue or risk will fall into only one of these categories; however some may fall into two or more. As Business Continuity is a way of mitigating risk, its link with risk management is key to ensuring the continuous delivery of services which are important to the community.



## SECTION 4

### Key Strategic Risks

These are the Council's most serious risks and tend to be either broad in impact whereby they have the potential to impact significantly on the capability, vitality, or success of the Authority as a whole or they are deep in impact, that is the effects of the risk event occurring are especially serious. The approach to corporate risks sets the context for decisions at other levels in the council. The number of corporate risks will vary depending on the Council's risk profile. However, generally corporate risks are the top ten to 15 most serious risks faced by the Council. A key strategic risk is likely to have one or more of the following characteristics: -

- Strategic and cross-cutting, with the potential to impact on a range of different areas or functions;
- Related to the Council's ability to successfully deliver one or more corporate objectives;
- Affects the outcomes sought from one of the Council's major programmes;
- Operates over the medium or long-term;
- The potential to impact negatively on the organisation's capacity, for example by limiting, reducing or failing to maximise financial or human resources;
- Linked to the organisation's ability to successfully deliver transformational change and major initiatives, while continuing with business as usual;
- Concerned with the wellbeing of residents, businesses and/or LBM staff; and may impact on the Council's reputation

Corporate risks are captured on the KSRR, which is owned by the Corporate Management Team (CMT) The KSRR is also presented to the Standards and General Purposes Committee meetings each year as this committee is responsible for monitoring the effective development and operation of risk management. Risks from the Departmental Risk Registers can be escalated here as part of the ongoing review process. The KSRR is reviewed on a regular basis.

### Service Delivery / Operational Risks

These are risks that relate to the day-to-day delivery of Council services and could relate to a wide variety of different types or sources of risk. Key service risks should be recorded in the Departmental Risk Register. The risks should be owned by the relevant Head of Service (HoS) or Assistant Director and be reviewed on a regular, usually quarterly basis by Departmental Management Teams (DMTs).

### Risk management in projects

Risk management is a key part of the ongoing management of projects and partnerships and is clearly defined in [Merton's Approach to Projects \(MAP\)](#).

### Risk management in partnerships

The council is involved in a wide range of partnerships to achieve our ambitions, aims and objectives. It is vital we assess the risks to achievement within our key partnerships, and ensure that they are monitored regularly.

Our methodology for assessing and monitoring risks has been adopted by our key partnerships in order to ensure consistent scoring, and effective integration into our risk management system.

## SECTION 4

### **Financial Risk Management**

Local government has faced unprecedented financial challenges in recent years that are likely to remain well into the next decade. The harsh financial economy faced by local authorities has led Central Government and the public sector accounting body CIPFA to start to consider how best to minimise the chance of further Section 114 notices being released and providing early warnings of authorities being unable to balance their budgets. Within Merton the following activity is already undertaken:

#### Budget Setting

- Financial pressures caused by demographic pressures in Special Educational Needs, Placements and Adult Social Care have been monitored closely – ongoing demands have received some additional funding
- Financial modelling within the Medium Term Financial Strategy and Capital has been developed
- Horizon spotting is used to improve response times to changes in Central Government funding.
- Financial Risk thresholds **are kept under review**
- Impact of Brexit and Covid

#### Budget Monitoring:

- All budgets are monitored monthly, and reviewed with outturn, current spend and commitments
- Monthly review of progress on delivery of savings with management action
- Monitoring resources are targeted at high-risk areas

#### Year End Accounting

- Reviewing closing issues to minimise the chance of the issues occurring again
- A greater emphasis on quality control of working papers
- More emphasis on reconciliation work within the financial year.

There is also a financial impact element to the authorities risk matrix which has been reviewed and simplified. Officers will continue to review activity and adopt best practice etc. where appropriate.

### **Corporate approach to risk management**

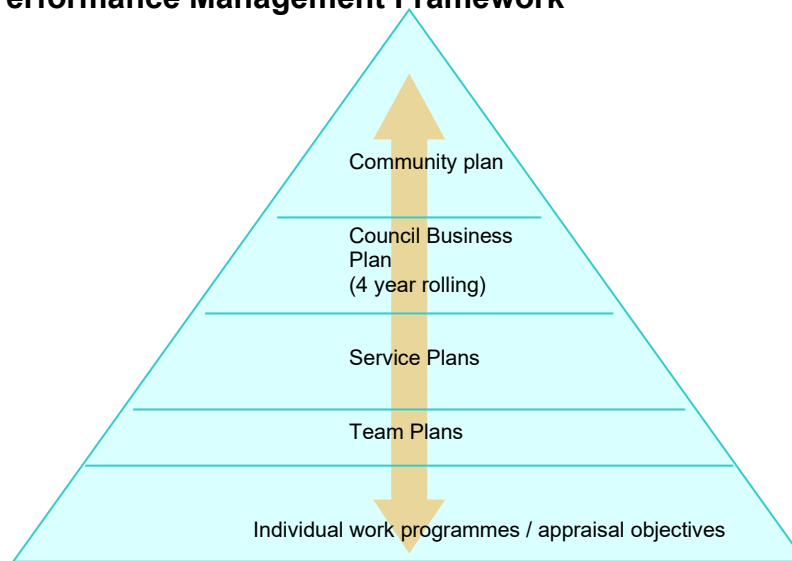
In order to formalise and structure risk management, it is recognised there is an obvious and clear link with the business planning process and therefore risk management sits within the Financial Strategy and Capital team.

**Corporate Risks – corporate risks not contained on the KSRR are normally incorporated into either the Innovation and Change or Financial and Digital Directorates (previously Corporate Services) where and appropriate risk owner will be identified.**

## SECTION 4

The overall council Business Plan, incorporating the individual service plans, sets out what a team, division, department, or the council as a whole, want to achieve within a specific time frame, as shown below.

### Merton Performance Management Framework



- CMT is ultimately accountable for delivering the council's Business Plan therefore they are responsible for monitoring and reviewing the KSRR.
- DMTs are responsible for their own services' risk registers.
- Divisions or teams are responsible for their own risk registers, if applicable.

It is important that risks identified and assessed at an operational level can be escalated to a departmental or corporate level. However, because a risk may have a great impact on a team it does not necessarily follow that it may have the same impact on the department, or the organisation as a whole.

Ultimately, it is the respective management team which decides if a risk is an appropriate inclusion on its risk register.

### Scoring Risk

When determining a score for service level risks, definitions of likelihood and impact of risk should be used in conjunction with the matrix below. Therefore, if the likelihood of a risk is 4, significant, (occurs or likely to occur more than 25%, and up to 50% of the time) and the impact is 3, serious, (service provision - service suspended short term) – then the risk rating will be 12 (4x3) which is amber.

### Definition of the Likelihood of Risk

Classification	Definition
6 - Very High	Occurs or likely to occur more than 90% of the time
5 - High	Occurs or likely to occur over 50% of the time
4 - Significant	Occurs or likely to occur over a 25% of the time
3 - Possible	Occurs or likely to occur less than a 25% of the time
2 - Low	Occurs or likely to occur less than 5% of the time
1 - Almost Impossible	Occurs or likely to occur less than 1% of the time

### Definition of the Impact of Risk

Categories	1 - Marginal	2 – Moderate	3 - Serious	4 - Very serious
<b>Financial Impact – FI</b>	£100k - £500k per annum	£500k - £1m per annum	£1m - £5m per annum	Over £5m per annum
<b>Service Provision - SP</b>	Reduced service	Significant reduction	Service suspended short term	Service suspended long term / statutory duties not delivered
<b>Health and Safety - HS</b>	Broken bones / illness	Major illness / threat not life threatening	Loss of life / major illness	Major loss of life / large scale illness (pandemic)
<b>Objectives - O</b>	Objectives of one service area not met	Departmental objectives not met	Corporate objectives not met	Statutory objectives not met
<b>Reputation - R</b>	Adverse local media lead story short term	Adverse local media story long term. Adverse national publicity short term.	Adverse national publicity longer term	Remembered for years

### Risk Matrix

<b>Likelihood</b>	<b>6</b>	<b>6</b>	<b>12</b>	<b>18</b>	<b>24</b>	<b>Likelihood</b> 6. Very high 5. High 4. Significant 3. Possible 2. Low 1. Almost impossible	<b>Impact</b> 4. Very Serious 3. Serious 2. Moderate 1. Marginal
	<b>5</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>		
	<b>4</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>		
	<b>3</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>12</b>		
	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>		
	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>			

### Reporting and escalating risks

All risks on individual service risk registers are reviewed at Departmental Managers Team (DMT) meetings with particular attention given to red or increasing amber risks.

Risks are also checked for any cross-cutting implications. If the risk is high scoring and/or could have an impact across the organisation, then it must be included in Key Strategic Risk Register, which contains risks which could have a detrimental impact across the whole organisation should they occur.



## SECTION 4

### Monitoring and Managing

During the year, new risks will arise that have not previously been considered and there may be changes to existing risks. Therefore the risk registers need to be regularly managed, with risk owners re-assessing their risks, re-scoring them if appropriate, and providing sufficient narrative in respect of the Control Measures they have in place (ie the actions which they are taking to mitigate against the risk). The reviews of risk registers should be managed by exception. The reporting cycle as detailed below, takes place during April, July, October and January.

Quarterly (1 <sup>st</sup> Week)	Quarterly (2 <sup>nd</sup> Week)	Quarterly (4 <sup>th</sup> Week)	Annually	Annually
DMT – review operational service risks and propose KSRs as per the definitions of likelihood and impact for crosscutting risks	Corporate Risk Management Group (CRMG) – review service risks and proposed KSRs	CMT – identify and review KSRs	The Strategy is presented to Cabinet (Feb) and Council (March) for Review and Approval as part of the Budget Process	Standards and General Purposes Committee- provide independent oversight of the adequacy of the risk management framework and KSR's

All risks are reviewed according to the quarterly cycle shown above, with a particular focus upon red risks, and also upon amber risks which have increased their risk score since the previous quarterly review.

Removal of any risks from the registers must be approved by DMTs and CRMG prior to being presented to CMT. CRMG will only approve removal of a risk if it is scored green for a minimum of two consecutive reporting cycles (i.e., two quarters). There are otherwise no rigid guidelines for dropping risks from the registers because clear parameters are not always possible. A decision is sometimes taken to keep a low-scoring risk in view on the basis that its status might change over a short period, or so those with an assurance role can be confident mitigation against a risk can be sustained.

A flowchart showing how service, departmental, corporate and partnership risks are escalated and reported is shown on the final page of this Strategy.

### Roles, Responsibilities and Governance

#### Councillors

Elected councillors are responsible for governing the delivery of services to the local community. Councillors have a responsibility to understand the key risks the council faces and will be made aware of how these risks are being managed through the annual business planning process. All Councillors will have a responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the plans and reports submitted to them.

## SECTION 4

### **Chief Executive and CMT**

The Chief Executive and CMT are ultimately accountable in ensuring that risk management is fully embedded in the council's business planning and monitoring processes as well as having overall accountability and responsibility for leading the delivery of the council's Risk Management Strategy and Framework. **They are responsible for reviewing the Key Strategic risks.** CMT will take a leading role in the risk management process, ensuring that risk management is communicated, understood and implemented by Councillors, managers and staff. CMT will also play an important role in establishing a supportive culture.

CMT will submit a annual report on **the key strategic risks** to the Standards and General Purposes Committee and **an annual report to Cabinet.**

### **Executive Directors**

Each **Executive** Director is accountable for proper monitoring of their departmental risk register, action plans and the embedding of risk management into the business planning process of their **department.** They will be actively involved in the risk management process within their department and CMT, including nominating an appropriate Risk Champion for their department.

**Executive** Directors are also accountable and responsible for leading the delivery of the council's Risk Management Framework in their respective **Department.** **Alongside their DMT colleagues they monitor their Risk Registers on a regular, usually quarterly basis.**

**Executive Directors will:**

- **Work with their departmental management team to scan the horizon, put in place early warning mechanisms, and to take an overview of risk within their department**
- **Use information about risks to inform decisions, develop strategy and implement policy**
- **Champion and embed proactive, enabling and robust risk management practices within their department, in line with the risk management strategy**
- **Review and monitor risk appetite for their department**
- **Lead strategies to address corporate risks within their department**
- **Ensure risk registers are held for any major programmes and projects**
- **Assign responsibility for managing and controlling specific risks**
- **Serve as the primary link between risks emerging at the department level and the key strategic risk register, cascading risks up and action down**
- **Monitor the implementation and efficacy of risk management within their department**

### **Section 151 Officer / Internal Audit**

The Section 151 officer and Internal Audit will be responsible for carrying out independent reviews of the risk management strategy and processes. They will provide assurance and give an independent and objective opinion to the council on the adequacy of its risk management strategy, control procedures and governance. **The section 151 officer will chair the CRMG group.**

## SECTION 4

An annual Audit Plan, based on a reasonable evaluation of risk, will be carried out and an annual assurance statement will be provided to the council based upon work undertaken in the previous year. **Internal Audit will: -**

- Use risk assessments to inform its annual audit plan;
- Carry out risk-based audits, evaluating controls and providing an opinion of levels of assurance; carry out audits to test the suitability and implementation of the risk management framework; and
- Make recommendations for improving risk management practices

### **Risk Champions**

Risk champions will work with their Director, Heads of Service, Managers and Team Leaders to ensure the RM Strategy and Framework is embedded in the **Department** and departmental planning, performance, project and partnership management, offering support and challenge. They will also represent their **department** at CRMG meetings.

Risk Champions will ensure that risks are identified, assessed and scored correctly by the Risk Owners, offering advice and guidance where appropriate. They will also challenge risk scores where they do not appear to be reasonable, or where they contradict the Control Measures narrative or the corporate Risk Scoring Guidance.

All Risk Champions will receive appropriate training to ensure that they can perform their role effectively. Training needs will be regularly evaluated.

### **Programme and Project Sponsors and Managers**

Programme and Project Sponsors and Managers are responsible for the development and review of the Project and Programme Risk Registers. They will:

- Embed risk management, in line with the Council's risk management framework, within the programme/project lifecycle to support project definition, approval, change control, decision making and delivery
- Agree risk appetite within the programme/project and the overall approach for managing and escalating risk
- Maintain a programme/project risk register and an overview of total risk exposure
- Align risks with programme/project objectives and outcomes
- Assign clear accountabilities for risk, including risk owners and risk action owners
- Put in place early warning mechanisms
- Communicate clearly risks to stakeholders and relevant governance boards, and ensure risk is comprehensively covered in project documentation, escalate risks to directors and senior managers where appropriate, and if the overall risk exposure or a specific risk is particularly serious, to the Key Strategic Risk Register
- Seek out expertise to help effectively identify and control risks
- Maintain records of historic and current risk registers forming an effective audit trail.

### **Service Managers**

Managers have a responsibility not only for the risks for which they are the risk owner, but are also accountable for those risks, within their service, which are owned / managed by others.

## SECTION 4

Service managers will:-

- Manage operational risk and the risks associated with policy implementation in accordance with the risk management framework;
- Escalate serious risks to the department and corporate levels as appropriate, as well as advise when operational risk may impact on project delivery;
- Take account of risk management issues when setting staff performance target

They are required to maintain an awareness of risk and ensure that any risks they identify are captured by the risk management process, understanding and responding to the key risks which could significantly impact on the achievement of their service and/or team objectives. Managers should encourage staff to be open about **discussing risk to support the identification of risks at an early stage and ensure** that appropriate mitigation actions and control measures can be **put in place**.

### **Risk Owners**

Risk owners are responsible for identifying and implementing appropriate actions which will mitigate against risks they own and reduce these risks to an level acceptable to the organisation. They are required to regularly review the effectiveness of their control measures and provide a formal update to DMTs and CRMG on a quarterly basis as part of the risk review cycle.

Risk owners will:-

- Seek out relevant expertise to help in the assessment of risk and appropriate control measures
- Review and report on the proximity and status of assigned risks
- Escalate risks to the department or corporate level as and when necessary
- Identify risk action owners for implementing control measures and ensure that they put in place actions to control risks, drawing on the advice of relevant experts; monitor risk and control measures and feedback on the progress in implementing controls and their efficacy.

### **Individual Employees**

Individual employees need to have an understanding of risks and consider risk management as part of their everyday activities, identifying risks deriving from their everyday work, processes and environment. Risks which could impact on service delivery, the achievement of objectives, or their own or others' wellbeing must be identified and actively managed, with mitigating actions in place where appropriate.

All staff should

- Understand the Council's approach to risk management
- Make active and effective use of risk management
- Escalate risks to the project, department or corporate level as appropriate
- Provide feedback on the usefulness of the risk management framework.

### **Financial Strategy and Capital Team**

The **financial strategy and capital** team is responsible for ensuring that risk management is embedded throughout the council, as well facilitating and supporting the risk management process and supporting risk owners.

## SECTION 4

The team will

- **Ensure** risk management **guidance** and intranet pages remain up to date and relevant,
- **Maintain and administer the Key Strategic risk register and support the Corporate Management Team in ensuring it is comprehensive and accurate**
- **Keep abreast of best practice and draw on Internal Audit recommendations to review and coordinate improvements to the risk management framework;**
- **Communicate and promote the risk management framework,**
- **Be available to provide support to those undertaking risk management;**
- **Promote, integrate and reinforce risk management within other disciplines, in particular project governance and management and decision making**

In addition, the **financial strategy and capital team** will ensure risk is part of the annual service planning process, facilitate the CRMG meetings, and submit strategic updates and reports on risk management to CMT, Cabinet, **Standards and General Purposes Committee** etc. as required.

### **Corporate Risk Management Group**

The Corporate Risk Management Group will provide strategic direction and leadership to ensure our risk strategy is maintained and updated and that risks are appropriately identified and managed within the organisation. It will provide a forum for the detailed discussion and monitoring of organisational risks for the benefit of the council, its staff and the wider community.

CRMG will strive to ensure that the risk management framework is embedded within the council's overall strategic and operational policies, practices and processes in a consistent and standardised manner.

In addition, it will provide assurance that all risk systems and processes are operating effectively to minimise the Council's overall exposure to risk. The headline departmental risks and planned mitigation activity reported by each department will be discussed by CRMG on a quarterly basis. CRMG will then report its conclusions and recommendations for discussion at CMT.

### **Cabinet**

Cabinet will receive reports on the risk management strategy to determine whether corporate risks are being actively managed. They are responsible for agreeing the strategy on an annual basis, or when significant changes are made, and to report to full Council on the adequacy of the risk management framework.

### **Standards and General Purposes Committee**

**The Standards and General Purposes Committee is responsible for monitoring the effective development and operation of risk management. Its role is to provide an independent oversight of the adequacy of the risk management framework and the associated control environment. Annual reports will be provided regarding the KSRR in order that the committee can determine whether strategic risks are being actively managed.**

On an annual basis, the committee will review and recommend the adoption of the risk management strategy to cabinet, or if significant changes are identified, to request a revision.

## SECTION 4

### **Risk management in committee reports**

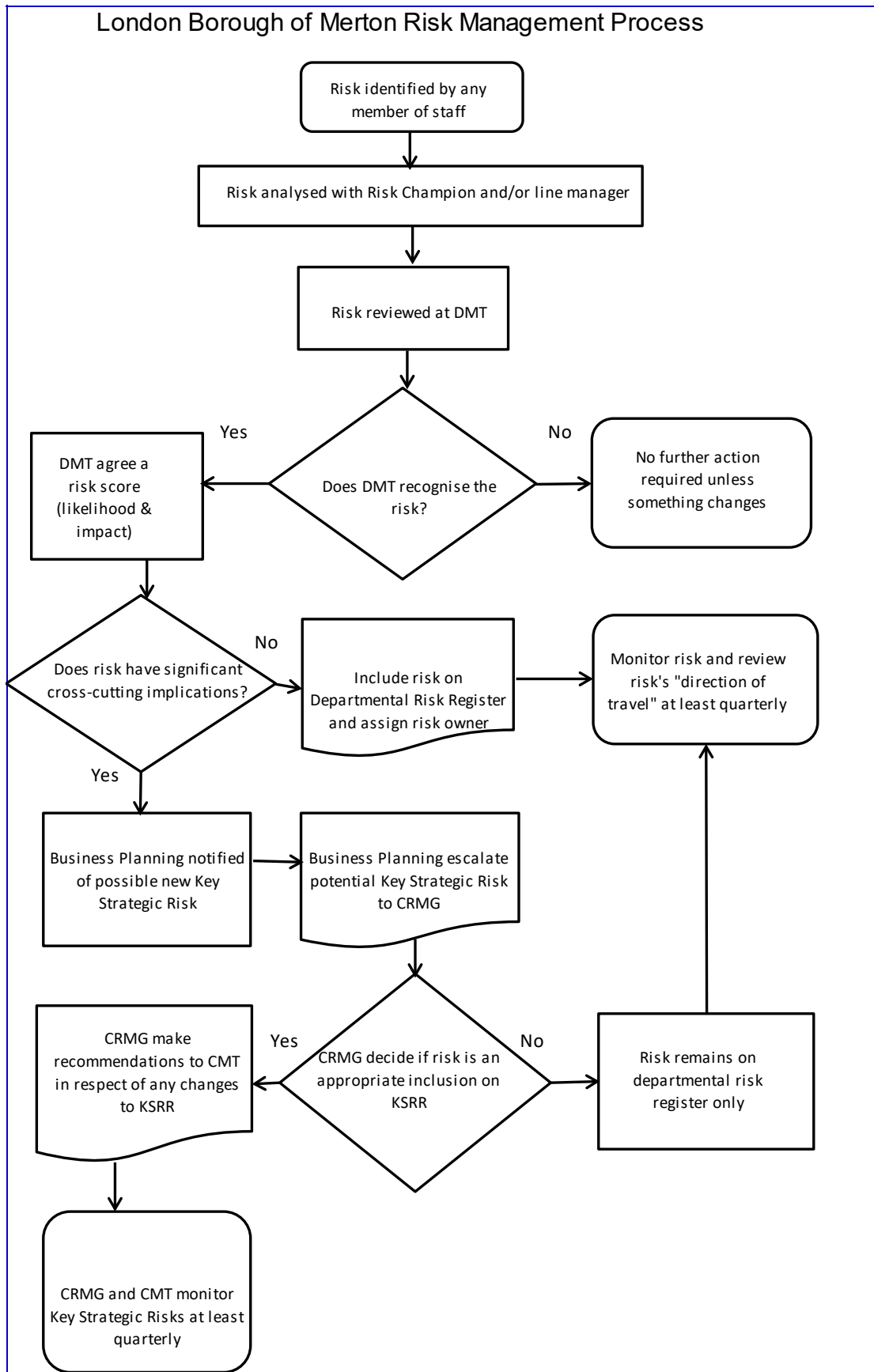
When a report is submitted to a committee the author is required to complete a section on Risk Management and Health and Safety Implications. The committee should be informed of any significant risks involved in taking a recommended course of action, or if it decides not to follow the recommended course of action. The risk assessment should follow the corporate risk management procedures and be scored using the risk matrix. The report should also give details of any control measures (either proposed or existing) to manage any significant risks identified. Where appropriate, reference should be made to any existing risk(s).

Report authors are advised to consult with the **Financial Strategy and Capital** team or their departmental Risk Champion, for further advice and to propose any risks to be considered for inclusion in the departmental or KSRR.

### **Risk Management Practice during Extraordinary Events**

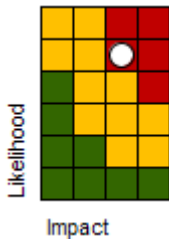



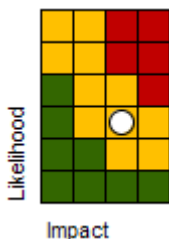






It is envisaged that the velocity of change during such an occurrence (i.e. Covid) will require the authority to maintain a separate risks and issues register to ensure an adaptable, flexible and frequent review to accurately track the movement of items. During these periods an additional risk log will be established, where by managers submit and update their risks directly via a secured, interactive shared portal (currently SharePoint). This information will then be reviewed and amended appropriately by senior management, DMTs, CMT and Members.

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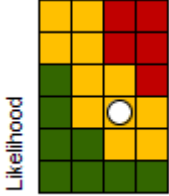


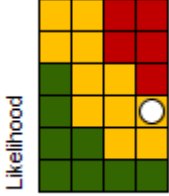






# SECTION 4 Risk Register ~ Key Strategic Risks as at December 2022

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Graham Terry	ASC37/ KSR87 Fulfilling Statutory ASC Duties within Budget	Key Strategic Risk	Rising demand and cost creates financial pressures that cannot be contained within agreed budget control totals.	We are expecting high fee uplift demands as a result of increases in NWL, increases in NIC, heating and other costs. Current estimate £1.34m pa for Home Care and other community based services. Residential and nursing care is likely to be at least another £1m  The complexity of care packages often means 'usual' rates do not effectively cover all individual needs.  Demand for services continues to increase.	Providers deciding to leave the market -increased costs of placements.  Unfunded in-year budget pressures  Additional legal costs  Damage to reputation  Increase in complaints-			15  21-Dec-2022	Close liaison with provider market locally to get early warning of any financial distress. - Continued robust operation of Outcomes Forum to <b>support strength based practice .and quality assurance.</b> - Case File Audit programme to include review of decision making in respect of <b>care and support plans and quality of practice.</b> - Using additional short-term resource to undertake scheduled annual reviews in order to <b>ensure that packages continue to meet the needs of the person.</b> - Continuing investment in prevention activities.	21 Dec 2022
								15  30-Sep-2022		
								15  02-Aug-2022		
Keith Burns; Graham Terry	ASC38/ KSR88 Integration of Health and Social Care at Place	Key Strategic Risk	Integration of Health and Social Care at Place is ineffective, reducing the quality of service to our residents and increasing the risk of cost shifting from health to the LA	Integrated Care Systems (ICS) are newly constituted NHS bodies under the Health & Social Care Act. The ICS is responsible for delegation of NHS funding to Place Based Boards and there is an expectation the LA delegates ASC budgets to place to support better integration. There is risk that the place based delegation of budgets, financially constrains integration at a local level. There is also relational risk between LA and local health partners	Break down in relationship between LA and health with the consequence that integration is ineffective, stalls or breaks down. Delegation of ICS budgets to Merton a place are negatively disproportionate in comparison to the rest of SWL and therefore having a negative impact on the ability to integrate effectively			9  20-Dec-2022	- Continued proactive engagement with senior leadership team at ICS. - Strengthening relationships with place based senior leaders. - Robust presentation of LBM position (financial and quality) in all relevant conversations with ICS colleagues. - SWL DASS working to influence ICS for the broader good of Adult Social Care across the boroughs.	02 Aug 2022
								9  28-Sep-2022		
								9  02-Aug-2022		
Keith Burns	ASC39/ KSR89 Charging Reform, including Fair	Key Strategic Risk	Charging Reform, including the development of a Fair Cost of Care,	This element of national charging reforms does not lead to 'cost neutralisation' between the cost of care	De-stabilising the market and leading to providers leaving the market or remaining			4  20-Dec-2022	Implementation of new charging regime delayed until 2025.	20 Dec 2022
								16  28-Sep-2022		



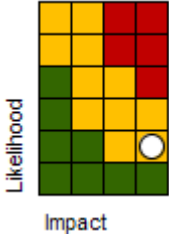




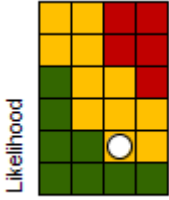






**SECTION 4**

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
	Cost of Care - Care Act Reforms		for implementation from October 2023 leads to a shortfall between the additional funding provided by Government and the actual additional cost generated as a result of the revised capital thresholds and other adjustments.	to the local authority and the equivalent cost to self funding residents. Leaving a significant gap in costs faced versus what counts towards the lifetime cap.  Insufficient central government funding of the reforms to effectively 'close the gap'  Leading to unsustainable funding situation either for providers or for the local authority	but exclusive to self funders or the Local Authority  Challenges to LA decision making/process when an individual reaches the lifetime cap and transitions to LA funded support Significant budget pressures.			16  02-Aug-2022	Analysis of potential costs / risks commissioned from specialist 3rd party organisation.  Continued lobbying of Government via ADASS / LGA / Society of London Treasurers regarding funding.	
Page 515 Lisa Hewitt; Claire Migale; Gill Moore	ASC41/ KSR90 Adult Safeguarding	Key Strategic Risk	Serious safeguarding incident leading to serious injury or loss of life creates significant legal / reputational consequences for the Council.	Serious failing in safeguarding duties resulting in harm to vulnerable people and/or a notable, high profile or systemic safeguarding incident or Serious Case Review that draws significant reputational harm to the borough  Resulting from system failings in safeguarding duties under the Care Act and associated legislation e.g. Mental Capacity, Mental Health Act or Deprivation of Liberty Safeguards (and subsequently Liberty Protection safeguards)	Serious incidents of harm/abuse of vulnerable adults, including deaths or multiple deaths. Reputational damage to LBM and it's ASC department. SoS intervention in department CQC intervention		 <p>Likelihood Impact</p>	9  21-Dec-2022	Ongoing training and development for social care staff, including new and interim staff.  Continued robust implementation of, and compliance with, London Multi-Agency Safeguarding Policy and Procedures  Case File Audit programme to review current practice and areas for improvement.  Robust SAB Chairing and support arrangements.	08 Aug 2022
								9  28-Sep-2022		
Louise Round	CG05 / KSR79 Data Protection Compliance	Key Strategic Risk	We may fail to comply with the requirements of Data Protection legislation	- inappropriate processing, use, retention, access or inaccuracy of data - staff insufficiently aware of requirements of Act and other legislation	Harm to service users, through breach of privacy (could result in physical harm); loss of services; damage to reputation; financial impact on council through ICO fines; key stakeholders lose confidence & may not share data with the council	FI & R	 <p>Likelihood Impact</p>	12  09-Dec-2022	The council is still in the process of reviewing all data protection policies and privacy notices to ensure they are fully compliant with the relevant legislation; A new DPIA template has is being finalised with a view to make it an eform to ensure that privacy risks are more effectively captured and managed in the procurement and project management process.. Robust security incident policy & reporting with quarterly security	09 Dec 2022
								12  05-Dec-2022		
								12  28-Jun-2022		
								12  28-Mar-2022		

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
									breach report submitted to IG Board. A records and retention project is underway to produce a retention policy and finalise departmental/team ROPAs The Information Asset Register has been reviewed by the Records Retention Project manager as part of their work with recommendations being put forward to the IG Board meeting on the 5/1/23, The new legal assistant in SLLP will be tasked to chase IA owners to update the register where there are gaps or where IA owners need to be amended. Cyber Ninja training (replacing NG1) should have been completed by most staff by the end of October 2022 and those that have not completed should be being chased by their managers. Data Confident (replacing NSG 2and 3) is in the process of being rolled out to those who need to do the course. Audit is carrying out their review with regards SharePoint permissions.  New Interim IG ,manager in post dealing with Data breaches and looking to improve access to information on the intranet for staff on IG													
John Dimmer; Jane McSherry	CPI41 / KSR53 Equalities duties	Key Strategic Risk	We may be in breach of Equalities legislation regarding new policy development, designing services and decision making (formerly RE11)	- insufficient evidence to demonstrate how equalities implications have been considered	- reputational impact for council - risk of judicial review & litigation - negative impact on service users - loss of savings.	R		<table border="1"> <tr> <td>9</td> <td></td> <td>19-Dec-2022</td> </tr> <tr> <td>9</td> <td></td> <td>16-Sep-2022</td> </tr> <tr> <td>12</td> <td></td> <td>24-Jun-2022</td> </tr> <tr> <td>12</td> <td></td> <td>16-Mar-2022</td> </tr> </table>	9		19-Dec-2022	9		16-Sep-2022	12		24-Jun-2022	12		16-Mar-2022	EIAs for savings proposals  The draft Equality Diversity and Inclusion strategy is going to CMT 20 December and LSG 4 January. Currently good progress being made and therefore risk remains at 9.  A suite of L&D EDI training resources is being	19 Dec 2022
9		19-Dec-2022																				
9		16-Sep-2022																				
12		24-Jun-2022																				
12		16-Mar-2022																				

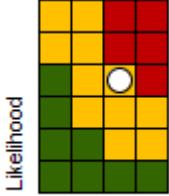












SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
									<p>procured to improve managers and staff knowledge and understanding of EDI considerations.</p> <p>Continuing to progress the WRES in Adult Social Care pilot.. The final data submission is April 2023.</p> <p>A steering group to begin planning Merton's commemoration of the 75th Windrush Anniversary was held 15 November.</p> <p>Discussions held with community reps, Merton Connected and NHS in November on a plan to refresh the LGBTQ+ Forum.</p>	
Page 517 Jane McSherry	CSF01 / KSR35 Safeguarding children	Key Strategic Risk	We fail to assess risk, recognise need and to deliver effective interventions	Because of: - Rise in demand - Lack of capacity at front door at meet rising demand - Recruitment issues to attract new social workers - Partners not referring into MASH	Resulting in: - Child protection & safeguarding consequences including possible child death or serious harm. - increasing costs due to "high cost" interventions - undermining of the Merton Model	R		8  20-Dec-2022	Robust supervision, regular review of performance information and audit processes in place to ensure effective safeguarding practice.  Recruitment of additional resource at times of acute demand increases.  Reviewed at December 2022, control actions remain in place.	20 Dec 2022
								8  28-Sep-2022		
								8  24-Jun-2022		
								8  01-Apr-2022		
Charles Baker; John Bosley	ER112 / KSR73 Waste disposal budget (Viridor)	Key Strategic Risk	We may be unable to meet financial budget for waste disposal	- Waste may not be adequately disposed of - Delays in moving over to ERF - Increase in waste forecasted - Reduction in recycling - Insufficient budget to cover disposal costs COVID19/Brexit - recycling and RDF facilities may become harder to access in Europe	- increased costs for waste disposal - operational difficulties - performance may be affected (more landfill, less recycling and more missed bins) - political and reputational impact	FI/R/O		6  29-Sep-2022	New procurement completed for the processing and disposal of garden and food waste . this will see reduced gate fees for each of these waste streams. These two contracts went live in sept 2022 and no operational issues reported. Note in excess of £600k has been taken in savings over the last 5 years in regard to reduced disposal cost.	29 Sep 2022
								6  27-Jun-2022		
								6  23-Mar-2022		
								6  14-Dec-2021		
Charles Baker;	ER132 / KSR 81	Key	Veolia may fail to	- insufficient capacity	- reputational damage	R		9  29-Sep-2022	A Service Improvement	29 Sep

**SECTION 4**

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
John Bosley	Waste services contractor	Strategic Risk	deliver the street cleaning and/or waste collection services to the standard required by their contract	(Veolia) - disputed areas of responsibility - financial impact of recycling market changes which adversely affect Veolia - lack of ICT integration and real time information - poor management by Veolia	to the Council - negative environmental impacts - negative public health impacts			<table border="1"> <tr> <td>9</td> <td></td> <td>27-Jun-2022</td> </tr> <tr> <td>9</td> <td></td> <td>23-Mar-2022</td> </tr> <tr> <td>9</td> <td></td> <td>14-Dec-2021</td> </tr> </table>	9		27-Jun-2022	9		23-Mar-2022	9		14-Dec-2021	Notice has been served on the contractor especially regarding street cleansing standards. Governance structure in place with Fortnightly Board meeting chaired by the CEO  NEW EMERGING RISK confirmation issued to Veolia that we will not be seeking an extension to the contract.	2022			
9		27-Jun-2022																				
9		23-Mar-2022																				
9		14-Dec-2021																				
Paul McGarry	ER153/ KSR84 Implementation of the Climate Action Plan	Key Strategic Risk	May be unable to implement a fit for purpose action plan	Due to the complexities and uncertainties of achieving decarbonisation, there are a number of potential causes: (a) National policy framework is uncondusive to local action (either through an ineffective policy framework of through lack of finance) (b) Lack of robust evidence/ expertise to assess greenhouse gas emissions and track progress (c) The estimated costs of implementing the actions are very high or very uncertain (d) Lack of control over the majority of emissions and therefore a reliance on behaviour change of Merton's residence and businesses (e) Lack of commitment/ resources of key Officers in all departments who would need to commit to actions and subsequently implement them	Failure to get an action plan which was fit for purpose may result in Merton not playing its part in mitigating the dangerous effects of climate change – as set out in the declaration of a climate emergency that was unanimously passed at Council. It would also mean not delivering against commitments set out in the (revised) Climate Change Act and the Mayor's 1.5 degree compatible climate action plan. This may result in a loss of public confidence and reputation damage for Merton council.	FI/ R	 Likelihood Impact	<table border="1"> <tr> <td>16</td> <td></td> <td>17-Oct-2022</td> </tr> <tr> <td>16</td> <td></td> <td>27-Jun-2022</td> </tr> <tr> <td>16</td> <td></td> <td>23-Mar-2022</td> </tr> <tr> <td>16</td> <td></td> <td>14-Dec-2021</td> </tr> </table>	16		17-Oct-2022	16		27-Jun-2022	16		23-Mar-2022	16		14-Dec-2021	Recruitment severely affecting capacity to deliver climate strategy and action plan. Despite full funding and posts and attempts via permanent and agency recruitment all through 2022, the following posts remain vacant:  <ul style="list-style-type: none"> <li>• 3 out of 5 posts in Future Merton climate change team, including those for resident and business retrofit support</li> <li>• Facilities Management buildings surveyor post.</li> <li>• Fleet management carbon reduction post</li> </ul>	17 Oct 2022
								16		17-Oct-2022												
								16		27-Jun-2022												
16		23-Mar-2022																				
16		14-Dec-2021																				
<table border="1"> <tr> <td>16</td> <td></td> <td>02-Dec-2022</td> </tr> <tr> <td>16</td> <td></td> <td>11-Oct-2022</td> </tr> <tr> <td>16</td> <td></td> <td>11-Oct-2022</td> </tr> <tr> <td>16</td> <td></td> <td>17-Mar-2022</td> </tr> </table>	16		02-Dec-2022	16		11-Oct-2022	16		11-Oct-2022	16		17-Mar-2022	No change in the risk rating over this current review period.	02 Dec 2022								
16		02-Dec-2022																				
16		11-Oct-2022																				
16		11-Oct-2022																				
16		17-Mar-2022																				
Mark Humphries; Richard Warren	IT30/ KSR83 Risk of Cyber attack on the Council's IT Infrastructure and Systems	Key Strategic Risk	Cyber attack		Financial, Reputational, Loss of Service – All of these areas would potentially be very severely impacted and affected.	R	 Likelihood Impact	<table border="1"> <tr> <td>16</td> <td></td> <td>02-Dec-2022</td> </tr> <tr> <td>16</td> <td></td> <td>11-Oct-2022</td> </tr> <tr> <td>16</td> <td></td> <td>11-Oct-2022</td> </tr> <tr> <td>16</td> <td></td> <td>17-Mar-2022</td> </tr> </table>	16		02-Dec-2022	16		11-Oct-2022	16		11-Oct-2022	16		17-Mar-2022	No change in the risk rating over this current review period.	02 Dec 2022
16		02-Dec-2022																				
16		11-Oct-2022																				
16		11-Oct-2022																				
16		17-Mar-2022																				



SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided												
Roger Kershaw	RE02 / KSR49 Corporate Business Plan & Balanced Budget	Key Strategic Risk	We may fail to develop a corporate Business Plan & set a balanced budget for 23/24 & beyond	<ul style="list-style-type: none"> <li>- Reduction in Government Grant</li> <li>- possible ongoing effect of COVID;</li> <li>- high level of inflation and utilities costs</li> <li>- ensuring DSG deficit is cleared</li> </ul>	<ul style="list-style-type: none"> <li>- negative impact on service provision</li> <li>- damage to council reputation</li> <li>- negative impact on staff morale</li> <li>- dissatisfaction of internal &amp; external customers</li> </ul>	FI		<table border="1"> <tr> <td>12</td> <td></td> <td>20-Jan-2023</td> </tr> <tr> <td>18</td> <td></td> <td>16-Sep-2022</td> </tr> <tr> <td>18</td> <td></td> <td>24-Jun-2022</td> </tr> <tr> <td>18</td> <td></td> <td>08-Mar-2022</td> </tr> </table>	12		20-Jan-2023	18		16-Sep-2022	18		24-Jun-2022	18		08-Mar-2022	Officers have been working hard to reduce the MTFS gap and have presented reports to Cabinet in October 2022, December 2022 and January 2023 detailing the latest information available. Reports have included details on the provisional local government finance settlement and set out proposals for growth and savings which are currently subject to scrutiny. The MTFS gap has been reduced and a balanced budget is currently forecast for 2023/24 and 2024/25. Concerns remain however about the current cost of living crisis and high level of inflation which are a risk.	20 Jan 2023
12		20-Jan-2023																				
18		16-Sep-2022																				
18		24-Jun-2022																				
18		08-Mar-2022																				




# SECTION 4 Issues Register ~ Key Strategic Issues as at December 2022

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Elizabeth Fitzpatrick	CSF24/ KSR85 Supporting Children with additional needs	Key Strategic Issue	Lack of places for children & young people with EHC Plans leading to an over reliance on non-maintained and independent schools and settings.	-Increase in demand for our services across Children's Social Care and Education (SEND) Insufficient funding from central government leading to a cumulative deficit of circa. £25m.	DSG deficit of £25m is preventing investment in other council services. The budget deficit is growing as the council continues to provide statutory services.	R		16  20-Dec-2022	<p>Focussed cross-council activity to develop suite of proposals to re-balance budget and create a sustainable high-needs system.</p> <p>We have opened new special school places in borough in Sept 2022 with 40 places filled and a further 40 for future need. We have in principle agreement from DfE to fund a new special school in borough.</p> <p>Reviewed at December 2022, control actions remain in place.</p>	20 Dec 2022
								16  28-Sep-2022		
								16  24-Jun-2022		
								16  01-Apr-2022		
Liz Hammond	HR07/ KSR91 *NEW* Recruitment and Retention of Staff	Key Strategic Issue	Difficulty recruiting and retaining staff	It is a candidate led market at the moment and all organisations are struggling to recruit. Candidates are also looking for high levels of flexibility from their employers. Unemployment rates are very low and there are more jobs being advertised than people available	Inability to attract and retain good quality candidates/staff. Service delivery could be affected	SP - Service Provision		12  19-Jan-2023	<ul style="list-style-type: none"> <li>Pay and Benefits Review – not yet started but will be an 18 month project once it commences</li> <li>Additional support in the recruitment team to enable the team to take on a more proactive search role in difficult to recruit to positions – budget agreed but need to recruit to this role, recruitment to commence early February 2023</li> <li>Engage a branding specialist to help us to portray Merton as an employer of choice – June 23</li> <li>Improvements to be made to the current recruitment site to ensure that we are attractive to the recruitment market and portray professional recruitment pages – this is in part dependent on the work we need to do on our recruitment brand and will</li> </ul>	19 Jan 2023

SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Page 521									<p>be end of 2023 before fully delivered, incremental improvements will be seen throughout the year</p> <ul style="list-style-type: none"> <li>• Recruitment apprentice to help us deal with the level of candidates going through recruitment clearance – recruitment to commence early February 2023</li> <li>• Expand our use of social media channels to help widen our recruitment net – May 23</li> <li>• Our People and Culture plan also contains the following actions:               <ul style="list-style-type: none"> <li>- Create the framework to enable Managers to provide a buddying system for new staff – March 23</li> <li>- Create interactive tools to enable staff to engage and provide feedback – Autumn 23</li> <li>- A new learning management portal now contains 100s of on line training materials, together with an extensive range of ED&amp;I training which will include training for Aspiring Managers. In essence the training now available for staff has been and continues to be greatly enhanced</li> </ul> </li> </ul>	
	Ellis Kelly; Roger	RE16 / KSR61 Annual Savings	Key Strategic	Failure to deliver the savings that	We are unable to achieve some of our	- we are currently delivering approx. 57%	FI		18  09-Dec-2022	CMT are routinely monitoring the delivery of

# SECTION 4

Risk Owner	Code & Name	Risk or Issue	Risk Description	Cause(s)	Consequence(s)	Impact code	Matrix	Current Score & Review History	Control Actions	Date provided
Kershaw	Programme	Issue	have been built into the MTFS	planned savings due to the changing financial and economic environment facing the Council and its residents.	of our 22/23 savings - adverse impact on the authority's ability to balance its budget in the medium to long term - gap is larger than the contingency - we are required to reinstate reserves			18  30-Aug-2022	savings built into the MTFS No change to risk score	
								18  15-Jun-2022		
								18  08-Mar-2022		