



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

AUDIT **JOINT MEETING WITH JOINT** **SCRUTINY**

2.00 pm WEDNESDAY, 29TH JANUARY, 2020

COUNCIL CHAMBER

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Any reference documents referred to but not published as part of this agenda can be found on the Council's website or intranet under Background Papers

AGENDA

1. Apologies for absence
2. Declarations of Interest

Members are reminded of their personal responsibility to declare any personal and prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government and Finance Act 1992

relating to Council Tax, the Local Government Act 2000, the Council's Constitution and the Members Code of Conduct

Note:

(a) Members are reminded that they must identify the item number and subject matter that their interest relates to and signify the nature of the personal interest and

(b) Where Members withdraw from a Meeting as a consequence of the disclosure of a prejudicial interest they must notify the Chair when they leave

3. Revenue Budget 2020/21

To consider report of the Interim Chief Executive **3 - 30**

4. Any other business deemed urgent by the Chair

COMPOSITION:	Councillors	C T Jones (Chair) D Roberts (Vice-Chair)
	Councillors:	J Amos, J Davies, G Lewis, D Sammon, C Tovey and J Thomas
	Lay Member(s):	R Williams
		Together with appropriate officers

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Civic Centre, Castle Street,
Merthyr Tydfil CF47 8AN

Main Tel: 01685 725000

www.merthyr.gov.uk

AUDIT COMMITTEE REPORT

Date Written	13 th January 2020
Report Author	Steve Jones
Service Area	Finance
Committee Date	29 th January 2020

To: Chair, Ladies and Gentlemen

Revenue Budget 2020/21

1.0 SUMMARY OF THE REPORT

- 1.1 The Provisional Welsh Local Government Settlement was announced on 16th December 2019 and resulted in a significant funding increase of 4.85% for Merthyr Tydfil for the 2020/21 financial year.
- 1.2 The Medium Term Financial Plan 2019/20 to 2022/23 was approved at Council of 4th March 2019 and indicated a projected budget deficit of £8.175 million for 2020/21 and a projected cumulative budget deficit of £15 million for the period 2020/21 to 2022/23.
- 1.3 Owing to the uncertainty governing projections for future year settlements this report focuses solely on the 2020/21 Budget with the Medium Term Financial Plan implications to follow in subsequent reports to Cabinet and Council
- 1.4 A provisional Budget requirement of £127.826 million for 2020/21 is proposed after taking into account the implications of the Provisional Settlement, net additional demands, service budget reductions, corporate budget reductions, contribution to reserves and the prospect of further financial commitments.
- 1.5 The provisional Budget for 2020/21 assumes a Council Tax increase of 5.99%, reflecting that approved for 2019/20.
- 1.6 The Final Local Government Settlement is due to be announced on 25th February 2020 with no significant revisions anticipated.

2.0 RECOMMENDATIONS that

- 2.1 The content of this report be discussed and noted.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Provisional Local Government Settlement for 2020/21 was announced on 16th December 2019 and is governed by the following characteristics:
- A total revenue funding increase for all Welsh Local Authorities of 4.28% (£184 million) from an adjusted 2019/20 base of £4.290 billion to £4.474 billion
 - A revenue funding increase for Merthyr Tydfil of 4.85% (£4.5 million) from an adjusted 2019/20 base of £92.3 million to £96.8 million
 - Merthyr Tydfil's revenue settlement is ranked 4th best of all 22 Welsh Local Authorities
 - Funding formula and dataset changes have maintained Merthyr Tydfil's position in the top quartile of Welsh Local Authority revenue settlements for 2020/21 (2nd best in 2019/20)
 - Former specific grants, including Teachers' Pensions and Teachers Pay totalling £53.2 million, previously held outside of the revenue settlement, are transferred into the settlement with Merthyr Tydfil's proportion totalling £1.02 million
 - The Social Care specific grant, held outside of the revenue settlement, has increased from £30 million to £40 million, with Merthyr Tydfil's share increasing from £642,000 to £856,000
 - No indicative revenue settlement for the following year is provided by the Welsh Government
- 3.2 The summary Provisional Revenue Settlement for 2020/21 is included as Appendix 1 with changes to key data sets included as Appendix 2. The Final Local Government Settlement is to be announced on 25th February 2020 with no significant revisions anticipated.
- 3.3 The significant funding increase for Welsh Local Authorities for 2020/21 reflects the Chancellor of the Exchequer's Spending Round Announcement in September 2019 committing an increase of £593 million to the Welsh Government's Budget for 2020/21. The Wales Fiscal Analysis however, in its paper "*Analysis of the Welsh Government Draft Budget 2020-21*" of December 2019 recommends caution in deliberations in respect of projections for future year settlements stating "*Austerity is over – for now*".

- 3.4 This report reflects revisions to the MTFP with the main focus being the provisional Revenue Budget for 2020/21. The revisions reflect the implications of the Provisional Settlement, net additional demands, service budget reductions, corporate budget reductions, contribution to reserves and the prospect of further financial commitments.

4.0 WHERE WE WERE

- 4.1 The summary Medium Term Financial Plan (MTFP) 2019/20 to 2022/23 approved by Council on 4th March 2019 is outlined in Table 1 and was based on the following key assumptions:
- Employee Pay Award of 2% per annum
 - Welsh Government funding reduction of 1% per annum for the period 2020/21 to 2022/23
 - Council Tax increase of 5.99% per annum over the term of the MTFP

Table 1 – MTFP Projected Budget Deficits 2019/20 to 2022/23

Description	Budget 2019/20 £'000	Indicative 2020/21 £'000	Indicative 2021/22 £'000	Indicative 2022/23 £'000
Education	47,469	48,955	49,723	50,544
Social Services	33,838	35,424	36,258	37,721
Neighbourhood Services	10,997	11,483	11,876	12,254
Community Regeneration	6,113	6,272	6,414	6,495
Central Services	7,252	7,444	7,643	7,977
Corporate Costs	14,624	19,713	21,755	23,118
Net Expenditure	120,293	129,291	133,669	138,109
Available Finance	-120,293	-121,116	-122,053	-123,109
Projected Budget Deficit	0	8,175	11,616	15,000

- 4.2 It is evident from Table 1 that the projected budget deficit was £8.175 million for 2020/21 and a projected cumulative £15 million for the 3 year period 2020/21 to 2022/23.

5.0 WHERE WE ARE NOW

5.1 Budget 2020/21

- 5.1.1 Owing to no indication from the Welsh Government of future year settlements together with the current uncertainty surrounding the implications of Brexit, the UK's economic outlook and the Westminster Government's future public sector funding commitments, this report focuses solely on the Budget for 2020/21. This will allow more informed future funding projections to be formulated over the coming weeks in readiness for the reporting of the MTFP to Cabinet and Council for consideration and approval.

5.1.2 As noted in Table 1 the indicative budget deficit for 2020/21 was reported as £8.175 million based on the assumptions contained within the MTFP. Table 2 demonstrates how the opening budget deficit for 2020/21 has been addressed

Table 2 – Revised Projected Budget Deficit 2020/21

Description	2020/21 £'000
Opening Budget Deficit	8,175
Implications of Provisional Settlement (Section 5.2)	-5,134
Net Additional Demands (Section 5.3)	384
Approved Service Budget Reductions (Section 5.4)	-2,059
Proposed Corporate Budget Reductions (Section 5.5)	-3,030
Reversal of Contribution from Budget Reserve (Section 5.6)	600
Contribution to General Reserves (Section 5.6)	300
Provision for Further Commitments (Section 5.7)	764
Revised Budget Deficit	0

5.2 Implications of Provisional Settlement

5.2.1 The Welsh Government's Provisional Local Government Settlement was announced on 16th December 2019 and resulted in a significant increase in Merthyr Tydfil's Aggregate External Finance (AEF) for 2020/21 of 4.85%. No indications were provided in respect of indicative future year settlements thus inhibiting Local Authorities' ability to effectively plan over the medium term.

5.2.2 The budget impact from the provisional settlement is detailed in Appendix 3 and summarised in Table 3 and demonstrates increased spending power of £5.134 million for 2020/21.

Table 3 – Implications of Provisional Settlement

Description	2020/21 £'000
Aggregate External Finance (AEF)	-6,419
Council Tax Base	-291
Net Transfers In to the Settlement	1,576
Net Implications of Provisional Settlement	-5,134

5.2.3 The AEF consists of the total of Revenue Support Grant (RSG) and Redistributed Non Domestic Rates and is the funding received from the Welsh Government through the annual Welsh Local Government Settlement. It is evident from Table 3 that this funding is significantly greater at +4.85% than that budgeted for at -1%. This

increase was unexpected and may be seen as a consequence of the different spending policies supported by the relatively new Conservative Prime Minister Boris Johnson compared to his predecessors Theresa May and David Cameron. As indicated in paragraph 5.1 it is currently uncertain as to whether future settlements of this magnitude can or will be sustained, especially since the National Health Service remains a Central Government priority.

5.3 Net Additional Demands

5.3.1 Managers have identified a number of additional financial demands, considered unavoidable, for inclusion in the MTFP, resulting from demographic growth, service financial pressures, legislative requirements, discontinuation of grant funding and termination of Service Level Agreements. These additional budget requirements are detailed in Appendix 4 and summarised in Table 4.

Table 4 – Additional Budget Demands

Description	2020/21 £'000
Education	512
Social Services	630
Neighbourhood Services	310
Community Regeneration	373
Central Services	99
Corporate Costs	460
Total Additional Demands	2,384
Budgeted Additional Demands	-2,000
Net Additional Demands	384

5.3.2 It is evident from Table 4 that £2.384 million of corporate additional demands are proposed for the 2020/21 financial year with £2 million already budgeted for within the MTFP. This leaves a further £384,000 requiring to be accommodated within the 2020/21 Budget.

5.3.3 It is recognised that without reflecting these additional expenditure requirements within the MTFP the Council will face significant financial pressures in remaining within Budget for 2020/21 and the medium to long term. All additional demand requirements however are subject to ongoing review with any identified amendments, owing to updated information, reported in due course. The potential for further demand requests should also be noted.

5.4 Approved Service Budget Reductions

5.4.1 Council of 17th October 2019 and 23rd October 2019 approved a number of service reduction proposals identified by the Council's Senior Leadership Team (SLT) through the Corporate Sustainability exercise.

5.4.2 In developing a methodology to prioritise Council services, in demonstrating financial sustainability, all services were categorised based on the following criteria:

1. Statutory Optimised
2. Statutory Choice
3. Discretionary Critical
4. Discretionary
5. Least Priority

5.4.3 Based on the categorisation of services each appropriate service area identified a number of proposals in determining budget reduction requirements. The Council meetings of October 2019 approved service reductions totalling £2.059 million for 2020/21 and for completeness and ease of reference are detailed in Appendix 5.

5.5 Corporate Budget Reductions

5.5.1 A number of corporate budget reductions totalling £3.030 million for 2020/21 are proposed in assisting the Council in meeting its financial commitments for 2020/21 and beyond. These are detailed in Appendix 6 and summarised in Table 5.

Table 5 – Corporate Budget Reductions

Description	2020/21 £'000
Minimum Revenue Provision (MRP) Review	-823
Capital Financing Costs Review	-727
External Audit Fees	-40
Corporate Vacancy Factor	-100
Llwydcoed Crematorium Joint Committee	-168
Additional Social Services Grant	-214
Superannuation Rate Review	-958
Total Corporate Budget Reductions	-3,030

5.5.2 In addressing the requirements of 'The Well-being of Future Generations (Wales) Act 2015', the sustainability of all proposals has been considered in minimising the potential impact on future Budgets.

5.6 Contribution to Reserves

5.6.1 The Wales Audit Office's Annual Audit Letter 2017/18 was presented to Council of 22nd May 2019 for noting and indicated the financial challenges faced by the Council including its reducing level of reserves in responding to balancing the annual budget and addressing in-year budget overspends.

5.6.2 The significantly better than anticipated settlement for 2020/21 of +4.85% allows the Council to address and alleviate the concerns raised by the Wales Audit Office by replenishing both the earmarked Budget Reserve and General Reserves.

5.6.3 It is proposed that the planned utilisation of £600,000 from the Budget Reserve to assist the budget setting process for 2020/21, as indicated in the MTFP approved by Council March 2019, be reversed. This provides the Council with greater flexibility to respond to any potential financial difficulties experienced during the 2020/21 financial year.

5.6.4 A contribution to General Reserves of £300,000 in 2020/21 is proposed, resulting in General Reserves of £5.0 million. As per the Council's Corporate Reserves Policy, General Reserves should lie between 3.5% and 4% of budgeted net revenue expenditure. This proposed contribution ensures that, over the period of the MTFP, General Reserves are projected to comfortably exceed the 3.5% lower threshold (at an average of 3.7%) without the requirement for any further contribution over the period of the MTFP 2020/21 to 2023/24.

5.6.5 It should be noted that the projected outturn for the current financial year 2019/20 is a surplus in excess of £1 million. As a result the budgeted contribution from General Reserves of £483,000 for 2019/20 is no longer required, and is reflected in the proposed balance of £5.0 million.

5.7 Potential Further Commitments

5.7.1 As outlined in Table 2 the provisional Budget for 2020/21 includes a provision for further commitments totalling £764,000. These potential further commitments include, but are not restricted to, the following:

- Pay Award – a Pay Award of +2% is currently included within the Budget for 2020/21 as this reflects the approved Pay Award for 2019/20. The Council is currently awaiting confirmation from the National Employers for Local Government Services of the Pay Award for 2020/21. A further 1% increase would equate to an additional financial commitment of circa £300,000.
- Schools Formula Funding – data in respect of updated pupil numbers is currently being collated and verified.
- Service Investment – senior management are currently undertaking a corporate capacity exercise involving an assessment of the current resilience of Council services in determining potential risks and investment requirements. The potential additional financial requirement is not yet finalised.
- Corporate Investment Fund – the re-introduction of an Investment Fund to support 'one-off' projects is considered desirable since this internal funding resource could support invest-to-save initiatives.
- Council Tax Increase – the Budget for 2020/21 currently assumes a Council Tax increase of 5.99%, reflecting Council's approval for the current year. A 1% decrease would equate to an additional financial commitment of £233,000.

- Capital Financing Costs – although not currently projected to increase, any interest rate increases will result in borrowing to support capital expenditure becoming more expensive than budgeted. The uncertainty surrounding the implications of Brexit may pose a significant risk.

5.7.2 The further commitments position will become clearer over the following number of weeks and will be reported to subsequent Cabinet and Council meetings. It is recognised however that the Pay Award proposal for 2020/21 is still the subject of negotiation between the National Employers for Local Government Services and the Trades Unions and may not be agreed until the commencement of the 2020/21 financial year.

6.0 WHERE WE WANT TO BE

- 6.1 The Council is required to set its Budget for 2020/21, including the Council Tax increase, by 11th March 2020.
- 6.2 Under the Local Government Act 2003, the Chief Finance Officer is required to report upon the robustness of the estimates made for the purposes of the budget and council tax setting calculations and the adequacy of the proposed financial reserves. It is therefore critical that the Council sets a balanced budget taking into account all known and projected financial pressures.
- 6.3 All additional demands detailed in this report have been subjected to robust challenge by Corporate Management Team in determining the criticality of each demand within the budget. It is recognised that without reflecting these unavoidable additional demand requirements the Council will not be setting a balanced budget for 2020/21.
- 6.4 In setting a balanced budget the provisional Budget Requirement for 2020/21 totals £127.826 million based on a Council Tax increase of 5.99%. Compared to the adjusted 2019/20 Budget (adjusted for transfers into the settlement) this equates to a net Budget increase of 5.36% for 2020/21.

7.0 WHAT WE NEED TO DO NEXT

- 7.1 Cabinet of 29th January 2020 will consider all proposals within this report with the intention of recommending for approval to Council of 29th January 2020.
- 7.2 Further deliberations in respect of the Council Tax increase for 2020/21 will be held over the coming weeks.
- 7.3 Following the announcement of the Final Local Government Settlement for 2020/21 on 25th February 2020, Council of 4th March 2020 will be requested to set a balanced Budget for 2020/21 including approval of the Council Tax increase.

8.0 CONTRIBUTION TO WELLBEING OBJECTIVES

8.1 The Council's wellbeing objectives are supported since the proposals are critical in ensuring the financial sustainability of the Council thus enabling the continued delivery of essential Council services for the community.

ELLIS COOPER
INTERIM CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Medium Term Financial Plan 2019/20 to 2022/23	Council 20 th March 2019	Council agenda and minutes / Finance Department
Provisional Local Government Settlement 2020/21	Announced 16 th December 2019	Finance Department
Medium Term Financial Plan / Budget Working Papers	March 2019 to January 2020	Finance Department
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.

Welsh Local Government Revenue Settlement 2020-2021

Provisional

Table 1a: Change in Aggregate External Finance (AEF) plus floor funding, adjusted for transfers, by Unitary Authority
£'000s

Unitary Authority	2019-20 final Aggregate External Finance* plus floor	2020-21 provisional Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	97,324	101,005	3.8%	18
Gwynedd	179,375	187,579	4.6%	6
Conwy	156,064	161,398	3.4%	21
Denbighshire	145,713	151,932	4.3%	11
Flintshire	192,212	199,386	3.7%	19
Wrexham	178,121	184,296	3.5%	20
Powys	176,940	184,289	4.2%	14
Ceredigion	103,308	107,646	4.2%	13
Pembrokeshire	164,153	172,204	4.9%	3
Carmarthenshire	262,611	274,159	4.4%	10
Swansea	325,697	339,381	4.2%	12
Neath Port Talbot	217,091	226,762	4.5%	8
Bridgend	193,949	203,127	4.7%	5
The Vale of Glamorgan	153,453	161,021	4.9%	2
Rhondda Cynon Taf	372,105	388,666	4.5%	9
Merthyr Tydfil	92,332	96,810	4.8%	4
Caerphilly	272,212	283,367	4.1%	16
Blaenau Gwent	111,727	116,063	3.9%	17
Torfaen	134,373	140,467	4.5%	7
Monmouthshire	94,896	97,760	3.0%	22
Newport	216,443	228,077	5.4%	1
Cardiff	450,512	469,047	4.1%	15
Total unitary authorities	4,290,612	4,474,444	4.3%	

Changes in Key Datasets

Dataset	Merthyr Tydfil				Wales		
	2019-20 Final	2020-21 Provisional	% Difference	Rank	2019-20 Final	2020-21 Provisional	% Difference
Population (note 1)	59,254	59,719	0.8%	3	3,134,476	3,136,749	0.1%
Pupil Numbers - Nursery and Primary	5,342	5,419	1.4%	2	264,060	263,655	-0.2%
Pupil Numbers - Secondary in year groups 7-11	2,877	2,921	1.5%	13	158,634	161,806	2.0%
Free School Meals - Primary (note 2)	1,030	1,030	0.0%	1	45,270	45,270	0.0%
Free School Meals - Secondary (note 2)	600	600	0.0%	1	26,400	26,400	0.0%
Children in out of work families (note 3)	3,200	3,200	0.0%	1	126,900	126,900	0.0%
IS / JSA / PC / UC (not in employment) claimants - 18 to 64	2,143	2,057	-4.0%	13	80,675	79,026	-2.0%
IS / JSA / PC claimants - 65+	2,312	2,231	-3.5%	2	110,054	105,082	-4.5%
IS / JSA / PC / UC (not in employment) claimants - all ages	4,463	4,300	-3.7%	11	191,177	184,558	-3.5%
SDA /DLA / PIP claimants - 18 to 64	3,811	3,785	-0.7%	10	143,665	142,023	-1.1%

Where:

IS = Income Support

UC = Universal Credit

PIP = Personal Independence Payment

JSA = Job Seekers Allowance

SDA = Severe Disablement Allowance

PC = Pension Credit

DLA = Disability Living Allowance

Notes

1. Data set used for the 2019/20 settlement was 2014-based population projections 2019; for the 2020/21 provisional settlement 2018 mid-year Office for National Statistics (ONS) estimates and the 2014 based local authority projections for 2019
2. Data used is a 3 year average to the 2018 Pupil Level Annual School Census (PLASC), data frozen due to the impact of the roll out of Universal Credit
3. Data set is frozen at 2016/17 due to the impact of the roll out of Universal Credit

Implications of Provisional Local Government Settlement

Description	2020/21 £'000
<u>Aggregate External Finance (Note 1)</u>	
Budgeted Settlement (Note 2)	90,391
Provisional Settlement (Note 3)	96,810
Increase in Aggregated External Finance	-6,419
<u>Council Tax Base</u>	
Budgeted Council Tax levy (Note 4)	30,725
Provisional Council Tax levy (Note 5)	31,016
Increase in Council Tax levy (Note 6)	-291
<u>Net Transfers In to the Settlement</u>	
Teachers' Pensions Grant (Note 7)	753
Teachers' Pay Grant (Note 7)	232
NHS Funded Nursing Care (Note 7)	36
Adjustment for Teachers' Pay Award (Note 8)	-753
Teachers' Pensions Grant as Specific Grant (Note 9)	1,308
Total Net Transfers In to the Settlement	1,576
Net Implications of Revenue Settlement	-5,134

Notes

- 1 The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates
- 2 Based on indicative Council projected AEF of -1%
- 3 Based on Provisional Welsh Government AEF of +4.85%
- 4 Based on Provisional Council Tax Base of 18,227.63 (96% collection rate) - 2019/20 base approved by Council 19 December 2018
- 5 Based on Final Council Tax Base of 18,400.53 (96% collection rate) - 2020/21 base approved by Council 18 December 2019
- 6 Based on an indicative Council Tax increase of 5.99% (as approved for 2019/20)
- 7 Transfers in to the Settlement of monies previously held outside the Settlement as specific grants
- 8 Teachers Pay Award already budgeted for within the MTFP
- 9 Adjustment for budgeted Teachers' Pensions Grant projected as received as specific grant

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
1	Education	<u>Individual Schools Budget (ISB)</u> - adjustments reflecting September 2019 pupil data. Updated pupil numbers are currently being collated and verified resulting in a probable increased additional demand.	160	541	500
2	Education	<u>Individual Schools Budget (ISB)</u> - Teachers' Pay Award approved at 2.75% rather than budgeted 2%.	47	47	47
3	Education	<u>Education Other than at School (EOTAS) / Pupil Referral Unit (PRU)</u> - part of the Learning Resource Base transition. Due to demand in the provision additional resources are required at both Ty Dysgu Homfray and Ty Dysgu Dowlais. The majority of the demand has been funded from the Ynysowen Hearing class closing, this additional demand request is the amount that can not be funded from existing resources.	9	16	19
4	Education	<u>Statutory Post</u> - this reflects a required additional teacher from 01 September 2020 in addressing the requirements of the Home Education (Duty of Local Authorities) Bill 2019 in respect of elective home education.	35	60	60
5	Education	<u>Statutory Post</u> - this reflects a required additional teacher from 01 January 2021 in addressing the requirements of the Additional Learning Needs and Education Tribunal (Wales) Act 2018	15	60	60
6	Education	<u>Enhanced Provision</u> - this relates to additional demand within the current system for 1 to 1 Learning Support Assistants within schools. A £100,000 overspend against the Budget of £1.605 million is currently projected for 2019/20.	199	206	215
7	Education	<u>Schools Data Management Systems</u> - additional costs associated for Capita One to be hosted via cloud services from October 2019. Approved by Council of 17 July 2019.	47	49	52

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
8	Social Services	<u>MTCBC Homes for the Elderly</u> - this relates to a review of the MTFP assumptions resulting in a realignment of budgets taking into account average spend for the last 3 years, actual amounts paid during 2019/20 and allowing for year on year inflation.	82	83	86
9	Social Services	<u>MTCBC Group Home (Llysfaen Fach)</u> - this relates to a review of the MTFP assumptions resulting in a realignment of budgets taking into account average spend for the last 3 years, actual amounts paid during 2019/20 and allowing for year on year inflation.	17	19	21
10	Social Services	<u>Day Care Services Transport</u> - this relates to projected additional costs arising from the contract due to go out to tender in September 2020. Recent indications are of a 20% increase to the current contract price as there have been no price increases in previous years. Included is a 6 months increase for 2020/21, a full year increase for 2021/22 and a 3% National Living Wage increase for 2022/23.	12	24	23
11	Social Services	<u>Supported Placements</u> - this relates to a budget assumption adjustment resulting from service demand variations within the independent external care provision. Includes loss of income from clients moving to more independent living arrangements, along with increasing high cost transitions from Children's Services.	14	360	377
12	Social Services	<u>Direct Payments</u> - this relates to a budget assumption adjustment resulting from service demand variations within the independent external care provision. The service has experienced increased administration costs along with a 6% increase in service demand for adults and increasing transition costs (12) from Children's Services.	146	162	0

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
13	Social Services	<u>Independent Commissioned Day Services</u> - this relates to a budget assumption adjustment resulting from service demand variations within the independent external care provision. It consists of 2 new Autistic Spectrum Disorder clients with complex care package needs.	76	89	0
14	Social Services	<u>Independent Residential Establishments</u> - this relates to a budget assumption adjustment resulting from service demand variations within the independent external care provision. There are currently 197 long-term clients within residential and nursing care resulting in a 6% increase in service demand.	200	246	0
15	Social Services	<u>Children Looked After (Court, Legal and Professional) Services</u> - this relates to a budget assumption adjustment resulting from service demand variations within the Children Looked After service. Over the last few years the budget has overspent owing to increased number of children entering the Children Looked After system, currently projected to be circa 200. In addition the service has also experienced increasing support costs in respect of Psychological and Therapeutical services.	83	36	86
16	Social Services	<u>Social Work Team</u> - this relates to the integration of a new Intermediate Care Fund (ICF) post as part of the Sustainable Social Services requirement.	0	50	50
17	Social Services	<u>Initial Support Services Management</u> - this relates to the integration of a new Intermediate Care Fund (ICF) post as part of the Sustainable Social Services requirement.	0	50	50
18	Social Services	<u>Initial Support Services</u> - this reflects the loss of income resulting from the reconfiguration of Intermediate Care Fund funding	0	0	80

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
19	Neighbourhood Services	<u>Bereavement Services</u> - this relates to a revision to fee income based on analysis of actual income for the last 2 years, adjusted for fee increases. For 2019/20 projected income is £405,000 against a budget of £505,000. It is evident that numbers of cremations are increasing whilst numbers of burials are decreasing. This is reflected in the Llwydcoed Crematorium Joint Committee decision in redistributing General Reserves to the constituent Local Authorities with Merthyr Tydfil receiving a recurring annual income source of £168,000 over the medium term.	100	100	100
20	Neighbourhood Services	<u>Street Cleansing</u> - this relates to the reversal of a previously approved budget reduction in respect of changes to street cleansing employees terms and conditions. This proposal was approved by Council on 20 February 2019 but has proved difficult to implement owing to Trades Unions disagreement. Officers are continuing to progress but until finally resolved it is considered prudent to re-instate the budget at this time.	50	51	52
21	Neighbourhood Services	<u>Refuse Collection</u> - this relates to the reversal of a previously approved budget reduction in respect of the deletion of the Day Lorry Assistant post. This proposal was approved by Council on 20 February 2019 but has proved difficult to implement owing to Trades Unions disagreement. Officers are continuing to progress but until finally resolved it is considered prudent to re-instate the budget at this time.	32	33	34
22	Neighbourhood Services	<u>Recycling Collection</u> - this reflects the estimated reduction to the Sustainable Waste Management Grant, following a 9.89% cut to the all-Wales allocation announced in the Provisional Local Government Settlement for 2020/21.	36	36	36

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
23	Neighbourhood Services	<u>Highways Operational</u> - this reflects the requirement for an increase in road salt - currently the budget is set at £40,000. The winter of 2018/19 may be considered as marginally above "normal", (71 runs - average 62 runs) where cost of salt used equated to £71,500. Restocking costs so far this year approximates to £58,300.	20	20	20
24	Neighbourhood Services	<u>Highways Operational</u> - this relates to the requirement for additional contractor payment monies due to limited in-house resources. During 2018/19, £35,200 was incurred for the use of a JCB & driver (unavailable in-house), and £52,000 for maintenance works that were unable to be accommodated in-house due to insufficient resource. (£81,300 in total in 2017/18)	30	30	30
25	Neighbourhood Services	<u>Street Lighting</u> - this relates to the requirement for additional contractor payment monies. An increased number of cable faults are occurring due to age related degradation of the network.	15	15	15
26	Neighbourhood Services	<u>Development Planning</u> - this relates to Merthyr Tydfil's contribution to the Strategic Development Plan for the Cardiff Capital Region as approved by Council of 11 September 2019.	27	27	27
27	Community Regeneration	<u>Housing Renovation Grants</u> - this relates to the removal of the fee income budget for Disabled Facilities Grants, as responsibility has been transferred to Rhondda Cynon Taf as approved by Council of 18 December 2019.	30	28	26
28	Community Regeneration	<u>Housing Services</u> - this reflects the rise in demand for temporary accommodation as a result of increased number of people presenting as homeless. To date during 2019/20 homelessness presentations are up 70%. In assessing each case where a duty under the legislation is identified the applicant is placed in temporary accommodation.	68	69	69

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
29	Community Regeneration	<u>Community Safety</u> - this relates to the Community Cohesion Co-ordinator's maternity costs that cannot be covered by the Welsh Government grant that funds the post.	13	0	0
30	Community Regeneration	<u>CCTV</u> - this reflects the loss of income due to termination of Service Level Agreement by Merthyr Valleys Homes	11	11	11
31	Community Regeneration	<u>Registrars</u> - this relates to additional staffing costs resulting from the re-opening of the Registrars Office on a Monday. The Registry Office opening hours were rationalised to 4 days per week as part of a previous efficiency initiative. In March 2019, with the increases in birth registrations at the Merthyr Tydfil office due to the maternity unit moving from the Royal Glamorgan Hospital to Prince Charles Hospital the office hours reverted back to 5 days.	20	21	22
32	Community Regeneration	<u>Registrars</u> - this relates to two days extra reception cover that has been required since the maternity unit from the Royal Glamorgan Hospital has been transferred to Prince Charles Hospital. Registration of births has doubled since March 2019. .	11	11	11
33	Community Regeneration	<u>Transport</u> - this reflects 5 additional home to school transport contracts with an annual cost of £32,000, and the requirement to vary or re-tender 58 existing contracts at an annual cost of £102,000, due to changing pupil numbers, contractors ceasing to trade, or alternative provisions being identified.	134	137	140
34	Community Regeneration	<u>Transport</u> - this reflects loss of Concessionary Fares (i.e. free bus travel) administration grant, due to a transfer of responsibilities to Transport for Wales.	46	46	46

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
35	Community Regeneration	<u>Community Safety</u> - this relates to the Gypsy Roma Traveller Officer Post. There are currently 26 authorised Gypsy and Traveller pitches in Merthyr Tydfil. Of these, 24 are based on the public site at Glynmil, which is one of the largest sites in South Wales. Every Local Authority in Wales has a duty to ensure a provision is made for sites where the Gypsy and Traveller Accommodation Assessment (GTAA) identifies need. This became statutory requirement under the Housing Act 2014 (Wales). In discharging this statutory duty MTCBC employed a Gypsy Roma Traveller Community Officer to support the families on site. The post also carries out all tenancy and estate functions. The funding for the post ends on the 31st March 2020. If the post is not continued the Authority will not be able to meet its statutory function.	40	41	41
36	Central Services	<u>Corporate Services</u> - this reflects loss of income due to termination of Service Level Agreement by Merthyr Tydfil Leisure Trust.	20	20	20
37	Central Services	<u>Benefits</u> - this relates to grade & hours increase for Financial Assessor Assistants post following job evaluation.	11	12	13
38	Central Services	<u>Parking Services</u> - this relates to a reduction in car parking income and also Fixed Penalty Notices in respect of civil parking enforcement. The income from Fixed Penalty Notices has reduced on average over the last 3 years by approximately £12,000 since the budget was originally set. This has been partly due to the reduction in the number of staff in this area although the reduction in car parking income (approximately £15,000) has also impacted on the overall Car Parking budgets.	27	27	27

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
39	Central Services	<u>Accountancy</u> - this reflects loss of income due to termination of Service Level Agreement by Merthyr Tydfil Leisure Trust.	28	28	28
40	Central Services	<u>Procurement and Creditors</u> - this reflects loss of income due to termination of Service Level Agreement by Merthyr Tydfil Leisure Trust.	13	13	13
41	Corporate Costs	<u>Council Tax Benefit Payments</u> - this relates to increased payments to eligible claimants. For 2009/20 the budget of £6.075 million is projected to overspend by £181,000.	223	347	490
42	Corporate Costs	<u>South Wales Fire and Rescue Service Levy</u> - reflects the South Wales Fire and Rescue Authority's notification of 19 December 2019 of its intention to increase its levy for 2020/21 by 5.06% to £2,931,547. The financial years 2021/22 and 2022/23 reflect an indicative increase of 2% for inflation.	140	199	259
43	Corporate Costs	<u>Miscellaneous</u> - reflects consolidation of a number of adjustments arising from re-alignment of budgets and revision of Medium Term Financial Plan assumptions	18	74	49
44	Corporate Costs	<u>Agency Rate Adjustment</u> - this relates to additional monies to cover long term agency worker costs. Under the Agency Workers Regulations 2010, after 12 weeks an agency worker is entitled to be paid at the same rate as an equivalent employee. Previously this has been capped at the bottom scale point of each grade, however, we are now required to pay incremental increases where agency workers have been engaged for more than 12 months.	79	91	105

Net Additional Unavoidable Demands

Ref.	Department	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
45	Corporate Costs	<u>Employee Severance Costs</u> - this reflects the current planned cessation on 31 March 2022 of the Welsh Government initiative allowing the capitalisation of revenue expenditure falling under the definition of service reform. Merthyr Tydfil is currently taking advantage of this legislation by utilising capital receipts from the sale of assets to finance £600,000 per annum of employee severance costs. If this initiative is not continued beyond 2021/22 then a further £600,000 of redundancy costs will need to be financed from revenue resulting in £1.306 million in total per annum. This situation will be closely monitored by the Accountancy Department.	0	0	600
46	Corporate Costs	<u>Projected Additional Demands</u> - this relates to indicative 'new' additional demands identified for 2022/23 which will be subject to further review prior to the budget setting process for the 2022/23 financial year.	0	0	3,000
		Total Unavoidable Additional Demands	2,384	3,585	7,010
47	Corporate Costs	<u>Budgeted Additional Demands</u> - this relates to the budgeted 'new' additional demands included within the Medium Term Financial Plan for 2020/21 approved by Council March 2019. The actual proposed additional demands total £2.384 million thus exceeding budgeted additional demands by £384,000.	-2,000	0	0
		Net Unavoidable Additional Demands	384	3,585	7,010

Approved Service Budget Reductions

Ref.	Council Approval	Rec.	Recommendation	2020/21 £'000	2021/22 £'000	2022/23 £'000
1	17 October 2019	2.1	The removal of school crossing patrols at Heolgerrig Primary School and Gwaunfarren Primary School and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-6	-6	-6
2	17 October 2019	2.2	The restructure of the Cemeteries Department leading to a reduction of 1 Team Leader and 1 Grave Digger and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-81	-83	-85
3	17 October 2019	2.6	The change of the CCTV function within the Council to a non-staffed provision of service allowing the removal of 4 CCTV Operative posts and the relief cover budget, and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-71	-72	-74
4	17 October 2019	2.7	The removal of the Gateway Officer post from the Supporting People structure and the utilisation of grant funding from 1st April 2020 to complete the duties required under the Supporting People Grant, and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-30	-31	-31
5	17 October 2019	2.9	The deletion of a vacant Rights of Way Officer post from the structure be approved	-32	-33	-34
6	17 October 2019	2.10	The Budget reduction for the vacant Trades Union administration post be approved	-27	-27	-28
7	17 October 2019	2.13	The removal of one post from the Payments Team, and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-29	-28	-28

Approved Service Budget Reductions

Ref.	Council Approval	Rec.	Recommendation	2020/21 £'000	2021/22 £'000	2022/23 £'000
8	17 October 2019	2.14	The removal of one post from the Print Section and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-22	-23	-24
9	17 October 2019	2.15.1	The removal of one post from the Revenues and Benefits section and commencement of the relevant consultation with Trades Unions and/or affected staff members, be approved	-55	-57	-58
10	17 October 2019	2.15.2	The removal of a vacant financial assessor post be approved	-23	-23	-23
11	17 October 2019	2.17.1	The removal of one vacant administrator's post be approved	-43	-44	-44
12	17 October 2019	2.17.3	The reduction of working hours of one senior administrator be noted			
13	17 October 2019	2.17.2	The removal of one post from the administration section be approved	-23	-24	-24
14	23 October 2019	2.1	The realignment of budgets, revisions to budget assumptions and implementation of operational budget matters, as detailed in 2.1 of each of the Directorate schedules appended to this report, be noted - Neighbourhood Services	-92	-92	-93
15	23 October 2019	2.1	The realignment of budgets, revisions to budget assumptions and implementation of operational budget matters, as detailed in 2.1 of each of the Directorate schedules appended to this report, be noted - Community Regeneration	-68	-69	-69
16	23 October 2019	2.1	The realignment of budgets, revisions to budget assumptions and implementation of operational budget matters, as detailed in 2.1 of each of the Directorate schedules appended to this report, be noted - Central Services	-314	-262	-267

Approved Service Budget Reductions

Ref.	Council Approval	Rec.	Recommendation	2020/21 £'000	2021/22 £'000	2022/23 £'000
17	23 October 2019	2.1	The realignment of budgets, revisions to budget assumptions and implementation of operational budget matters, as detailed in 2.1 of each of the Directorate schedules appended to this report, be noted - Social Services	-567	-555	-486
18	23 October 2019	2.1	The realignment of budgets, revisions to budget assumptions and implementation of operational budget matters, as detailed in 2.1 of each of the Directorate schedules appended to this report, be noted - Education	-223	-224	-225
19	23 October 2019	2.2	The freezing of the Planning Team Leader post for three years be approved	-60	-60	-59
20	23 October 2019	2.3.1	The increase in charges for skip permits from £26 to £35 be approved	-8	-8	-8
21	23 October 2019	2.3.2	The increase in charges for scaffolding permits from £26 to £35 be approved			
22	23 October 2019	2.3.3	The increase in charges for building materials from £27 to £35 be approved			
23	23 October 2019	2.3.4	The increase in charges for drop kerb applications from £80 to £110 be approved			
24	23 October 2019	2.5	The increased fee for Trade Waste Transfer Notes from £20 to £40 be approved	-9	-9	-9
25	23 October 2019	2.6	The closure of the Council's Household Waste Recycling Centres on Boxing Day be approved	-2	-2	-2
26	23 October 2019	2.7	The non-acceptance of paint at the Council's Household Waste Recycling Centres be approved	-39	-39	-39
27	23 October 2019	2.8	The removal of the residual waste collection discount to schools be approved	-53	-53	-53

Approved Service Budget Reductions

Ref.	Council Approval	Rec.	Recommendation	2020/21 £'000	2021/22 £'000	2022/23 £'000
28	23 October 2019	2.14	The removal of the allocation of Revenue Support Grant monies from subsidised transport and rationalisation of currently subsidised routes be approved	-88	-88	-88
29	23 October 2019	2.16	The reduction in support costs to the Merthyr Tydfil Town Centre Business Improvement District be approved	-20	-20	-20
30	23 October 2019	2.22.1	The utilisation of new grant monies to finance the Youth and Community Officer post be noted			
31	23 October 2019	2.22.2	The removal of the vacant Senior Youth Worker post within the north cluster be approved	-50	-50	-50
32	23 October 2019	2.22.3	The reduction in the Participation Budget, not impacting upon front line service delivery, be approved			
33	23 October 2019	2.23	The renegotiation of the Service Level Agreement with Greenfield School and Cwm Taf Morgannwg University Health Board in respect of the school nurse be approved	-20	-20	-20
34	23 October 2019	2.24	The change of nature of the Youth Orchestra from a Council service to one of a Constituted Group be approved	-4	-4	-4
			Total Service Budget Reductions	-2,059	-2,006	-1,951

Corporate Budget Reductions

Ref.	Reduction / Initiative	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
1	Minimum Revenue Provision (MRP) Review	Relates to the revision to the MRP Policy from a provision based on the Asset Life Equal Instalment Method to one based on the Asset Life Annuity Method. This results in a more prudent provision and was approved by Council of 18 December 2019.	-823	-785	-745
2	Capital Financing Costs Review	Relates to a reduction in budgeted capital financing costs arising from slippage within the Capital Programme of circa £8 million and short-term borrowing instead of long-term borrowing in supporting capital expenditure. The Council is currently borrowing on a short-term basis of up to 3 months taking advantage of interest rates at 0.8% to 1%. Long-term borrowing with the Public Works Loan Board would attract interest rates of 3% to 3.2%.	-727	-665	-755
3	External Audit Fees	Relates to a reduction in the Wales Audit Office (WAO) audit fee effective from 2019/20 incorporating the audit of accounts, performance audit work and grant certification work. Fee reduced from the budgeted £331,000 to £291,000 as per the WAO's 2019 Audit Plan presented to Audit Committee of 25 March 2019.	-40	-40	-40
4	Corporate Vacancy Factor	Relates to the budget savings resulting from the time elapsing between core funded posts becoming vacant and being filled. Proposal to increase budget from £400,000 to £500,000 reflecting a projected outturn in excess of £600,000 for 2019/20. Since based on the level of staff turnover it is considered prudent at this time to budget at £500,000 for 2020/21 and beyond owing to the potential volatility of this budget head.	-100	-100	-100

Corporate Budget Reductions

Ref.	Reduction / Initiative	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000
5	Llwydcoed Crematorium Joint Committee	Relates to the redistribution of General Reserves from the Llwydcoed Crematorium Joint Committee to the constituent Local Authorities of Merthyr Tydfil CBC and Rhondda Cynon Taf CBC, as approved by the Joint Committee on 10 December 2019. Merthyr Tydfil is in receipt of a 'one-off' allocation of £720,000 in 2019/20 followed by a 'recurring' annual amount of £168,000 from 2020/21, to be reviewed on a 3 yearly basis.	-168	-168	-168
6	Additional Social Services Grant	Relates to the Provisional Local Government Settlement 2020/21 announcement on 16 December 2019 indicating an all Wales increase within the Social Care Grant held as a specific grant outside of the settlement. This increase equated to £10 million, from £30 million to £40 million. Distribution of this specific grant is based on the Personal Social Services Indicator Based Assessment resulting in Merthyr Tydfil's allocation increasing from £642,000 to £856,000.	-214	-214	-214
7	Superannuation Rate Review	Relates to the triennial valuation of the Rhondda Cynon Taf Pension Fund by the Fund's actuary Aon Hewitt in November 2019. The strong performance of the Fund in recent years has resulted in a reduction in Merthyr Tydfil's employer contribution rate from the current year's and budgeted future years' rate of 29.2% to the actual rate for the next 3 years of 25.3%.	-958	-972	-995
Total Corporate Budget Reductions			-3,030	-2,944	-3,017

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