



## **SCRUTINY REPORT**

Date Written	5 <sup>th</sup> January 2017
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Exempt/Non Exempt	Non Exempt
Committee Date	18 <sup>th</sup> January 2017

*To: Chair, Ladies and Gentlemen*

### **Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**

#### **1.0 SUMMARY OF THE REPORT**

- 1.1 The Final Welsh Local Government Settlement was announced on 21<sup>st</sup> December 2016 and confirmed a funding reduction of 0.5% for Merthyr Tydfil for the 2017/18 financial year.
- 1.2 The revised Medium Term Financial Plan 2017/18 to 2020/21 indicates a projected budget deficit of £1.659 million for 2017/18 and a projected budget deficit of £13.035 million for the period 2017/18 to 2019/20, with the indicative budget deficit for 2020/21 currently being established.
- 1.3 The revised budget projections reflect 100% delivery of the strategic partnership budget reduction proposals of £1.748 million for 2017/18 and £3.256 million for the period 2017/18 to 2019/20.
- 1.4 The revised budget projections assume a Council Tax increase of 3.5% for the period of the Medium Term Financial Plan, as approved for 2016/17.
- 1.5 In addressing the remaining budget deficit for 2017/18 Corporate Management Team is currently identifying further budget reduction proposals for consideration by Cabinet.

## **2.0 RECOMMENDATIONS that**

- 2.1 The current revisions to the Medium Term Financial Plan 2017/18 to 2020/21 be noted and challenged.

## **3.0 INTRODUCTION AND BACKGROUND**

- 3.1 The Final Local Government Settlement for 2017/18 was announced on 21<sup>st</sup> December 2016 and is governed by the following characteristics:
- A total revenue funding increase for all Welsh Local Authorities of 0.24% (£9.988 million) from an adjusted 2016/17 base of £4.104 billion to £4.114 billion
  - A revenue funding reduction for Merthyr Tydfil of 0.5% (£446,000) from an adjusted 2016/17 base of £89.209 million to £88.763 million
  - Two Local Authorities, namely Merthyr Tydfil and Powys are supported by a “floor mechanism” whereby the Welsh Government ensures that no Local Authority experiences a funding reduction greater than 0.5%
  - Without the “floor mechanism” Merthyr Tydfil would have experienced a funding reduction of 0.94% equating to a further cash reduction of £391,000.
  - Merthyr Tydfil’s revenue settlement is ranked joint 21<sup>st</sup> with Powys of all 22 Welsh Local Authorities but 2<sup>nd</sup> best on a per capita basis
  - Funding formula and data set changes have resulted in Merthyr Tydfil moving from 4<sup>th</sup> best revenue settlement in 2016/17 to bottom two with protection in 2017/18
  - There is no formal Welsh Government mandated 1% cash protection commitment for schools
  - Council Tax Base for tax-setting purposes increased from 17,896.23 to 18,069.24.
- 3.2 The summary Final Revenue Settlement for 2017/18 is included as Appendix 1 with changes to key data sets included as Appendix 2.
- 3.3 The Medium Term Financial Plan (MTFP) 2016/17 to 2019/20 was approved by Council on 23<sup>rd</sup> March 2016 with the following characteristics:
- Requirement for £4.079 million of budget reductions for 2016/17 through the change management programme
  - Projected budget deficit of £20.302 million for the period 2017/18 to 2019/20 as outlined in Table 1.

Table 1 – Medium Term Financial Plan 2017/18 to 2019/20

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
People and Performance Directorate	75,830	77,572	78,913
Place and Transformation Directorate	22,740	23,427	24,048
Corporate Costs	23,210	23,378	23,642
Employee Severance/Slippage	1,210	1,206	1,206
Corporate Risk Fund	600	600	600
Non General Fund Allocations	-835	-835	-835
Collection Fund Surplus	-600	-600	-600
Corporate Vacancy Factor	-200	-100	-100
Contribution from Biffa Profit Share	0	0	0
<b>Net Expenditure</b>	<b>121,955</b>	<b>124,648</b>	<b>126,874</b>
Available Finance	111,938	109,345	106,572
<b>Projected Budget Deficit</b>	<b>10,017</b>	<b>15,303</b>	<b>20,302</b>

- 3.4 The projected budget deficits for 2017/18 to 2019/20 were based on an indicative Council Tax increase of 3.5% per annum (as approved for 2016/17) and funding reductions of 3.57%, 4.07% and 4.5% respectively.
- 3.5 Council of 7<sup>th</sup> September 2016 further approved revisions to the MTFP in addressing the £4.079 million budget reduction requirement for 2016/17. The resulting implications to the projected budget deficits for 2017/18 to 2019/20 are summarised in Table 2 with extracts from the 7<sup>th</sup> September 2016 Council report included as Appendices 3 to 6.

Table 2 – Revised Budget Deficits 2017/18 to 2019/20

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Budget Deficit Council 23<sup>rd</sup> March 2016</b>	<b>10,017</b>	<b>15,303</b>	<b>20,302</b>
Corporate Adjustments (Appendix 3)	333	1,061	1,068
Accounting Adjustments (Appendix 4)	-1,585	-1,566	-796
Budget Reductions (Appendix 5)	-2,346	-2,375	-2,058
Strategic Partnership Budget Reduction Proposals (Appendix 6)	-1,748	-2,956	-3,256
<b>Revised Budget Deficit</b>	<b>4,671</b>	<b>9,467</b>	<b>15,260</b>

- 3.6 From Table 2 it is evident that as at 7<sup>th</sup> September 2016 further net budget reductions of £4.671 million were required to be identified for 2017/18 and £15.260 million for the three year period 2017/18 to 2019/20.

#### 4.0 MEDIUM TERM FINANCIAL PLAN REVISIONS

- 4.1 A Medium Term Financial Plan is a rolling programme, continually evolving as further information and changing circumstances become known. Council of 30<sup>th</sup> November 2016 and Cabinet of 11<sup>th</sup> January 2017 considered further revisions to the MTFP as summarised in Table 3.

Table 3 – Revised MTFP 2017/18 to 2019/20

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Budget Deficit Council 7<sup>th</sup> September 2016</b>	<b>4,671</b>	<b>9,467</b>	<b>15,260</b>
Implications of Revenue Settlement	-3,009	-2,524	-2,431
Net Schools' Commitment	948	1,201	1,433
Corporate Growth Requirements	1,922	1,962	1,925
Corporate Budget Reductions	-2,603	-3,022	-2,863
Service Outcome Focused Redesign	-270	-280	-289
<b>Revised Budget Deficit</b>	<b>1,659</b>	<b>6,804</b>	<b>13,035</b>

- 4.2 It is evident from Table 3 that the revised budget deficit is £1.659 million for 2017/18 and a projected £13.035 million for the three year period 2017/18 to 2019/20. It should be noted that the revised budget deficits reflect 100% delivery of the strategic partnership budget reduction proposals.
- 4.3 It should be noted that the projected financial position for 2020/21 is currently being determined in establishing the MTFP for the four year period 2017/18 to 2020/21.
- 4.4 Sections 5 to 9 consider in further detail the further revisions to the MTFP 2017/18 to 2019/20.

#### 5.0 IMPLICATIONS OF REVENUE SETTLEMENT

- 5.1 The Welsh Government's Final Local Government Settlement was announced on 21<sup>st</sup> December 2016 and resulted in a reduction in Aggregate External Finance (AEF) for 2017/18 of 0.5% for Merthyr Tydfil County Borough Council. 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 The MTFP impact from the final settlement is outlined in Appendix 7 and summarised in Table 4 and demonstrates increased spending power of £3.009 million for 2017/18.

Table 4 – Implications of Final Local Government Settlement

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Increase in Aggregate External Finance	-2,758	-2,265	-2,162	-2,065
Increased Spending Power Resulting from Council Tax Base	-251	-259	-269	-278
<b>Net Increased Spending Power</b>	<b>-3,009</b>	<b>-2,524</b>	<b>-2,431</b>	<b>-2,343</b>

- 5.3 As indicated in Appendix 7 calculations of total monies available for the period of the MTFP are currently based on a council tax increase of 3.5% per annum (as approved for 2016/17).
- 5.4 Although the Council received a better than anticipated revenue settlement for 2017/18 at a reduction of 0.5% rather than the estimated reduction of 3.57%, in the absence of indicative future years' settlements from the Welsh Government it is proposed that the AEF is estimated at a reduction of 4.5% for the period 2018/19 to 2020/21 owing to the following:
- The continuing austerity measures projected to be faced by Local Government over the medium term and the impact to potential future Local Government funding from continued financial pressures experienced in the National Health Service
  - The uncertainty surrounding the potential implications of Brexit
  - Welsh Government's indication that the 2017/18 revenue settlement is "as good as it gets" with potential significant reductions from 2018/19

## **6.0 SCHOOLS' CASH PROTECTION COMMITMENT**

- 6.1 In the announcement of the Local Government Settlement for 2017/18 there was no commitment by the Welsh Government's Cabinet Secretary for Finance and Local Government of the continuation of the financial commitment to schools through the cash protection mechanism.
- 6.2 Previously Local Authorities were obliged to apply cash protection for schools at 1% above Welsh Government's funding from Central Government. Based on the Welsh Government's 2016/17 Draft Budget, schools' were previously advised of an indicative cash protection of 1.92% for 2017/18.
- 6.3 As part of an ongoing efficiency programme in responding to the potential for the Welsh Government's cash protection commitment to be discontinued the Schools

Forum through its Task and Finish Group has identified £200,000 of budget reduction opportunities itemised in Appendix 8.

- 6.4 Application of an indicative 1.92% cash protection for 2017/18 net of the identified £200,000 budget reductions results in a projected corporate financial commitment of £948,000 for 2017/18 as indicated in Table 5.

Table 5 – Projected Schools’ Financial Commitment

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Pupil Number Growth – 2017/18	441	441	441
Cash Protection at 1.92% – 2017/18	707	707	707
Pupil Number Growth – Future Years	n/a	253	485
Cash Protection – Future Years	n/a	0	0
Identified Budget Reductions	-200	-200	-200
<b>Net Schools’ Commitment</b>	<b>948</b>	<b>1,201</b>	<b>1,433</b>

- 6.5 Although no future years potential cash commitment is reflected in Table 5 it is recognised that the ISB requirement for 2018/19 and beyond will be calculated on the same basis as all non-school Council budgets reflecting pay awards, increased national insurance contributions, increased pension costs and salary incremental progressions.

## **7.0 CORPORATE GROWTH REQUIREMENTS**

- 7.1 Managers have identified a number of additional expenditure requirements, considered unavoidable, for inclusion in the MTFP. These budget growth requirements are detailed in Appendix 9, summarised in Table 6 and total £1.922 million for 2017/18.

Table 6 – Budget Growth Requirements

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Net Transfers into the Settlement	47	47	47
New Responsibilities	93	93	93
Welsh Translations	45	45	45
Data Protection Officer	59	64	69
Apprenticeship Levy	263	266	268
Learning – Enhanced Provision	385	360	330
Learning – Special Recoupment	358	359	359
Looked After Children	210	210	210
Single Environment Grant	83	83	83
Miscellaneous Requests	379	435	421
<b>Total Growth Requirements</b>	<b>1,922</b>	<b>1,962</b>	<b>1,925</b>

7.2 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 2017/18 and the medium to long term. All growth requirements however are subject to ongoing review with any identified amendments, owing to updated information, reported in due course.

## 8.0 CORPORATE BUDGET REDUCTIONS

8.1 A number of corporate budget reduction initiatives are proposed in assisting the Council in meeting its financial commitments for 2017/18 and beyond. These are detailed in Appendix 10 and summarised in Table 7.

8.2 It is evident from Table 7 that £2.603 million of corporate budget reduction initiatives are proposed for the 2017/18 financial year.

Table 7 – Corporate Budget Reduction Initiatives

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Balance Sheet Review	-1,000	-800	-600
Insurance Fund Review	-500	-500	0
Corporate Vacancy Factor	-200	-300	-300
Council Tax Reduction Scheme	-200	-200	-200
Pension Contributions	-257	-776	-1,317
Holiday Pay	-25	-25	-25
Capital Financing Costs	-421	-421	-421
<b>Total Corporate Budget Reductions</b>	<b>-2,603</b>	<b>3,022</b>	<b>-2,863</b>

8.3 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.

## 9.0 SERVICE OUTCOME FOCUSED REDESIGN

9.1 Outcome Focused Redesign of services considers the outcomes the Council is aiming to achieve and the most appropriate method of delivery. It defines the Council's "to be" state and underpins the whole Change Management Programme. This exercise is fundamental in addressing the Council's projected budget deficit for the 4 year period of the MTFP by ensuring decisions are linked to the Council's strategic ambitions.

9.2 Further outcome focused redesign initiatives are detailed in Appendix 11 and summarised in Table 8.

Table 8 – Outcome Focused Redesign Initiatives

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Relocation of the Highways Depot	-135	-135	-135
Voluntary Early Retirement / Voluntary Redundancy	-135	-145	-154
<b>Total Initiatives</b>	<b>-270</b>	<b>-280</b>	<b>-289</b>

9.3 It is evident from Table 8 that £270,000 further budget reductions have been identified for 2017/18 and reflected within the MTFP.

## **10.0 FURTHER PROPOSALS**

10.1 Corporate Management Team workshops were held on the 10<sup>th</sup> and 11<sup>th</sup> January 2017 to consider a suite of budget reduction opportunities identified by Chief Officers and Service Managers in addressing the remaining budget deficit for 2017/18 of £1.659 million.

10.2 A Cabinet Workshop is to be held late January 2017 to consider Corporate Management Team's proposals for budget reductions before consideration at formal Cabinet.

## **11.0 FINANCIAL IMPLICATION(S)**

11.1 The revised MTFP for 2017/18 to 2019/20 currently projects a budget deficit of £1.659 million for 2017/18 and £13.035 million for the period 2017/18 to 2019/20.

11.2 The revised budget deficits reflect 100% delivery of the strategic partnership budget reduction proposals of £1.748 million for 2017/18 and £3.256 million for the period 2017/18 to 2019/20.

11.3 In establishing a four year MTFP for approval at Council, the projected budget deficit for 2020/21 is currently being determined.

**GARETH CHAPMAN**  
**CHIEF EXECUTIVE**

**COUNCILLOR PHIL WILLIAMS**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**



## BACKGROUND PAPERS

Title of Document(s)	Document(s) Date	Document Location
Medium Term Financial Plan 2016/17 to 2019/20	Council 23 <sup>rd</sup> March 2016	Council agenda and minutes / Finance Department
Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update	Council 7 <sup>th</sup> September 2016	Council agenda and minutes / Finance Department
Provisional Local Government Settlement 2017/18	Announced 19 <sup>th</sup> October 2016	Finance Department
Medium Term Financial Plan 2017/18 to 2020/21 – Presentation	Budget Board 2 <sup>nd</sup> November 2016	Finance Department
Revised Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update	Council 30 <sup>th</sup> November 2016	Council agenda and minutes / Finance Department
Final Local Government Settlement 2017/18	Announced 21 <sup>st</sup> December 2016	Finance Department
Revised Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update January 2017	Cabinet 11 <sup>th</sup> January 2017	Finance Department
Medium Term Financial Plan / Budget Working Papers	March 2016 to December 2016	Finance Department
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>No</b>

## WELSH LOCAL GOVERNMENT SETTLEMENT 2017-18

Final

Table 1a: Change in Aggregate External Finance (AEF) plus top-up funding, adjusted for transfers, by Unitary Authority

<i>£'000s</i>				
Unitary authority	2016-17 final Aggregate External Finance* plus top-up funding	2017-18 final Aggregate External Finance plus top-up funding	Percentage difference	Rank
Isle of Anglesey	92,222	92,652	0.5%	8
Gwynedd	167,155	168,964	1.1%	1
Conwy	149,793	150,557	0.5%	7
Denbighshire	139,608	140,474	0.6%	5
Flintshire	184,722	185,033	0.2%	11
Wrexham	170,222	169,447	-0.5%	20
Powys	170,882	170,028	-0.5%	21
Ceredigion	97,034	97,937	0.9%	2
Pembrokeshire	156,973	156,776	-0.1%	16
Carmarthenshire	251,724	252,176	0.2%	10
Swansea	308,411	310,701	0.7%	4
Neath Port Talbot	206,003	207,571	0.8%	3
Bridgend	187,452	187,638	0.1%	12
The Vale Of Glamorgan	149,851	149,554	-0.2%	17
Rhondda Cynon Taf	353,882	355,447	0.4%	9
<b>Merthyr Tydfil</b>	<b>89,209</b>	<b>88,763</b>	<b>-0.5%</b>	<b>21</b>
Caerphilly	263,849	263,627	-0.1%	15
Blaenau Gwent	109,387	108,979	-0.4%	19
Torfaen	129,407	129,031	-0.3%	18
Monmouthshire	91,786	91,799	0.0%	14
Newport	208,142	208,250	0.1%	13
Cardiff	425,919	428,217	0.5%	6
<b>Total Unitary Authorities</b>	<b>4,103,632</b>	<b>4,113,620</b>	<b>0.2%</b>	

## Changes in Key Datasets 2017-18

Final

Dataset	Merthyr Tydfil				Wales		
	2016-17 Final	2017-18 Final	% Difference	Rank	2016-17 Final	2017-18 Final	% Difference
Population - 2014-based	60,077	59,180	-1.5%	18	3,131,170	3,116,371	-0.5%
Pupil Numbers - Nursery and Primary	5,211	5,278	1.3%	13	257,423	261,391	1.5%
Pupil Numbers - Secondary in year groups 7-11	2,906	2,856	-1.7%	16	158,384	156,986	-0.9%
Free School Meals - Primary	1,113	1,074	-3.5%	15	47,125	46,265	-1.8%
Free School Meals - Secondary	667	614	-7.9%	22	27,664	27,055	-2.2%
Children in out of work families	3,600	3,400	-5.6%	19	138,700	133,400	-3.8%
Total IS/ JSA/ PC/UC (not in employment) claimants - 18 to 64	3,586	2,916	-18.7%	15	129,068	106,468	-17.5%
Total IS/ JSA/ PC claimants - 65+	2,583	2,493	-3.5%	2	127,130	121,761	-4.2%
Total IS/ JSA/ PC/UC (not in employment) claimants - all ages	6,180	5,417	-12.4%	21	256,860	228,789	-10.9%
SDA/DLA/PIP claimants - 18 to 64	3,763	3,893	3.4%	17	138,725	145,035	4.5%

Where:

IS = Income Support

JSA = Job Seekers Allowance

PC = Pension Credit

UC = Universal Credit

SDA = Severe Disablement Allowance

DLA = Disability Living Allowance

PIP = Personal Independence Payment

**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Proposed Corporate Adjustments**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Single Environment Grant</b> Provisional Local Government Settlement indicated a 6.4% reduction in the all Wales total for 2016/17, resulting in the £66k growth included in the MTFP. Final allocation equated to a 1.8% reduction thus reducing the required growth requirement to £23k.	-43	-43	-43	-43
<b>Additional Learning Needs Transport</b> Relates to contractual uplifts for transport costs	44	36	54	0
<b>Learning – Special Recoupment</b> Additional demand based on current trends and future projections	100	100	100	100
<b>Learning – Retirement/Severance</b> Additional ongoing costs resulting from approved VER's for 2015/16	10	10	10	10
<b>Additional Pension Contributions</b> Education Services impact of projected additional pension contributions to RCT Pension Fund following Fund valuation during 2016/17. As advised by the Fund's Actuary, Aon Hewitt.	0	84	139	204
<b>Application of Foundation Living Wage</b> Projected additional financial commitment from the application of the Foundation Living Wage from 1 <sup>st</sup> April 2016 as follows: <ul style="list-style-type: none"> <li>○ 2016/17 at £8.39 per hour</li> <li>○ 2017/18 at £8.69 per hour</li> <li>○ 2018/19 at £8.78 per hour</li> <li>○ 2019/20 at £8.87 per hour</li> <li>○ 1<sup>st</sup> April 2020 at £9 per hour</li> </ul> From 2018/19 subject to review  Monies already included within the MTFP: <ul style="list-style-type: none"> <li>○ 2016/17 = £50,000</li> <li>○ From 2017/18 = £150,000 per annum</li> </ul>	270	283	281	303

**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Proposed Corporate Adjustments**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Application of Foundation Living Wage – Individual Schools Budget (ISB)</b>            Application of Foundation Living Wage of £8.39 per hour for schools for 2016/17. Future years' commitment to be financed through cash protection or by schools through planned budget reductions identified through the Schools' Forum</p>	238	0	0	0
<p><b>Living Wage Earmarked Reserve</b>            Within the 2015/16 provisional revenue outturn surplus £1.34 million earmarked reserves are set aside to finance the projected costs of the application of the Foundation Living Wage for the period 2016/17 to 2019/20 – Cabinet 13<sup>th</sup> July 2016</p>	-492	-277	-275	-296
<p><b>South Wales Trunk Road Agent (SWTRA) Contract</b>            The SWTRA contract ceased on 31<sup>st</sup> March 2016 resulting from changes to the contracting Terms and Conditions owing to the current climate of austerity – Cabinet 10<sup>th</sup> February 2016. Plans are ongoing to restructure the Highways Department with £141,000 of employee savings already approved – Cabinet 24<sup>th</sup> February 2016. Further proposals involve the potential sharing of Depot facilities with Rhondda Cynon Taf CBC, although unable to break current lease until October 2017 with potential savings 2018/19.</p>	633	625	618	611
<p><b>Grounds Maintenance</b>            Additional demand resulting from the loss of SWTRA income together with the termination of the grass cutting Service Level Agreement with Merthyr Valleys Homes from 1<sup>st</sup> July 2016.</p>	28	115	117	119

**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Proposed Corporate Adjustments**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Corporate Risk Fund</b> To alleviate the financial pressures on the Medium Term Financial Plan for 2016/17 to 2017/18 it is proposed that the Corporate Risk Fund be relinquished for 2016/17 and 2017/18. Instead within the 2015/16 provisional revenue outturn surplus £1.2 million is set aside to serve the same purpose – Cabinet 13 <sup>th</sup> July 2016.	-600	-600	0	0
<b>Local Development Plan (LDP)</b> Financial commitment associated with the replacement of the LDP – Council 20 <sup>th</sup> April 2016.	0	0	60	60
<b>Total</b>	<b>188</b>	<b>333</b>	<b>1,061</b>	<b>1,068</b>

**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Accounting Adjustments**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Amendment to Minimum Revenue Provision (MRP) Policy</b></p> <p>This relates to capital financing costs associated with long-term borrowing for capital expenditure. A more prudent provision based on all debt charged to revenue over 50 years by the straight line method together with amendments to the treatment of infrastructure assets and capital expenditure where no asset life is determined was approved by Council on 23<sup>rd</sup> March 2016, subject to Wales Audit Office (WAO) review. The subsequent WAO review in its audit of the Council's 2015/16 accounts reduced the average asset life from 50 to 44 years whilst disallowing the element relating to capital expenditure where no asset life determined.</p>	-871	-835	-816	-796
<p><b>Capitalisation of Severance Costs</b></p> <p>The Council is able to utilise capital receipts received during 2016/17 to 2018/19 to finance the costs of employee severance falling in those respective years, as per the Minister for Public Services' direction. Based on current and projected future fixed asset sales, it is estimated that £750,000 new capital receipts are available per annum allowing the Council to capitalise revenue costs of employee severance thus alleviating the financial liability on the revenue budget – Council 23<sup>rd</sup> March 2016.</p>	-750	-750	-750	0
<b>Total</b>	<b>-1,621</b>	<b>-1,585</b>	<b>-1,566</b>	<b>-796</b>

**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Budget Reductions**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
VR/VER Delegated Authority (Highways Reconfiguration) – Cabinet 24 <sup>th</sup> February 2016	-141	-143	-144	-145
VR/VER Delegated Authority (Other Services) – Cabinet 24 <sup>th</sup> February 2016	-212	-282	-281	-281
Leisure Trust Management Fee Reduction – Council 23 <sup>rd</sup> March 2016	-15	-15	-15	-15
Strategic Corporate Services – Council 20 <sup>th</sup> April 2016	-98	-98	-98	-98
Income and Cost Recovery – Council 20 <sup>th</sup> April 2016	-608	-583	-533	-508
Social Services Outcome Focused Redesign – Council 20 <sup>th</sup> April 2016	-511	-580	-572	-544
Back Office Support Services – Cabinet 4 <sup>th</sup> May 2016	-49	-49	-49	-49
VER (Corporate Director) – Cabinet 11 <sup>th</sup> May 2016	-69	-117	-121	-125
Participation VER – Delegated Authority February 2016	-27	-29	-28	-27
Education Inclusion Service VER – Delegated Authority April 2016	-35	-38	-38	-38
Street Lighting/Waste VER – Delegated Authority May 2016	-27	-34	-35	-36
As part of the Welsh Government e-procurement strategy for Wales the licence fees for all common e-procurement solutions were negotiated and delivered by Value Wales to support the e-procurement services programme. This resulted in the Council's fees for Purchase to Pay and the e-commerce marketplace being paid directly by Welsh Government resulting in procurement subscription savings.	-43	-43	-43	-43
Further review of social care budgets as part of service outcome focused redesign	-567	-335	-418	-149
<b>Total</b>	<b>-2,402</b>	<b>-2,346</b>	<b>2,375</b>	<b>-2,058</b>

VER = Voluntary Early Retirement  
 VR = Voluntary Redundancy



**Medium Term Financial Plan 2016/17 to 2019/20 – Progress Update**  
**Strategic Partnership Budget Reduction Proposals**

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Customer Offering</b> <ul style="list-style-type: none"> <li>○ Channel shift</li> <li>○ Increased use and focus of Customer Contact Centre</li> <li>○ Improved digital offering with enhanced website</li> <li>○ Implementation of strategic technology</li> <li>○ Better use of data analytics and reporting</li> </ul>	0	-322	-644	-644
<b>Social Care Strategic Review</b> <ul style="list-style-type: none"> <li>○ Enhanced Child in Need (ECIN) Expansion</li> <li>○ Targeted prevention</li> <li>○ Learning Disabilities Opportunities</li> <li>○ Double handed care</li> <li>○ Right sizing client calls</li> <li>○ In-house respite</li> </ul>	0	-440	-1,010	-1,310
<b>Supporting People Grant</b> <ul style="list-style-type: none"> <li>○ More effective use and value for money</li> </ul>	0	-84	-400	-400
<b>Procurement</b> <ul style="list-style-type: none"> <li>○ Governance through Procurement Board and contract review</li> <li>○ Cross cutting expenditure</li> <li>○ Tactical spend review</li> <li>○ Fleet management</li> </ul>	-244	-902	-902	-902
<b>Social Care Strategic Review Investment</b> Relates to the employment of a Social Worker Team to drive forward the 'Looked After Children' preventative agenda. This commitment was outlined within the Change Programme's Social Care Strategic Sourcing Plan.	169	178	184	188
<b>Contribution from Corporate Risk Fund</b> Funding to support the enablement of the 'Looked After Children' preventative agenda.	-169	-178	-184	-188
<b>Total</b>	<b>-244</b>	<b>-1,748</b>	<b>-2,956</b>	<b>-3,256</b>

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Implications of Local Government Revenue Settlement**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<u>Aggregate External Finance (Note 1)</u>				
Original MTFP (Note 2)	86,005	82,504	78,792	75,246
Final Settlement (Note 3)	88,763	84,769	80,954	77,311
Increase in Aggregate External Finance	-2,758	-2,265	-2,162	-2,065
<u>Council Tax Base</u>				
Original MTFP Council Tax levy (Note 4)	25,933	26,841	27,780	28,753
Final Council Tax levy (Note 5)	26,184	27,100	28,049	29,031
Increase in Council Tax levy (Note 6)	-251	-259	-269	-278
<b>Net Impact of Final Revenue Settlement</b>	<b>-3,009</b>	<b>-2,524</b>	<b>-2,431</b>	<b>-2,343</b>

Notes

1. The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates.
2. Based on an estimated Council AEF of -3.57% for 2017/18, an estimated -4.07% for 2018/19 and an estimated -4.50% for 2019/20.
3. Based on Final Welsh Government AEF of -0.5% for 2017/18 and estimated Council AEF of -4.5% for 2018/19 to 2020/21, inclusive of Welsh Government Tax Base adjustment
4. Based on Council Tax Base of 17,896.23 (96% collection rate) – 2016/17 base approved by Council 2<sup>nd</sup> December 2015
5. Based on Final Council Tax Base of 18,069.24 (96% collection rate) – 2017/18 base approved by Council 30<sup>th</sup> November 2016
6. Based on an indicative Council Tax Increase of 3.5% per annum (as approved for 2016/17)

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**School Forum Recommended Budget Reductions**

<b>Description</b>	<b>£'000</b>
<b>2016/17 Efficiency Savings</b> Efficiency savings delivered as part of the 2016/17 Individual Schools Budget (ISB) funding efficiencies	12
<b>Breakfast Clubs</b> Proposed changes to Breakfast Club service delivery being considered for September 2017  Or if not supported:  <b>Addressing Underachievement</b> Relates to a 6.2% reduction of the lump sum funding allocation	57
<b>Education Other Than At School (EOTAS)</b> Reduced funds required to manage EOTAS provision as a result of a change to transport arrangements and provision	53
<b>Recreational Facilities</b> Relates to a 15% reduction in the recreational facilities funding allocation	16
<b>Grounds Maintenance</b> Relates to a 10% reduction in the grounds maintenance funding allocation	13
<b>Clothing and Maintenance Allowance</b> Removal of clothing and maintenance allowance funding allocation from Primary / Special sector at a saving of £20,000 and reduction of funding allocation in the Secondary sector by £26,000	46
<b>Miscellaneous</b> General efficiency savings	3
<b>Total</b>	<b>200</b>

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Growth Requirements**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Transfers In to and Out of the Settlement</b>            Funding previously provided as specific grants has been transferred into the settlement for 2017/18, namely:</p> <ul style="list-style-type: none"> <li>• Social Services Delivering Transformation Grant (£61,959)</li> <li>• Deprivation of Liberty Standards Safeguards (£3,165)</li> <li>• Blue Badge Scheme Additional Funding (£230)</li> <li>• Food Hygiene Rating Scheme (£1,249)</li> </ul> <p>In addition a change in the arrangements for the registration of the education workforce has resulted in a transfer out of the settlement monies formerly provided for teacher registration fee subsidies (£19,328)</p>	47	47	47
<p><b>New Responsibilities</b>            There are two new responsibilities included within the Settlement and reflected in corporate growth requirements:</p> <ol style="list-style-type: none"> <li>1. £86,379 to fund the commitment to increase the capital limit for charging for residential care from £24,000 to £30,000</li> <li>2. £6,444 to fund the commitment to fully disregard the War Disablement Pension in financial assessments for social care.</li> </ol> <p>A further new responsibility included within the Final Local Government Settlement is currently being reviewed and relates to monies provided for work to support the prevention of homelessness (£109,713).</p>	93	93	93
<p><b>Welsh Translations</b>            Additional costs arising from compliance with statutory Welsh Language Standards as reported to Council, most recently 7<sup>th</sup> September 2016.</p>	45	45	45

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Growth Requirements**

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<p><b>Data Protection Officer</b>            Creation of a Data Protection Officer post in compliance with the General Data Protection Regulations 2016 as approved by Council 28<sup>th</sup> September 2016</p>	59	64	69
<p><b>Apprenticeship Levy</b>            This relates to the introduction of a UK Government employment tax on 06 April 2017, introduced through the 2016 Finance Bill, to finance apprenticeships. It applies to all Employers (public, private and third sector) with a pay bill in excess of £3 million. The levy is calculated as 0.5% of the pay bill less an allowance of £15,000 per year.</p>	263	266	268
<p><b>Learning – Enhanced Provision</b>            Relates to additional learning needs within schools. Current financial pressures in respect of 2016/17 were reported to Cabinet on 27<sup>th</sup> July 2016 and 16<sup>th</sup> November 2016. In addition, both the Cabinet Member and Chief Officer for Learning attended the Budget Boards of August and October 2016 to explain the reasons for the financial pressures.</p>	385	360	330
<p><b>Learning – Special Recoupment</b>            Relates to additional placements and increased transport costs in respect of out of county placements for children with special needs. Current financial pressures in respect of 2016/17 were reported to Cabinet on 27<sup>th</sup> July 2016 and 16<sup>th</sup> November 2016. In addition, both the Cabinet Member and Chief Officer for Learning attended the Budget Boards of August and October 2016 to explain the reasons for the financial pressures.</p>	358	359	359

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Growth Requirements**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Looked After Children</b>  This reflects financial pressures resulting from additional residential placements within the 'Looked After Children' system. Current financial pressures in respect of 2016/17 were reported to the Budget Boards of September and October 2016 and Cabinet of 16<sup>th</sup> November 2016. In addition, both the Cabinet Member and Chief Officer for Social Services attended the October Budget Board to explain the reasons for the financial pressures.</p>	210	210	210
<p><b>Single Environment Grant</b>  Reflects a 6.72% reduction in the all Wales figure for 2017/18. MTCBC's allocation yet to be confirmed.</p>	83	83	83
<p><b>Social Services Collaborative Partnerships</b>  Relates to a funding increase agreed by the Regional Partnership Board involving Merthyr Tydfil, Rhondda Cynon Taf, Cardiff and Vale of Glamorgan as lead Authority. Merthyr Tydfil's contribution is 11% or £160,000 for 2017/18</p>	14	14	14
<p><b>Adult Social Services – MTCBC Group Home (Llysfaen Fach)</b>  The Social Services and Well-being Act consolidated non-residential charging whilst removing specific respite charging</p>	12	12	0
<p><b>Learning – Maternity Costs</b>  Extra demand on current levels of maternity in schools</p>	21	22	24
<p><b>Learning – Retirement Costs</b>  Increased levels of school based staff redundancies/retirements due to budget pressures</p>	51	60	67

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Growth Requirements**

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Learning – Schools Data Management Systems</b> Rhondda Cynon Taf CBC Service Level Agreement for Capita One Management Information System	15	15	15
<b>Neighbourhood Services – Street Cleansing</b> Loss of income due to the termination of the contract with Merthyr Valleys Homes	23	23	23
<b>Neighbourhood Services – Street Cleansing</b> The costs of cleaning the trunk road once per year (with another clean being carried out by the South Wales Trunk Road Agent). The work will be carried out with existing resources but there will be additional traffic management and waste disposal costs.	63	63	63
<b>Net Neighbourhood Services – Fly Tipping Enforcement and Corporate Property &amp; Estates</b> Creation of a Technical Admin post for Fly Tipping Enforcement (Grade 4) to be offset by the deletion of a currently vacant Clerk of Works post within Property Services (Grade 7)	-6	-6	-4
<b>Corporate Property and Estates</b> Additional budget required to meet costs associated with the acquisition of properties at Taff & Crescent Street, Merthyr Vale, including council tax liabilities. Although a budget was initially approved by Cabinet on 19 <sup>th</sup> December 2014 the acquisitions are taking longer than initially reported.	16	56	31
<b>Public Protection – Housing Services</b> Following a VER release, a part-time Housing Solutions Officer has been promoted to a full-time Team Leader role. This was not part of the original business case.	10	11	12

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Growth Requirements**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Public Protection – Transport</b> Additional software licence costs incurred from 2018/19 onwards.	0	6	6
<b>Planning – Development Plan</b> Re-profiling of the Local Development Plan budget.	0	0	9
<b>Corporate Services – CCTV</b> Merthyr Valley Homes are reducing the funding they provide towards CCTV from 31 <sup>st</sup> December 2016.	48	48	48
<b>Corporate Services – Peace of Mind</b> Loss of provision to non-sheltered accommodation.	17	17	17
<b>Corporate Services – Benefits</b> Reduction in Housing Benefit administration grant.	18	18	18
<b>Corporate Services – Retained Leisure</b> Agency staff to address lack of female participation in sport in the borough.	7	7	7
<b>Finance – Accountancy</b> As a consequence of the Communities First Project ending in December 2017 and a reduction in funding in 2016/17 the grant cannot be matched into the Inspire project and instead Accountancy must match core salaries instead of receiving income from the grant.	9	13	15
<b>Finance – Procurement</b> Reduced income as a result of Stagecoach no longer accepting purchase card payments	11	11	11
<b>Human Resources</b> Reduction in Service Level Agreement income from Education and Leisure Trust.	50	45	45
<b>Total</b>	<b>1,922</b>	<b>1,962</b>	<b>1,925</b>



**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Budget Reductions**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Balance Sheet and Bad Debt Provision Review</b>  Relates to the following initiatives:</p> <ul style="list-style-type: none"> <li>• Re-classification of accounts from debtors and creditors to earmarked reserves within the 2015/16 accounts closure process.</li> <li>• Proposed revision to the bad debt provision from the current methodology based on fixed percentages linked to the age of outstanding debt to one encompassing a review of trend data. To be introduced for the 2016/17 closure of accounts exercise.</li> <li>• Review and consolidation of existing earmarked reserves</li> </ul> <p>It is projected that a potential £3 million is available to assist with the medium term budget process for the next 5 years based on a £200,000 per annum reduction in contribution.</p>	-1,000	-800	-600
<p><b>Insurance Fund Review</b>  A review incorporating insurance claims trends and projections together with Insurance Fund comparisons with all Welsh Local Authorities has concluded that no insurance fund injection is required for 2017/18 to 2018/19. This proposal will reduce the Insurance Fund from a balance of £2.031 million at 31<sup>st</sup> March 2016 to a projected balance of between £1.031 million and £1.331 million at 31<sup>st</sup> March 2019. This is deemed satisfactory as an Insurance Provision totalling £1.030 million at 31<sup>st</sup> March 2016 also exists to meet the Council's currently known outstanding insurance claims obligations.</p>	-500	-500	0
<p><b>Corporate Vacancy Factor</b>  Relates to savings resulting from the time elapsing between core funded posts becoming vacant and being filled. Proposal to increase budget from £200,000 to £300,000 for 2017/18 and from £100,000 to £300,000 from 2018/19. Surplus outturn reported to Cabinet of 27<sup>th</sup> July 2016 and 16<sup>th</sup> November 2016 and Budget Board throughout 2016/17.</p>	-200	-300	-300

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Corporate Budget Reductions**

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
<p><b>Council Tax Reduction Scheme</b>  Budget reductions owing to reducing caseloads in respect of eligible demand for assistance with council tax payments as reported to Cabinet on 27<sup>th</sup> July 2016 and 16<sup>th</sup> November 2016 and Budget Board throughout 2016/17. Caseload has reduced from 7,708 at 30<sup>th</sup> September 2013 to 6,920 at 30<sup>th</sup> September 2016.</p>	-200	-200	-200
<p><b>Pension Contributions</b>  Valuation of the Rhondda Cynon Taf Pension Fund by the Fund's actuary Aon Hewitt October 2016 has resulted in proposed employer's pension contributions as follows:</p> <ul style="list-style-type: none"> <li>• 2017/18 at 27.9% (budgeted 29.1%)</li> <li>• 2018/19 at 28.55% (budgeted 32.0%)</li> <li>• 2019/20 at 29.2% (budgeted 35.0%)</li> </ul> <p>The budgeted figures within the Medium Term Financial Plan reflected the actuary's Fund outlook in November 2015. The pension contribution for 2016/17 is 25.5%.</p>	-257	-776	-1,317
<p><b>Holiday Pay</b>  Reduction in original estimate of £125,000 for holiday pay for employees regularly working above contracted hours.</p>	-25	-25	-25
<p><b>Capital Financing Costs</b>  Reduced budget requirement resulting from re-profiling of borrowing to support capital expenditure including the 21<sup>st</sup> Century Schools Programme. The borrowing strategy includes long-term borrowing later in the financial year with increased short-term borrowing rather than long-term to take advantage of more attractive interest rates. Currently the Council is securing short-term borrowing at an average interest rate of 0.3% whereas long-term borrowing interest rates would be circa 3%.</p>	-421	-421	-421
<b>Total</b>	<b>-2,603</b>	<b>3,022</b>	<b>2,863</b>

**Medium Term Financial Plan 2017/18 to 2020/21 – Progress Update**  
**Service Outcome Focused Redesign**

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
<b>Relocation of the Highways Depot</b> Net saving by sharing depot with Rhondda Cynon Taf CBC (cost of £15,000) on exercising the break clause within the lease agreement for the existing depot at Unit 20 – approved by Cabinet 27 <sup>th</sup> July 2016.	-135	-135	-135
<b>Education and Admissions</b> Voluntary Early Retirement delegated authority July 2016	-22	-30	-37
<b>Additional Learning Needs Reconfiguration</b> Voluntary Early Retirement delegated authority October 2016	-98	-101	-103
<b>Education and Inclusions Service</b> Voluntary Redundancy delegated authority November 2016	-15	-14	-14
<b>Total</b>	<b>-270</b>	<b>-280</b>	<b>-289</b>