

MERTHYR TYDFIL COUNTY **BOROUGH COUNCIL**



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

MEDIUM TERM FINANCIAL PLAN

2017/18 – 2020/21

March 2017

1.0 Introduction

- 1.1 Local Government is faced with significant demanding future challenges in marrying corporate and service expenditure plans and priorities to scarce available financial resources. This becomes even more critical when acknowledging the Institute for Fiscal Studies projection that the current financial austerity measures could continue into the next decade.
- 1.2 It is imperative that Merthyr Tydfil County Borough Council (MTCBC) recognizes these challenges and aligns budgets and spending plans to corporate priorities through the implementation of a robust rolling programme Medium Term Financial Plan (MTFP) continuously updated to take into account changing circumstances, future demands, priorities and initiatives. Consequently, regular reporting to Corporate Management Team, Cabinet, Audit Committee and Scrutiny Committees is both desirable and essential.
- 1.3 A meaningful, continuously updated MTFP has the following advantages:
 - Informs the budget process
 - Allows timely recognition of future budget pressures, minimising unforeseen demands
 - Allows budget decisions to be based on priorities rather than the requirement to arbitrarily reduce costs
 - Supports earlier budget setting since financial decisions are being recommended earlier in the year
 - Supports integration of Council plans and policies
- 1.4 To ensure ownership of the MTFP by all stakeholders, for example members, senior management, service managers and finance professionals', the MTFP must be a meaningful tool in informing effective decision making and financial planning.
- 1.5 A meaningful MTFP should be fully integrated to aid financial planning and corporate decision making. The following are considered within the Council's MTFP for 2017/18 to 2020/21:
 - Section 2 – Corporate Plan
 - Section 3 – Asset Management Plan
 - Section 4 – Strategic Workforce Plan
 - Section 5 – Financial Context
 - Section 6 – Revenue Budget
 - Section 7 – Capital Programme
 - Section 8 – Reserves Strategy
 - Section 9 – Treasury Management

2.0 Corporate Plan

- 2.1 Underpinning all of the considerations within Sections 3 and 9 is the requirement for the MTFP to be determined by corporate spending priorities through the Priority Outcomes included in the Single Integrated Plan and Corporate Plan supporting the Council's Corporate Strategy.
- 2.2 The Corporate Plan 2013–2017, approved by Council on 23rd April 2014, identifies the Council's Improvement Objectives (Priority Areas) which directly link to Priority Outcomes within the Single Integrated Plan 2013 to 2017 (revised at Council 4th November 2015).
- 2.3 The Council reviews its Corporate Plan each year to ensure it continues to reflect the Council's corporate improvement priorities with the '*Corporate Plan – Annual Delivery Document 2016/17*' approved by Council on 15th June 2016.
- 2.4 The Vision for the Single Integrated Plan and Corporate Plan is confirmed as follows:

“To strengthen Merthyr Tydfil's position as the regional centre for the heads of the valleys and be a place to be proud of where:

- People learn and develop skills to fulfil their ambitions
- People live, work, have a safe, healthy and fulfilled life
- People visit, enjoy and return”

- 2.5 The Vision is supported by the following four Priority Outcomes:
- People in Merthyr Tydfil have the opportunity and aspiration to learn and develop their skills to maximise their potential **(delivered through the 'Raising Standards' theme)**
 - People in Merthyr Tydfil benefit from a strong, sustainable and diverse economy **(delivered through the 'Economic Growth' theme)**
 - People who live and work in Merthyr Tydfil are supported to enjoy a healthier and better quality of life **(delivered through the 'Improving Well-being' theme)**
 - People enjoy a vibrant, attractive, safe and sustainable place in which to live, work, play and visit **(delivered through the 'Sustainable Environment' theme)**

- 2.6 The improvement objectives within the Annual Delivery Document are confirmed as follows:

Raising Standards

- Priority Area 1 – Raising standards of attainment

Improving Well-being

- Priority Area 2 – Promoting independence
- Priority Area 3 – Meeting the needs of vulnerable children
- Priority Area 4 – Active lifestyles

Economic Growth

- Priority Area 5 – Economic Development
- Priority Area 6 – Employability

Developing a Sustainable Environment

- Priority Area 7 – A sustainable environment

Well-being of Future Generations

- A separate objective to make the transition from the current Corporate Plan (improvement objectives) to the new Wellbeing objectives, which is the requirement of the Wellbeing of Future Generations (Wales) Act 2015

- 2.7 The Corporate Plan and MTFP complement each other and include explicit links between resources and corporate priorities as demonstrated in Section 6 for revenue expenditure and Section 7 for capital expenditure.

3.0 Asset Management Plan

- 3.1 The Corporate Asset Management Plan 2014/2019 was approved by Council on 26th March 2014. The Plan recognises that the effective management of property is fundamental to the Council's ability to deliver on its corporate priorities and on its ability to sustain wider service delivery.

- 3.2 The Plan sets out the vision for asset management where:

- The property portfolio is aligned to corporate priorities and service requirements
- Appropriate investment is made in capital projects
- The portfolio is efficiently maintained, is fit for purpose and meets health and safety requirements

- 3.3 The Corporate Asset Management Plan includes appendices in respect of:

- Asset Management work streams
 - Maintenance Strategy
 - Office Accommodation Strategy
 - Energy Policy
 - Community Organisation Rental Policy
- 3.4 The Plan is a live document updated, as necessary, to reflect changes to service delivery, Council structures and legislation. In addition, an annual update report will be made to Cabinet throughout the life of the Plan.
- 3.5 Fundamental to improving and strengthening links with the Medium Term Financial Plan has been the implementation of the new **Asset Management System**, which ensures that all financial and property management systems are linked to a single, complete and accurate Asset Register. The Technology Forge (TF), were appointed in September 2011 following a tender exercise to provide a corporate Asset Management Software System. This system provides an integrated Asset Register, which facilitates the production of the Council's Capital Accounts and enables a corporate approach to Asset Management Planning.
- 3.6 The **Workforce Plan** is completed as part of the performance management yearly cycle, focusing on gaps in service delivery where staff numbers and skills are considered inadequate. Accommodation requirements and the potential for mobile or flexible working practices are also explored as part of the workforce planning process. This exercise informs the Medium Term Financial Plan, provides data which informs the **Office Accommodation Strategy** and provides for continuous review of the office accommodation requirements.
- 3.7 The Authority's **Property Review** Officer is tasked with rationalisation of the Property portfolio, re-allocating property to appropriate service areas and identifying potential surplus property thus realising capital receipts.
- 3.8 To enable continued improvements to **energy management and carbon reduction**, Cabinet of 12th February 2014 approved an application to Salix Finance for an interest free loan of £2.2 million to upgrade the Authority's street lighting lanterns from high pressure sodium units to new energy efficient Light Emitting Diode (LED) lanterns. This loan would be repaid over 8 years by which time it is projected that gross savings of £2.7 million would be achieved. Over the estimated 20 year life of the equipment it is projected that gross savings of £10.4 million will be realised. The Council has worked closely with the Carbon Trust over recent years to assist the authority in effectively targeting energy improvements.

- 3.9 The Council employs a Technical Energy Officer tasked with identifying and delivering sustainable **energy efficiency** savings.
- 3.10 The Council currently targets £500,000 of new **Capital Receipts** per annum to support Capital Programme ambitions. A Corporate Maintenance Budget allocation of £235,000 is included in the Capital Programme for essential maintenance work and priorities are managed in accordance with the Maintenance Strategy requirements. An on-going programme of **condition surveys** is underway, which will be facilitated by the availability of hand held technology to enable remote access to the Asset Management System.
- 3.11 The **Highway Asset Management Plan** (HAMP) was approved by Council on 5th December 2012 setting out a series of actions enabling the Authority, by building on existing processes, to continuously improve its service delivery framework. This will assist in meeting the Authority's strategic goals in the most effective manner given the constraints of statutory requirements, customer expectations and funding considerations.

4.0 Strategic Workforce Plan

- 4.1 The Strategic Workforce Plan 2014-2017 was approved by Council on 3rd December 2014. Its main purpose is to assist the Council in aligning employee numbers and skills to the needs of the community within a framework of effective financial management
- 4.2 The Council is faced with identifying significant budget reductions over the term of the MTFP 2017/18 to 2020/21. The Human Resources (HR) Service is active within this requirement in supporting the Council in undertaking redundancies, redeployment, re-structuring services, consultation and training.
- 4.3 The Asset Management Plan plays a significant role in reviewing the Council's property portfolio to help deliver required budget savings and respond to changes in the Council's building requirements. When the workforce changes in numbers or design, as highlighted in the workforce plans, the Asset Management Plan can respond by reviewing the portfolio of Council property required for the future. This in turn can be reflected in savings or priorities achieved within the Medium Term Financial Plan.
- 4.4 As part of this process, managers review their accommodation needs and the potential to provide for mobile or flexible working practices. This exercise informs the MTFP and provides data which informs the Office Accommodation Strategy providing for continuous review of the office

- accommodation requirements. There is a formal workforce review built into the Asset Management work stream to regularly capture workforce issues.
- 4.5 It is clear that the Council's Strategic Workforce Plan's objectives and ambitions are intrinsically linked with effective financial management and planning and as such must be clearly demonstrated and reflected in the Medium Term Financial Plan.
 - 4.6 In 2015/16 the Council developed the 'Steering the Ship' strategy which created a robust strategic plan integrating corporate priorities to the MTFP and people strategies. This strategy further strengthens strategic workforce planning within the Council in recognising the intrinsic link between workforce planning, asset management (including information technology) and financial sustainability.
 - 4.7 The Strategic Workforce Plan clearly indicated the requirement for all Council services to review and reduce the dependency on agency workers and overtime working. This has resulted in the Council more than halving the number of agency workers in the workforce, with the current HR and workforce strategies continuing this work, alongside the development of leadership, management and wider employee skills. This is linked to the Transformational Change Programme whereby workforce considerations are considered to be an essential part of delivering successful projects.
 - 4.8 In recognising its responsibility as the main employer in the County Borough area the Authority in setting its Budget for 2017/18 under challenging financial pressures, has committed itself to avoiding employee compulsory redundancies wherever possible by providing further opportunities for those employees at risk of compulsory redundancy to leave the organisation on a voluntary basis.

5.0 Financial Context

- 5.1 Central Government's proposals to tackle the national public sector borrowing deficit resulting from the global financial crisis has resulted in reduced financial settlements for the public sector for the medium to long term. The Institute for Fiscal Studies in its report "*Local Government Expenditure in Wales: Recent Trends and Future Pressures*" (October 2012) is projecting financial austerity constraints until at least 2020/21.
- 5.2 On 20th December 2016 the Welsh Government published its final budget for 2017/18 which included £265 million of **extra** revenue funding for the National Health Service (NHS) compared to £25 million for Local Government. It is against this background of additional funding for the NHS that Local Government is faced with bearing a disproportionate

degree of financial reductions. In addition, the financial outlook arising from Brexit adds further uncertainty to both the Welsh Government's future Budgets and those of Local Government in Wales.

5.3 **Revenue Settlement**

- 5.3.1 The Welsh Government (WG) announced the Final Local Government Settlement for 2017/18 on 21st December 2016 with an Aggregate External Finance (AEF) increase of 0.24% for Wales. The Wales AEF for 2017/18 totals £4.114 billion and is the total revenue funding received from the WG being the sum of the Revenue Support Grant and Redistributed Non-Domestic rates.
- 5.3.2 Merthyr Tydfil's AEF for 2017/18 reduced by 0.5% to £88.763 million being a cash reduction of £446,046 with no indicative AEF figures provided for future years. In addition Merthyr Tydfil was supported by a "floor mechanism" for 2017/18 whereby the Welsh Government ensured that no Local Authority experienced 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 £391,113.
- 5.3.3 The base budget for 2016/17 was increased by a net £20,584 to allow for transfers in to the settlement for 2017/18 of £66,603, transfers out of the settlement of £19,328 and a formula adjustment of £26,691.

The transfers in to the settlement are as follows:

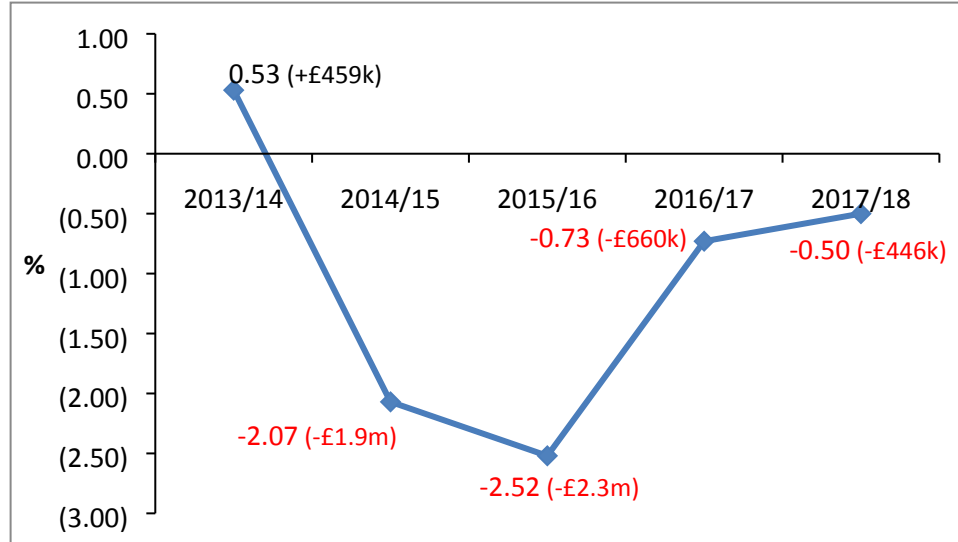
- Delivering Transformation Grant of £61,959
- Deprivation of Liberty Standards of £3,165
- Blue Badge Additional Funding of £230
- Food Hygiene Rating Scheme of £1,249

The transfers out of the settlement are as follows:

- Education Workforce Council Teachers Registration Fees of £19,328

- 5.3.4 The Council's revenue settlements for the period 2013/14 to 2017/18 focusing on cash impact are outlined in Figure 1. It should be noted that the Council Tax Reduction Scheme grant impact is excluded for 2013/14 to enable a more equitable funding comparison.

Figure 1 – Cash and % Changes in AEF 2013/14 to 2017/18



5.3.5 It is evident from Figure 1 that the Council has faced significant financial challenges for the period 2013/14 to 2017/18, experiencing a period of unprecedented funding reductions as Central Government continues its policy of financial austerity.

5.3.6 It is clear that the four year period of this MTFP continues to be critical in transforming the Authority in ensuring it is fit for purpose to meet financial challenges for the future in aligning scarce resources to corporate priorities ensuring effective and efficient service delivery is both maintained and further developed and improved. To this end the Authority has prudently projected annual AEF reductions of 4.5% for 2018/19 to 2020/21.

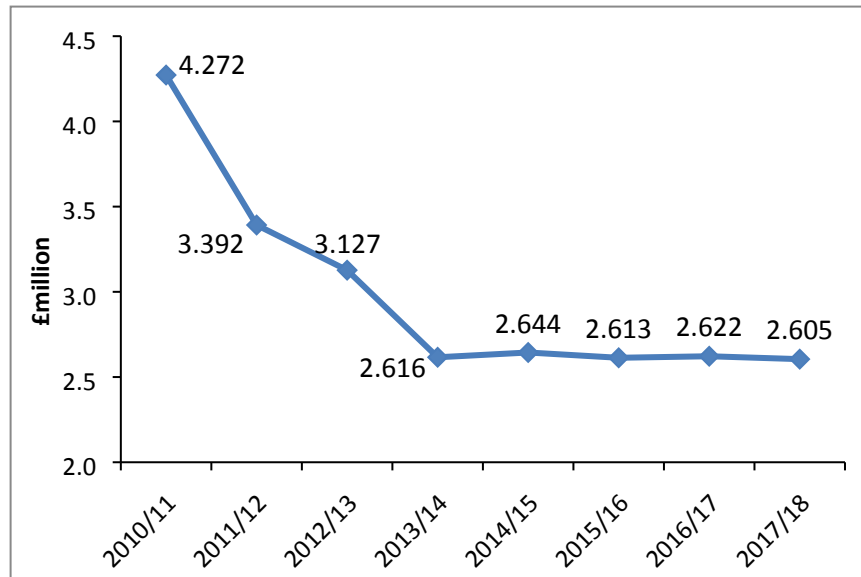
5.3.7 This transformation agenda needs to be managed against a background of continuing financial austerity imposed by Central Government, together with the requirements for Local Government Reform and increased inter authority collaboration expressed within the Welsh Government’s White Paper “Reforming Local Government: Resilient and Renewed”, published 31st January 2017.

5.4 **Capital Settlements**

5.4.1 The WG in its announcement of the Final Local Government Settlement for 2017/18 on 21st December 2016 notified Authorities of General Capital Funding (GCF) allocations for 2017/18. GCF is the sum of General Capital Grant and Un-hypothecated Supported Borrowing and is used to finance the costs of the Council’s capital investment ambitions.

5.4.2 Outlined in Figure 2 are the GCF allocations for 2010/11 to 2017/18 clearly demonstrating that Capital Settlements have significantly reduced over the period 2010/11 to 2013/14 before stabilising at circa £2.6 million per financial year.

Figure 2 – GCF Allocations 2010/11 to 2017/18



5.4.3 It is evident from Figure 2 that current capital funding through the GCF has reduced by £1.667 million (39%) from 2010/11 to current funding levels. If GCF had been maintained at the 2010/11 level then the Council would have received an additional £10.285 million funding up until 2017/18. This reduction has placed additional pressures on the Council to satisfy capital investment requirements at a time when demand for capital investment in highways infrastructure, schools' reconfiguration and maintaining ageing property assets is increasing. Core capital funding is projected to remain at £2.605 million per annum over the period of the MTFP.

5.4.4 The Council's core capital funding can be supplemented by capital receipts, which are receipts to the Authority from the disposal of its fixed assets. In addition the Council is able to enter into unsupported borrowing through the Prudential Code Framework for Capital Finance as long as this initiative is considered affordable, prudent and sustainable.

Another capital finance source is revenue contributions but in the current economic climate where revenue funding is constrained this is not considered a realistic option for the Council.

5.4.5 In addition to GCF the Council receives capital grants from a variety of sources, mainly through the guises of WG, which are restricted for specific projects and are governed by the terms and conditions of the grant

approval. Under the current financial restrictions, however, specific capital grants may not be as accessible as in previous years.

5.5 **Projected Revenue Budget Outturn 2016/17**

5.5.1 As reported to Cabinet on 22nd February 2017 the projected revenue outturn for 2016/17 as at 31st December 2016 is a net budget surplus of £1.031 million before transfer to earmarked reserves. A projected net surplus outturn position for 2016/17 has consistently been reported throughout the 2016/17 financial year and demonstrates effective budget management by all Departments.

5.5.2 Budget monitoring during 2016/17 has been supported by effective scrutiny and challenge provided by both the Budget Board and Change Management Board. The projected revenue outturn for 2016/17 is summarised in Table 1 and is based upon the report to Cabinet of 22nd February 2017.

Table 1 – Projected Revenue Outturn 2016/17

Description	Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
People and Performance	72,374	72,357	-17	-0.02
Place and Transformation	21,996	21,750	-246	-1.12
Corporate Costs	21,278	21,072	-206	-0.97
Non General Fund Allocations	-976	-976	0	0.00
Collection Fund Surplus	-600	-600	0	0.00
Corporate Vacancy Factor	462	-100	-562	-121.65
Net Employee Severance	472	472	0	0.00
Earmarked Reserves	-761	-761	0	0.00
Net Expenditure	114,245	113,214	-1,031	-0.90

5.5.3 The Revenue Outturn 2016/17 report to Cabinet in July 2017 will recommend the transfer to earmarked reserves of an amount in excess of £1 million to finance current and future commitments in respect of the Cardiff Capital Region City Deal initiative and employee severance costs whilst recognising the challenges posed by the future budget setting process.

5.5.4 Budget pressures experienced during 2016/17 considered “unavoidable” have been reflected in the Medium Term Financial Plan 2017/18 to 2020/21.

6.0 Revenue Budget

- 6.1 The net Revenue Budget for 2017/18 of £114.795 million approved by Council on 2nd March 2017, together with indicative Net Revenue Budget Requirements and projected budget deficits for 2018/19 to 2020/21 are outlined in Appendices 1 to 4, and summarised in Table 2.

Table 2 – Budget Requirements 2017/18 to 2020/21

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
People and Performance	74,694	75,891	77,334	78,158
Place and Transformation	21,296	21,690	22,144	22,486
Corporate Costs	22,009	21,639	22,233	22,286
Net Corporate Budgets	-3,204	-1,652	-727	-230
Net Required Expenditure	114,795	117,568	120,984	122,700
Estimated Finance Available (Budget Requirement**)	-114,795	-111,556	-108,518	-106,342
Projected Budget Deficit	0	6,012	12,466	16,358

** indicative for 2018/19 to 2020/21 subject to budget reduction requirements

- 6.2 Included within 'Net Corporate Budgets' for 2017/18 is a £757,000 contribution from the Budget Earmarked Reserve which is subject to the identification of further in-year budget reductions to minimise as far as possible this 'one-off' non-recurring requirement.
- 6.3 It is evident from Appendices 1 to 4 that Budgets have been linked to specific corporate priority areas to demonstrate the proportion of revenue resources allocated to the Council's corporate priorities for improvement. An additional category 'Core Business As Usual' denotes that net expenditure not attributable to any specific priority area.
- 6.4 The position for 2017/18 is outlined in Table 3 (for gross and net expenditure), together with the code designated to each priority area.

Table 3 – Budget Requirement 2017/18 Linked to Corporate Priority Areas

Priority Area	Code	Gross Budget		Net Budget	
		£'000	%	£'000	%
Raising Standards of Attainment	RSA	43,910	26.84	43,500	37.89
Employability	E	2,549	1.56	547	0.48
Economic Development	ED	849	0.52	481	0.42
Active Lifestyles	AL	1,957	1.20	1,931	1.68
Promoting Independence	PI	24,574	15.02	17,522	15.26
Meeting the Needs of Vulnerable Children	MNVC	15,490	9.47	11,627	10.13
A Sustainable Environment	SE	32,426	19.82	7,780	6.78
Total		121,755	74.43	83,388	72.64
Core Business As Usual	CBAU	41,820	25.57	31,407	27.36
Budget Requirement		163,575	100.00	114,795	100.00

- 6.5 It is evident from Table 3 that the core corporate improvement priorities of education and social care make up a significant proportion of the revenue budget for 2017/18 (51% gross and 63% net).
- 6.6 The Budget Requirement for 2017/18 and indicative Budget Requirements for 2018/19 to 2020/21 are the culmination of a budget setting process which commenced with the reporting of the MTFP 2016/17 to 2019/20 to Council on 23rd March 2016. The Budget 2017/18 and MTFP 2017/18 to 2020/21 proposals have been considered and approved by Cabinet, Joint Scrutiny / Audit Committee and Council throughout 2016/17 as indicated in Table 4.

Table 4 – Budget / MTFP Committee Dates

Cabinet	Council	Joint Scrutiny / Audit
27 th July 2016	7 th September 2016	18 th January 2017
30 th November 2016	30 th November 2016	15 th February 2017
11 th January 2017	25 th January 2017	
8 th February 2017	2 nd March 2017	
22 nd February 2017		
15 th March 2017		

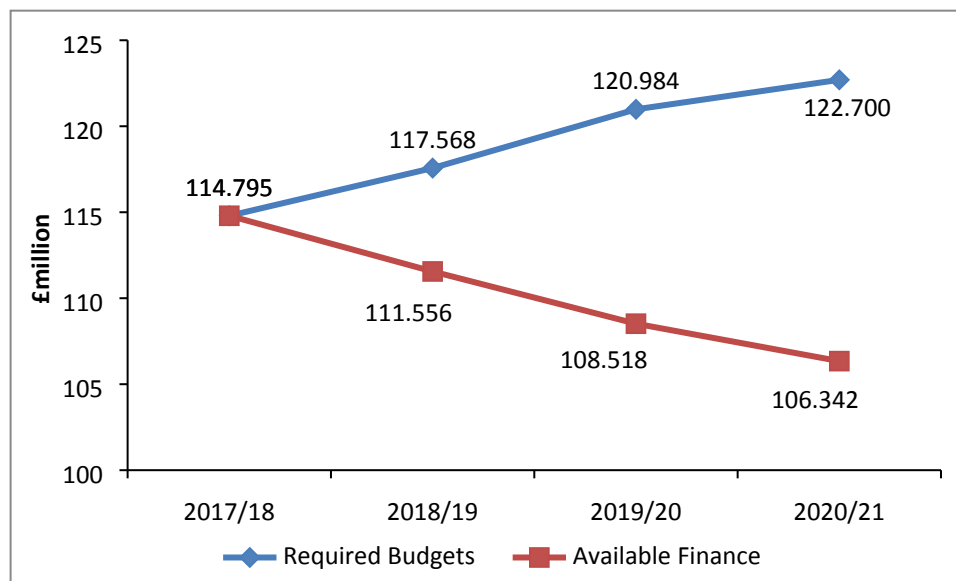
6.7 Outlined in Table 5 are the revisions to the 23rd March 2016 position approved by Council in arriving at updated budget deficits for 2017/18 to 2020/21.

Table 5 – Budget Deficits 2017/18 to 2020/21

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Deficit Council 23rd March 2016	10,017	15,303	20,302	n/a
Additional Requirements	3,360	3,532	3,529	n/a
Identified Budget Reductions	-8,331	-9,677	-8,891	n/a
Revenue Settlement Implications	-2,857	-2,211	-1,946	-1,675
Schools Commitments	1,005	1,258	1,492	n/a
Net Additional Budget Reductions	-737	-934	-934	-934
Utilisation of Earmarked Reserve	-1,700	-1,259	-1,086	-592
Budget Reserve/Change Programme	-757	0	0	0
Budget Deficit Council 2nd March 2017	0	6,012	12,466	16,358

6.8 It is evident from Table 5 that the Council is faced with a revised budget deficit of £6.012 million for 2018/19 and in excess of £16 million for the 4 year period of the MTFP as represented in Figure 3.

Figure 3 – Indicative Budget Deficits 2017/18 to 2020/21



6.9 Additional Requirements

6.9.1 The 'Additional Requirements' indicated in Table 5 are detailed in Appendix 5 and refer to Corporate and Service requirements approved by Council during the course of the 2016/17 financial year. The total for 2017/18 is £3.360 million and includes:

- Additional Foundation Living Wage commitment of £283,000
- Implications of the South Wales Trunk Road Agent (SWTRA) contract cessation of £625,000
- Introduction of the UK Government's Apprenticeship Levy of £263,000
- Additional learning needs requirements within schools (enhanced provision) of £385,000
- Additional placements and increased transport costs for out of county placements for children with special needs of £458,000
- Additional residential placements within the 'Looked After Children' system of £210,000

6.10 Identified Budget Reductions

6.10.1 The 'Identified Budget Reductions' indicated in Table 5 are detailed in Appendix 6 and refer to Corporate and Service proposals approved by Council during the course of the 2016/17 financial year. The total for 2017/18 is £8.331 million and includes:

- Corporate Risk Fund relinquishment of £600,000
- Amendment to the Minimum Revenue Provision Policy of £835,000
- Capitalisation of employee severance costs of £750,000
- The recurring impact resulting from the implementation of 2016/17 Change Programme initiatives of £790,000
- The recurring impact resulting from the implementation of 2016/17 Income Generation and Cost Recovery principles of £583,000
- Social Services Outcome Focused Redesign of £915,000
- Strategic Partnership budget reduction opportunities of £1.748 million
- Review of Insurance Fund balance and provision of £500,000
- Review of budgeted corporate vacancy factor of £200,000
- Review of Council Tax Reduction Scheme caseloads of eligible demand for assistance of £200,000
- Confirmation of employer's pension contributions following valuation of the Rhondda Cynon Taf Pension Fund of £257,000
- Reduction in Capital Financing Costs following re-profiling of borrowing to support capital expenditure of £421,000

6.11 Revenue Settlement Implications

6.11.1 The Welsh Government's Final Local Government Settlement was announced on 21st 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.

6.11.2 The MTFP impact from the final settlement is outlined in Table 6 and demonstrates increased spending power of £2.857 million for 2017/18.

Table 6 – Implications of Final Local Government Settlement

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<u>Aggregate External Finance (AEF)</u>				
Original MTFP	86,005	82,504	78,792	75,246
Final Settlement	88,763	84,769	80,954	77,311
Increase in AEF	-2,758	-2,265	-2,162	-2,065
<u>Council Tax Levy</u>				
Original Council Tax Base	25,933	26,841	27,780	28,753
Final Council Tax Base	26,032	26,787	27,564	28,363
Increase/Decrease in Council Tax Levy	-99	54	216	390
Net Impact of Final Settlement	-2,857	-2,211	-1,946	-1,675

6.11.3 The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant (RSG) and Redistributed Non Domestic Rates. Table 7 compares the budgeted AEF within the original MTFP with the revised finance assumptions included in the updated MTFP for 2017/18 to 2020/21.

Table 7 – Aggregate External Finance (AEF)

Description	2017/18 %	2018/19 %	2019/20 %	2020/21 %
Original Budgeted AEF	-3.57	-4.07	-4.50	n/a
Revised AEF	-0.50	-4.50	-4.50	-4.50

Although it is evident from Table 7 that the Council has received a better than anticipated revenue settlement for 2017/18, 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

6.11.4 The spending power implications resulting from the council tax levy are based on the following principles over the 4 year period of the MTFP:

- Council Tax increase of 2.9% per annum
- Council Tax collection rate of 96%
- Council Tax base of 18,069.24 (17,896.23 for 2016/17)

6.12 Schools' Commitments

6.12.1 For 2017/18 there is no formal Welsh Government requirement for the Council to provide to schools a financial commitment through the cash protection mechanism.

6.12.2 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.

6.12.3 Council of 30th November 2016 approved to retain cash protection for 2017/18, subject to the Schools Forum identifying £200,000 budget reductions as part of an ongoing efficiency programme to negate the impact of the discontinuation of the Welsh Government's cash protection commitment. The Chief Finance Officer had confirmed this requirement to the Schools Forum on 9th November 2016.

6.12.4 Cabinet of 22nd February 2017 rejected £57,000 of the identified £200,000 Schools Forum proposals in respect of proposed changes to the schools' Breakfast Club service delivery, thus reducing the schools budget reduction contribution to £143,000.

6.12.5 Application of an indicative 1.92% cash protection for 2017/18 whilst reflecting the Cabinet supported schools budget reduction contribution results in a corporate financial commitment of £1.005 million for 2017/18 as indicated in Table 8.

Table 8 – Schools’ Cash Protection Commitment

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
Pupil Number Growth – 2017/18	441	441	441
Cash Protection at 1.92% – 2017/18	725	725	725
Pupil Number Growth – Future Years	n/a	253	487
Cash Protection – Future Years	n/a	0	0
Surplus Places Adjustments	-18	-18	-18
School Forum Reductions	-143	-143	-143
Total Schools’ Commitment	1,005	1,258	1,492

6.12.6 Although no future years potential cash commitment is reflected in Table 8 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.

6.13 Net Additional Budget Reductions

6.13.1 In supplementing and complementing the existing change management programme Corporate Management Team reviewed a suite of budget reduction options identified by all Council services. These options were based on the identification of potential service budget reduction opportunities ranging from 2% to 20% for each service area and were risk scored by Chief Officers and Senior Managers against the Council’s risk matrix of likelihood against impact.

6.13.2 Gross full year savings of £1.386 million were approved by Council on 2nd March 2017 and are detailed in Appendix 7. For 2017/18 these gross savings are reduced by £649,000 to net budget savings of £737,000 owing to the following requirements:

- £404,000 of the budget reduction proposals relate to outstanding budget reduction requirements relating to the Strategic Partnership Proposals in respect of the Customer Offering, Supporting People and Procurement work streams. It should be noted that £1.748

million of strategic partnership budget reductions are already reflected within the 2017/18 proposed Budget.

- Estimated £245,000 of projected budget reduction slippage for 2017/18 reflecting the time taken for statutory engagement and consultation with employees, public and trade unions.

6.14 Utilisation of Earmarked Reserves

6.14.1 Planned utilisation of Earmarked Reserves in supporting the MTFP has been reported to Cabinet and Council throughout 2016/17 as detailed in Appendix 8 and summarised in Table 9.

Table 9 – Planned Utilisation of Earmarked Reserves

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Committed Budget Reserve	-1,245	-800	-600	-400
Living Wage Reserve	-277	-275	-298	0
Corporate Investment Fund	-178	-184	-188	-192
Earmarked Reserves Utilised	-1,700	-1,259	-1,086	-592
Potential Additional Budget Reserve (to be offset by identified in-year savings)	-757	0	0	0
Maximum Earmarked Reserves	-2,457	-1,259	-1,086	-592

6.14.2 It is evident from Table 9 that to meet the Council's Budget commitments for 2017/18 a further utilisation of £757,000 of the Earmarked Budget Reserve was approved by Council on 2nd March 2017. It is recognised however that this utilisation will be offset by the identification of in-year savings wherever feasible to minimise this current requirement.

6.15 In addition to paragraphs 6.9 to 6.14 it is important to note that the MTFP for 2017/18 to 2020/21 is compiled on the principles and assumptions outlined as follows:

- Service Delivery – based on the 2017/18 Budget service delivery approved by Council on 2nd March 2017 whilst recognising the requirement for further budget reductions through the Council's Change Management programme
- Pay award of 1% per annum, based on National Joint Council for Local Government Services pay award recommendations for 2017/18 maintained for the period of the MTFP
- Salary Incremental Progression – included where appropriate together with Job Evaluation implications

- Inflation – allowance for unavoidable contractual uplifts (including energy costs) where appropriate with no increase for general inflation
- Collection Fund – a contribution of £600,000 per annum is budgeted resulting from projected surplus on the Collection Fund for 2017/18 to 2020/21

6.16 The projections will be continually subject to amendment based on a variety of changing circumstances, for example:

- School protection implications
- Updated pupil numbers
- Revised corporate priorities
- Results of integration reviews
- Cessation of grant funding
- New demands and initiatives
- Central Government legislation and changing policy
- Implications of Local Government Reform including increased collaboration
- Invest to save/improve agenda
- Development of further partnership working, collaborative working and shared services objectives
- Cardiff City Region City Deal
- Unforeseen emergency considerations
- Changes in interest rates
- Changes to income profiles
- Demographic changes
- Organisational restructure
- Employee cost reductions including severance costs
- Capital investment decisions
- Projected current year budget overspends/underspends
- Corporate Change Management Programme

6.17 **Consultation**

6.17.1 A public consultation exercise was undertaken across the County Borough during December 2016 and January 2017 in relation to the Council's Priorities and Budget for 2017/18 as engagement with citizens is an essential part of the budget setting process.

6.17.2 The aim of the consultation was to engage with a variety of citizens across the County Borough to gauge opinions on the delivery of services, priority services and potential council tax increase. This was done through the following processes:

- Cabinet Roadshows
- On-line survey through the Council website and Cwm Taf Community Engagement Hub
- Engagement through Social Media

6.17.3 The results of the consultation and engagement exercise were reported to Cabinet on 8th February 2017 with Council services prioritised as indicated in Table 10.

Table 10 – Council Services Prioritisation following Public Consultation

Budget Priority Area	Priority %	Response	Rank
Care for the Elderly	14.87	849	1
Schools and Education	13.03	744	2
Children's and Adults' Social Care	11.52	658	3
Refuse and Waste	11.43	653	4
Highways and Infrastructure	9.96	569	5
Street Scene	9.45	540	6
Environmental Health & Community Safety	9.09	519	7
Community Regeneration	8.39	479	8
Leisure and Culture	6.15	351	9
Physical Regeneration	6.11	349	10
Total	100.00	5,711	n/a

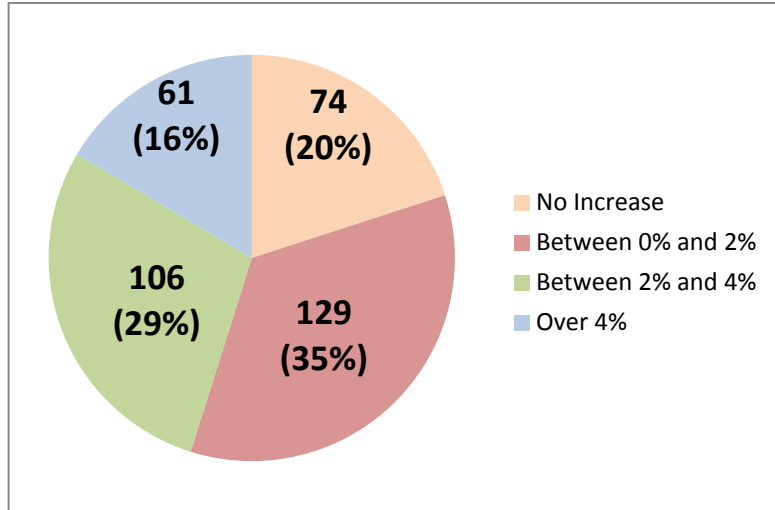
6.17.4 It is evident from Table 10 that the public priority services mirror the Council's allocation of revenue resources (Table 3) in supporting the core corporate improvement priorities of education and social care, with 39.42% of respondents in priority order 1 to 3.

6.17.5 In addition the outcomes in relation to potential Council Tax increase were reported to Council on 2nd March 2017 as part of the formal Budget and Council Tax setting process. The consultation indicated that 80% of 376 respondents supported a reasonable increase in Council Tax if it meant that as many Council services as possible were maintained at current levels of service. In responding to the preferred level of Council Tax increase for 2017/18, 45% of the 370 respondents supported a Council Tax increase in excess of 2%, as follows:

- No increase – 74 respondents (20%)
- Between 0% and 2% – 129 respondents (35%)
- Between 2% and 4% – 106 respondents (29%)
- Over 4% – 61 respondents (16%)

6.17.6 Figure 4 highlights the respondents' preferred Council Tax increases following the consultation exercise.

Figure 4 – Preferred Council Tax Increase for 2017/18



6.17.7 Under the equality duty (set out in the Equality Act 2010), public authorities must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

6.18 **Sensitivity Analysis**

6.18.1 The development of sensitivity analyses techniques further prepares the Council for changing circumstances and its impact on the projected budget deficits for the medium term. This allows the Council to consider 'worst case', 'best case' and 'most likely' budget scenarios. The reported indicative budget deficits for years 2 to 4 of the MTFP, as disclosed in Tables 2 and 5, are as follows:

- 2018/19 – £6.012 million
- 2019/20 – £12.466 million
- 2020/21 – £16.358 million

The sensitivity of changing circumstances and/or revised assumptions on the reported required further budget reductions are considered in the following selected scenarios.

6.18.2 Council Tax Increase

The current MTFP for 2017/18 to 2020/21 is based on a Council Tax increase per annum of 2.9%, as approved for 2017/18 by Council on 2nd March 2017.

An increase or decrease in the indicative Council Tax increase for 2018/19 of 1% to 3.9% or 1.9%, maintained for 2019/20 and 2020/21, would lead to revised budget deficits for the 3 year period as outlined in Table 11.

Table 11 – Impact of Revised Council Tax Increases

Financial Year	Budget Impact £'000	Indicative Budget Deficit at 2.9% £'000	Revised Budget Deficit at 3.9% £'000	Revised Budget Deficit at 1.9% £'000
2018/19	260	6,012	5,752	6,272
2019/20	538	12,466	11,928	13,004
2020/21	835	16,358	15,523	17,193

It is evident from Table 11 there is an increase in revenue for the Council from a further 1% increase in Council Tax of £260,000 for 2018/19, £538,000 for 2019/20 and £835,000 for 2020/21.

It should be noted that Local Authorities in Wales are subject to “capping” by the Welsh Government whereby council tax increases are limited to a maximum of 5% per annum. In addition the Council has to consider the impact of a further increase in Council Tax on the increase in demand from residents for support with council tax payments through the Council Tax Reduction Scheme.

6.18.3 Welsh Government Funding

Further required budget reductions for 2018/19 to 2020/21 are based on estimated funding reductions of 4.50% per annum for the reasons outlined in paragraph 6.11.3. It is anticipated that a reduction of 4.5% is the worst case scenario under continued Central Government financial austerity measures.

Table 12 explores the implications of revenue settlement reductions of 3.5%, 2.5%, 1.5% and 0.5% for the projected budget deficits for 2018/19 to 2020/21. In each scenario the modelled funding reduction is projected to be maintained for the duration of the MTFP.

Table 12 – Impact of Further WG Funding Reductions

Financial Year	Budget Deficit at AEF of -4.5% £'000	Budget Deficit at AEF of -3.5% £'000	Budget Deficit at AEF of -2.5% £'000	Budget Deficit at AEF of -1.5% £'000	Budget Deficit at AEF of -0.5% £'000
2018/19	6,012	5,124	4,237	3,349	2,461
2019/20	12,466	10,762	9,040	7,300	5,542
2020/21	16,358	13,904	11,398	8,841	6,231

It is evident from Table 12 that for every 1% better than projected AEF for 2018/19, additional funding of £888,000 is secured.

7.0 **Capital Programme**

7.1 The Council approved Capital Programme for 2017/18 to 2020/21 is outlined in Appendix 9 and indicates a core funded Capital Programme of £9.462 million for 2017/18 and £25.938 million for the four year period.

7.2 It should be noted that a significant amount of additional capital investment is supported by external providers such as Welsh Government, Heads of the Valley Programme, Heritage Lottery Fund and European Regional Development Fund demonstrating the Council's ability to attract and successfully bid for external capital funding.

7.3 The Council currently has a number of medium to long term capital commitments linked to its Corporate Priorities and Corporate Risk Register and supported by its Asset Management Plans. These are described as follows:

7.3.1 **21st Century Schools Programme**

The 21st Century Schools Programme is a Welsh Government initiative to support capital investment in schools with 'Band A' projects requiring 50% match funding from Local Authorities. It supports the Council's educational strategic aims for providing teaching and learning in energy efficient and sustainable schools fit for the 21st Century. The Council's first tranche 'Band A' projects are as follows:

Afon Taf High School

Refurbishment of the Afon Taf High School at a projected cost of £12 million in order to:

- Maximise the opportunities for school improvement
- Improve the fabric of the building since the school is in the poorest condition of all the Authorities secondary schools
- Reduce the levels of significant surplus places

New Ysgol Y Graig Primary School

This project entails the provision of a new primary school replacing the current Ysgol Y Graig Primary School and the former Trefechan Nursery School and is a long standing ambition of the Authority since the current primary school is in poor condition and is unable to accommodate the nursery within the main building. The projected cost of the project is £7 million.

The revised expenditure and financing profile for the Band A 21st Century Schools Programme is outlined in Appendix 10 and indicates a total project cost of £19 million requiring £9.5 million (50%) match funding contribution from the Council.

7.3.2 Physical Regeneration Programme

This involves physical regeneration projects within the Town Centre and surrounding areas within the County Borough. Appendix 11 outlines the indicative Physical Regeneration Programme for the Council whereby a financial commitment of £3.6 million from the Authority, commencing 2017/18, potentially secures the Council additional capital finance of £26.4 million. It should be noted that certain external funding bids are still subject to formal approval.

7.3.3 Riverside

Appendix 12 outlines the Riverside/Riverside Phase 3 Taff and Crescent Street Programmes. The Authority was successful in securing £6.7 million of funding in 2014/15 and 2015/16 to support both projects, requiring a commitment from Merthyr Tydfil County Borough Council to complete the purchase programme in Taff and Crescent Streets by the 2018/19 financial year.

7.3.4 Cyfarthfa High School Roof Replacement

The school has experienced water ingress into classroom areas resulting from roof damage.

7.3.5 **School Feasibility Studies**

This relates to scoping works in respect of several schools, particularly to assess the future capital programme requirement in relation to the 21st Century Band B Programme.

7.3.6 **Highways Structural Maintenance**

This relates to the annual commitment to tackle the backlog of required highway asset investment.

7.3.7 **Disabled Facilities Grants**

A mandatory demand-led annual commitment provided for improvement works to disabled people's homes.

7.3.8 **Land Purchase/works**

This relates to a budget allocation for purchase and work on land key to the Councils' future plans.

7.3.9 **Depot review**

An allocation is included within the 2017/18 financial year as part of the review of current and future Depot requirements.

7.3.10 **Brandy Bridge, Abercanaid**

Repairs are required to avoid a weight limit needing to be considered as concrete is de-bonding from the steel reinforcement and breaking off in large sections. If this continues it will reduce the strength and loading capacity of the piers. This is the only road bridge into the village of Abercanaid that also serves businesses and so it is essential that the repairs are carried out.

7.3.11 **Road Slippage South of Pontygwaith**

An allocation is required to carry out the physical works to address the recent road slippage South of Pontygwaith.

7.3.12 **Pontsticill Bridge**

This bridge is already subject a weight restriction. Phase 1 of a planned 2 phase strengthening programme was completed in 2011. This capital allocation would allow the remaining strengthening works to be completed

and for the weight restriction to be removed. Failure to complete the works will result in the bridge continuing to deteriorate.

7.3.13 Pentwyndeinter Bridge

The road bridge was closed in 2014 due to significant defects leading to the bridge being in danger of complete collapse. Replacement of the road bridge will allow the reopening of the section of highway and therefore reduce the traffic flow issues in Quakers Yard which is currently the only available route for residents of Pentwyn Deinter.

7.3.14 Security Fences

A Capital allocation is required to install electric security fences at the two Household Waste Recycling sites and possibly at the Waste Depot at Units 3 and 4 resulting in a potential reduction of revenue security costs at the site.

7.3.15 Corporate Maintenance

This relates to a commitment for general capital maintenance and improvement projects including emergency projects and statutory compliance.

7.3.16 Costs of Supporting Capital Expenditure

This relates to professional costs contributing to the implementation of capital projects.

7.3.17 Redundancy costs

The Council has the potential flexibility to utilise capital receipts for the period 2017/18 to 2018/19 to finance the revenue costs of service reform. The value of revenue expenditure eligible for capitalisation in any given financial year is restricted to the amount of new capital receipts realised in that same financial year. Appendix 9 details an estimated amount of £500,000 new capital receipts available per annum to be used to finance redundancy costs.

7.3.18 Unallocated

For 2018/19 to 2020/21 there remains unallocated monies within the Capital Programme which will be subject to further reports to Cabinet in due course.

- 7.4 From Appendices 9 to 12 it is evident that the Council is faced with challenging capital finance constraints but is innovative and effective in securing external funding and working with partners to support its capital investment ambitions. General Capital Funding received from the Welsh Government is projected to be maintained at £2.605 million per annum over the period of the Capital Programme, whilst new capital receipts from the sale of Council surplus assets is prudently projected not to exceed £500,000 per annum.
- 7.5 It is recognised that owing to funding restrictions there are a number of potential significant projects currently not included within the proposed Capital Programme which may result in further urgent requests to Cabinet for capital funding during 2017/18.
- 7.6 Council of 25th January 2017 approved the Joint Working Agreement formally establishing the Cardiff Capital Region Joint Committee under the City Deal initiative involving the 10 constituent Local Authorities within South East Wales. Once specific projects within the initiative are determined these projects with associated financial commitments will be reflected in the Council’s Capital Programme.
- 7.7 Projects within the Capital Programme have been linked to specific corporate priority areas to demonstrate the proportion of capital resources allocated to the Council’s corporate priorities for improvement. As with revenue expenditure the category ‘Core Business As Usual’ denotes that net expenditure not attributable to any specific priority area. The position over the life of the Capital Programme is summarised in Table 13.

Table 13 – Capital Programme Linked to Corporate Priority Areas

Priority Area	Code	Budget £'000	Budget %
Raising Standards of Attainment	RSA	6,915	27
Employability	E	0	0
Economic Development	ED	3,600	14
Active Lifestyles	AL	0	0
Promoting Independence	PI	3,400	13
Meeting the Needs of Vulnerable Children	MNVC	0	0
A Sustainable Environment	SE	1,862	7
Core Business As Usual	CBAU	8,531	33
Unallocated	-	1,630	6
Total		25,938	100

- 7.8 From Table 13 it is evident that the most significant proportion of the Council’s “core” capital funding is allocated to the corporate improvement

priority of 'Raising Standards of Attainment' (27%) and 'Core Business As Usual' (33%), whilst 6% remains 'Unallocated'. It should be noted that although Table 13 excludes capital expenditure supported by external grants, the following is evident from Appendices 10 to 11:

- Through the 21st Century Schools Programme (Appendix 10), further external funding of £1.469 million supports the corporate improvement priority of 'Raising Standards of Attainment'
- Through the Regeneration Programme (Appendix 11), funding of £26.4 million supports the corporate improvement priority of 'Economic Development'

7.9 Capital investment decisions will significantly impact on the net revenue expenditure of the Council especially in terms of capital financing costs (repayment of borrowing to finance expenditure on capital projects) and future running and maintenance costs of new fixed assets. Capital expenditure financed by unsupported borrowing through the Prudential Code framework for Capital Finance included in the period of the Capital Programme equates to £11.93 million.

7.10 It should be noted that unlike supported borrowing through General Capital Funding, the capital financing costs associated with unsupported borrowing is not included within the Council's Revenue Support Grant received from WG. Instead through Prudential Indicators the Council is required to ensure the capital spending plans are affordable, prudent and sustainable.

7.11 Capital option appraisals are required to be formally adopted to assist with decisions involving the allocation of scarce resources to competing projects and/or priorities in establishing the full-life costs of the proposals. Once a capital project is approved the Council is also making a commitment towards the ongoing revenue running costs associated with the asset. The appraisal will take account of both quantitative and qualitative criteria and links to the Council's Asset Management Plan.

7.12 As evident from Figure 2 the Council's capital resources through the WG's General capital Funding (GCF) is £2.605 million for 2017/18. GCF projections assume the 2017/18 allocation will be maintained over the period 2018/19 to 2020/21 of the Capital Programme.

8.0 Reserves Strategy

8.1 The level of balances at any particular point in time (both earmarked and non-earmarked) will inform decisions in respect of proposed utilisation to either offset budget setting pressures or to increase 'one-off' expenditure

on corporate priorities. It is acknowledged that the continuous use of balances to avoid difficult budget decisions is both unwise and unsustainable.

8.2 The following initiatives were introduced for the 2014/15 financial year to enhance the budget monitoring process in supporting effective financial management and increased accountability:

8.2.1 **The Change Management Board** (supported by the Change Management Steering Group) monitors all Medium Term Financial Plan budget proposals to ensure deliverability of all projects within stated timescales.

8.2.2 **The Budget Board** complements both the Change Management Board and effective budget accountability by rigorous scrutiny of monthly budget monitoring statements followed by robust challenging of responsible managers.

8.3 The continued effectiveness of both the Change Management Board and Budget Board can be demonstrated in the projected budget surplus outturn for 2016/17 of £1.031 million as indicated in Table 1, paragraph 5.5.2. This follows the reported audited budget surplus outturn (net of transfer to earmarked reserves) for 2014/15 of £114,000 and for 2015/16 of £102,000 demonstrating the financial sustainability of the Council's plans.

8.4 In demonstrating the Council's reserves strategy each type of reserve is addressed individually in paragraphs 8.5 to 8.8.

8.5 General Reserves

8.5.1 General Reserves consist of un-hypothecated reserves enabling the Council to respond to unforeseen or unexpected financial liabilities.

8.5.2 The overarching aim of the Council's Budget Board, created to embed a culture of increased budget accountability throughout all Council services, is as follows:

"To maintain an adequate, healthy General Reserves balance of between 3.5% and 4% of the Council's annual budgeted Net Revenue Expenditure in ensuring the Council continues to remain financially viable."

8.5.3 Under Part II of the Local Government Act 2003, the Chief Finance Officer is required to report upon the adequacy of general reserves (most recent report to Full Council meeting 2nd March 2017). As at 1st April 2017, total General Reserves is estimated to be £4.65 million which is considered

adequate for Merthyr Tydfil County Borough Council, equating to circa 4% of the net revenue budget.

8.5.4 It is proposed that General Reserves will remain at circa £4.7 million for the duration of the MTFP 2017/18 to 2020/21. This would allow the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures. It is not considered prudent for the Council to utilise general reserves to support its future revenue budget plans owing to the unacceptable risk and exposure to the Council of an inadequate level of reserves to address potential future revenue budget overspends. In addition the level and adequacy of Council general reserves is also subject to scrutiny by external regulators.

8.6 Insurance Fund

8.6.1 The Council maintains an Insurance Fund to enable it to respond to any known or potential future insurance liability with the balance reviewed annually by its Insurance Advisor Marsh Limited.

8.6.2 The audited balance at 31st March 2016 of £3.061 million includes a provision for £1.030 million reflecting the Authority's outstanding insurance claims obligations at 31st March 2016.

8.6.3 As indicated in Appendix 6 (Reference 12) 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 reduces the Insurance Fund balance to a projected balance of between £1.031 million and £1.331 million at 31st March 2019. This is deemed satisfactory owing to the Insurance Provision of £1.030 million.

8.7 Local Management of Schools

8.7.1 This relates to balances held by schools in following the Council's Local Management of Schools scheme under Welsh Government regulations. The level and appropriateness of each school's balance is challenged and scrutinised by the Council's Cabinet, Schools Scrutiny Committee, Schools Forum and Budget Board.

8.7.2 Schools Balances reduced by 86% for the period 31st March 2013 to 31st March 2015, as follows:

- 31st March 2013 – £1.456 million
- 31st March 2014 – £358,000
- 31st March 2015 – £206,000

This is owing to:

- the application of the statutory threshold for School Balances of a maximum £100,000 for Secondary and Special Schools and £50,000 for Nursery and Primary Schools governed by the School Funding (Wales) Regulations 2010; and
- the development of more robust schools medium term financial planning

8.7.3 Owing to the unacceptably low school balances, Cabinet on 29th July 2015 approved a financial monitoring policy for schools introducing a more robust scrutiny and monitoring framework undertaken by both schools and the Local Education Authority. The balances below demonstrate the success of the recovery measures in ensuring a more healthy balance position is sustained for the foreseeable future:

- 31st March 2016 – £779,000
- 31st March 2017 – a projected £621,000
- 31st March 2018 – a projected £881,000
- 31st March 2019 – a projected £1.329 million

8.7.4 The projected balances for 2016/17 to 2018/19 were reported to the Audit Committee of 13th February 2017.

8.8 Other Earmarked Reserves

8.8.1 Other Earmarked Reserves relate to balances held for specific purposes across the range of Council services. They are closely monitored and reviewed annually by the Council's Chief Finance Officer.

8.8.2 Balances held for specific purposes increased from £5.972 million at 31st March 2015 to £12.447 million at 31st March 2016 resulting from additional appropriations to earmarked reserves together with re-classification to reserves of items previously classified as creditors. These are detailed in Appendix 13 with the provisional position for 31st March 2017 to be determined by 30th June 2017 as part of the closure of accounts process for the 2016/17 financial year.

8.8.3 Through continuous monitoring and review, every realistic opportunity to release earmarked reserves to assist with future budget planning is explored. A detailed review of earmarked reserves commenced during the 2015/16 annual accounts closure process and is to be concluded within the 2016/17 closure of accounts process.

8.8.4 It should be noted that increased earmarked reserves result from prudent budget management with the Council recognising the anticipated future financial liabilities resulting from the Transformation Programme agenda, including projected investment costs and employee severance costs.

8.9 Members' engagement in scrutinising the level of reserves held by the Council is ensured through the following processes, with the main focus being in respect of the Council Fund (General Reserves) and Schools Balances:

- Cabinet Members are appraised of reserve balances during the budget setting process through Cabinet Budget Workshops and subsequent formal Cabinet meetings and provide effective challenge where appropriate
- The Budget Board, consisting of the Leader of the Council and Deputy Leader of the Council, considers the adequacy of reserves and balances through budget monitoring updates
- Cabinet considers the impact of budget monitoring reports on the level of reserves
- Members of the Scrutiny Committees and Audit Committee, encompassing all Council Members in at least one committee, challenge the use and adequacy of reserves where appropriate
- Schools Forum considers the adequacy of schools balances and provides effective challenge
- The adequacy of General Reserves is reported to the Full Council meeting tasked with approval of the annual Budget and is subject to question

9.0 Treasury Management

9.1 The Council's Treasury Management Policy and Annual Investment Strategy for 2017/18 are appended as Appendix 14. The Prudential Indicators included within the Policy, ensure that the Council's borrowing and investment plans included within the MTFP are affordable, prudent and sustainable.

9.2 Appendix 14 reflects the Minimum Revenue Provision Statement for 2017/18 approved by Council on 2nd March 2017.

9.3 A Treasury Outturn Statement for 2016/17 and a Mid- Year Treasury Statement for 2017/18 will be reported to Council during the 2017/18 financial year.

9.4 If appropriate, revised Prudential Indicators may be reported to Council during 2017/18 in the event of unforeseen circumstances such as greater than projected borrowing or potential breach of borrowing limits.

Medium Term Financial Plan 2017/18 to 2020/21
Corporate Summary

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000
People and Performance Directorate	74,694	75,891	77,334	78,158
Place and Transformation Directorate	21,296	21,690	22,144	22,486
Corporate Costs	22,009	21,639	22,233	22,286
Apprenticeship Levy	263	266	268	271
Net Employee Severance Costs/Slippage	1,305	1,056	1,306	1,306
Non General Fund Allocations	-835	-835	-835	-835
Discretionary Non Domestic Rate Relief	20	20	20	20
Collection Fund Surplus	-600	-600	-600	-600
Corporate Vacancy Factor	-400	-400	-400	-400
Contribution from Budget Reserve	-1,245	-800	-600	-400
Contribution from Living Wage Reserve	-277	-275	-298	0
Contribution to/from Corporate Investment Fund	-178	416	412	408
Capitalisation of Severance Costs	-500	-500	0	0
Earmarked Reserves/Change Management	-757	0	0	0
Net Expenditure	114,795	117,568	120,984	122,700
Available Finance	-114,795	-111,556	-108,518	-106,342
Projected Budget Deficit (to be identified through the Corporate Change Programme)	0	6,012	12,466	16,358

In Appendices 2 to 4 the following Priority Area codes denote the Corporate Improvement Priorities as set out in the Corporate Plan:

- RSA Raising Standards of Attainment
- E Employability
- ED Economic Development
- AL Active Lifestyles
- PI Promoting Independence
- MNVC Meeting the Needs of Vulnerable Children
- SE A Sustainable Environment
- CBAU Core Business As Usual (not attributable to any specific priority area)

Medium Term Financial Plan 2017/18 to 2020/21
People and Performance Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Business Support</u>					
Business Manager	58	59	60	61	CBAU
Compliments and Complaints	77	80	82	82	CBAU
<u>Social Care Services and Recharges</u>					
Quality & Regulation Services	99	100	101	102	CBAU
Client Financial Management Services	223	226	230	233	CBAU
Receivership	22	22	22	22	PI
Social Care Service Responsibility & Recharges	26	26	26	26	CBAU
Delivering Transformation Grant	62	62	62	62	CBAU
<u>Duty, IAA & ACT Compliance</u>					
Out of Hours/Emergency Duty Services	63	63	63	63	CBAU
IAA Duty Services	76	79	80	83	MNVC
Citizen Engagement	3	3	3	3	PI,MNVC
<u>Early Intervention and Assistance Services</u>					
Multiple Intervention Assistance Service	0	0	0	0	MNVC
Carers Network	201	201	201	201	PI
<u>Social Services Collaborative Partnerships</u>					
Integrated Community Equipment Store (ICES)	175	175	175	185	PI
Cwm Taf Social Care Workforce Development	146	149	151	152	CBAU
Cwm Taf Youth Offending Services	323	340	340	340	MNVC
Vale, Valleys & Cardiff (VVC) Regional Adoption Group	165	170	175	180	MNVC
Integrated Family Support Services (IFST)	280	280	280	280	MNVC
<u>Adult Social Care</u>					
Adult Services Management	139	143	145	146	CBAU
Social Care Client Service Strategies	86	89	91	94	PI
Health Park Accommodation (previously Social Services Running Costs)	163	163	163	163	CBAU
<u>Assessment & Care Management Services</u>					
Social Work Team	1,151	1,181	1,202	1,222	PI
Deprivation of Liberty (DOLs) Services	88	90	92	94	PI
<u>Initial Support Services</u>					
ISS Management	65	67	69	69	CBAU
Initial Adult Services	255	260	263	265	PI
Initial Response Services	547	362	374	381	PI
Community Occupational Therapy	381	387	393	396	PI
Telecare / Telehealth Services	37	37	37	37	PI

Medium Term Financial Plan 2017/18 to 2020/21
People and Performance Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Supported and Accommodation Services</u>					
MTCBC Homes for the Elderly	1,636	1,675	1,738	1,768	PI
MTCBC Group Home (Llysfan Fach)	879	812	839	851	PI
Supporting People	78	99	101	102	PI
<u>Day Care Services</u>					
Outside/Community Based Activities	238	241	245	246	PI
Day Centres	864	847	865	863	PI
Transport	207	218	230	241	PI
<u>Independent External Care Provision</u>					
Supported Placements	2,560	2,919	3,248	3,419	PI
Shared Lives	365	440	470	502	PI
Independent Domiciliary Care	1,750	1,809	1,940	1,956	PI
Direct Payments	981	1,099	1,179	1,249	PI
Independent Commissioned Day Services	166	166	166	166	PI
Independent Residential Establishments (IRE's)	4,574	4,711	4,829	4,926	PI
Extra Care Facility	256	270	286	301	PI
<u>Children's Social Care</u>					
Children's Social Care	204	206	209	212	MNVC
<u>Children with Disabilities</u>					
Children with Disabilities	753	746	773	783	MNVC
<u>Children Looked After</u>					
Looked After Children Team	468	480	492	502	MNVC
Looked After Children Educational Support (LACES)	175	177	178	179	MNVC
Fostering & Family Placement Team	432	440	448	453	MNVC
LAC Residential Placement Services	993	965	900	958	MNVC
Fostering Services	3,088	2,995	2,830	2,673	MNVC
Leaving Care Support Services	311	378	493	596	MNVC
Adoption Services	111	123	135	146	MNVC
Advocacy Services	65	81	81	81	MNVC
<u>Intake & Family Support Services</u>					
Intake Team	534	550	561	566	MNVC
Child & Family Team	611	622	639	653	MNVC
Specialist Family Support	25	25	25	25	MNVC
Family Centre & Contact Services	623	632	639	645	MNVC
Children in Need	324	330	338	343	MNVC
Support Other Than Looked After Services	588	556	537	502	MNVC

Medium Term Financial Plan 2017/18 to 2020/21
People and Performance Directorate

Description	Net Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Youth Justice Services</u>					
Youth Justice Services (LASPO)	0	0	0	0	MNVC
<u>Safeguarding</u>					
Merthyr Tydfil Safeguarding Unit	193	196	200	202	PI,MNVC
Independent Safeguarding Services	114	114	114	114	PI,MNVC
Multi Agency Safeguarding Hub (MASH)	317	323	328	331	PI,MNVC
<u>Performance</u>	323	327	332	335	CBAU
<u>Families First (grant)</u>	0	0	0	0	MNVC
<u>Community Development</u>					
Adult Community Learning (inc. Venture Out)	30	32	35	37	E,AL,PI
Family & Community Services	47	48	48	49	MNVC
<u>Worklessness</u>					
FSF Lone Parent	0	0	0	0	E
Inspire to Achieve	0	0	0	0	E
Inspire to Work (to be confirmed)	0	0	0	0	E
<u>New Head of Service post - Community and Wellbeing</u>	62	59	60	61	CBAU
<u>Early Years & Youth</u>					
Early Years	157	156	156	206	MNVC
Integrated Children's Centre Services	-24	-29	-29	-11	RSA
Integrated Children's Centre building	92	93	94	96	CBAU
<u>Flying Start</u>	0	0	0	0	MNVC
<u>Youth Services</u>					
1400 Youth Service Management	116	118	119	121	RSA,E,MNVC
1422 Youth Service Street based	65	67	69	69	RSA,E,MNVC
1425 Youth Service 16+	33	35	36	36	RSA,E,MNVC
1451 Youth Service Penydre	98	99	100	101	RSA,E,MNVC
1452 Youth Service Treharris	85	86	87	88	RSA,E,MNVC
1457 Youth Service Cyfarthfa	75	76	77	78	RSA,E,MNVC
1466 Youth Service Troedyrhiw	73	75	77	79	RSA,E,MNVC
1730 Youth service YPAG	0	0	0	0	RSA,E,MNVC
1731 Youth Service Strategy Grant	0	0	0	0	RSA,E,MNVC
1751 Adult Learning (sufficiency)	20	20	20	20	E

Medium Term Financial Plan 2017/18 to 2020/21
People and Performance Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Transition into Employment</u>					
Inspire Match Funding	24	24	24	24	E
Employment Support	0	0	0	0	E
<u>Participation & Youth Support Services</u>	82	83	84	86	RSA,E,AL, MNVC
<u>Individual Schools Budget</u>					
Individual Schools Budget (ISB)	38,649	39,099	39,591	39,702	RSA
Ynysowen Speech & Language	78	79	80	81	RSA
Partial Hearing Classes	160	162	164	165	RSA
EIG	236	241	246	251	RSA
<u>Other School Expenditure</u>					
Maternity Costs	61	62	64	65	CBAU
Facility Time	15	16	16	16	CBAU
Retirement / Severance	356	365	372	381	CBAU
Welsh Joint Education Committee (WJEC)	15	15	15	15	CBAU
<u>School Meals</u>	11	11	11	12	CBAU
<u>Strategic Management and Support</u>					
Strategic Management and Support (now only training)	10	7	7	7	CBAU
Extended Leadership Team	80	79	79	79	CBAU
<u>School Support Services</u>					
Building Maintenance	64	64	64	64	CBAU
Health & Safety	28	28	28	29	CBAU
Caretaking & Cleaning SLA	0	0	0	0	CBAU
LMS & Resources	44	44	43	43	CBAU
Admissions	78	70	67	69	CBAU
Governor Support	24	22	20	20	CBAU
Headteacher / Schools Forum	2	2	2	2	CBAU
General Office Running Costs	17	17	17	17	CBAU
Peripatetic Music Service	0	0	0	0	CBAU
Youth Orchestra Service	15	15	15	16	CBAU
<u>Other Education</u>					
Local Safeguarding Children's Board (LSCB)	10	10	10	10	CBAU
Vacant Education Properties	0	0	3	3	CBAU
Grant to Organisations	1	1	1	1	CBAU

Medium Term Financial Plan 2017/18 to 2020/21
People and Performance Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Special Educational Needs</u>					
Education Inclusion	68	70	71	72	RSA
Enhanced Provision	1,167	1,192	1,214	1,237	RSA
Speech Therapists	41	43	43	44	RSA
Special Tuition	137	139	142	145	RSA
Special Needs Advisory Teachers	86	87	87	88	RSA
Special Recoupment	815	816	816	816	RSA
Psychological Services	374	381	387	393	RSA
SNAP Cymru	13	13	13	13	RSA
ALN Training	12	12	12	12	RSA
School Counselling	68	69	70	72	RSA
School Transport	762	780	780	780	MNVC
<u>School Improvement</u>					
Strategic Education Projects	89	89	89	89	RSA
Schools Data Management Systems	98	100	102	104	CBAU
Joint Education Service	258	263	268	274	RSA
Net Expenditure	74,694	75,891	77,334	78,158	

Medium Term Financial Plan 2017/18 to 2020/21
Place and Transformation Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Director</u>					
ICT Computers	1,461	1,485	1,501	1,512	CBAU
Schools Support Team	0	0	0	0	CBAU
ICT Printing	184	187	190	192	CBAU
Business Change	339	351	361	364	CBAU
Corporate Communications Team	127	133	134	135	CBAU
News Merthyr/Contact Supplement	15	15	16	16	CBAU
Emergency Planning	97	98	99	100	CBAU
<u>Community Regeneration</u>					
Economic Development	242	246	250	263	ED
Physical Regeneration	179	182	184	186	ED
Rights of Way	91	91	92	93	ED
Orbit Business Centre	-31	-37	-42	-34	ED
Tourist Information Centre	0	0	0	0	ED
<u>Employability</u>					
Employability core	289	292	294	297	E
Bridges into work 2 (grant)	0	0	0	0	E
Working Skills for Adults	0	0	0	0	E
Communities for Work P3	0	0	0	0	E
Communities for Work P1	0	0	0	0	E
<u>Neighbourhood Services</u>					
Bereavement Services	-68	-69	-71	-75	CBAU
Grounds Maintenance	1,242	1,242	1,261	1,273	SE
Street Cleansing	1,121	1,146	1,166	1,188	SE
Fleet Management	692	706	720	734	CBAU
<u>Refuse and Waste</u>					
Waste Disposal	745	743	739	768	SE
Civic Amenities	1,092	1,131	1,171	1,212	SE
Recycling	136	109	115	116	SE
Refuse Collection	844	854	866	874	SE
Sustainable Waste Management Grant	455	471	510	544	SE
Pentrebach Waste Management Depot	0	0	0	0	SE

Medium Term Financial Plan 2017/18 to 2020/21
Place and Transformation Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Highways and Engineering</u>					
Highways Administration	475	485	492	497	CBAU
Highways Operational	812	822	832	840	SE,CBAU
Street Lighting	218	226	236	247	SE
Bridge Maintenance	105	105	105	105	CBAU
Land Drainage	72	74	76	78	SE
Land Reclamation	21	21	21	21	SE
Traffic Management	37	37	37	37	CBAU
Engineering	389	396	402	406	CBAU
Depots	30	29	32	36	CBAU
<u>Corporate Property & Estates</u>					
Corporate Property & Estates Division	672	688	666	649	CBAU
Glynmil Gipsy Site	3	3	3	3	CBAU
Land Charges	0	0	0	0	CBAU
Office Accommodation	815	833	849	866	CBAU
<u>Public Protection</u>					
Housing Renovation Grants	-71	-72	-71	-70	SE
Miscellaneous Rentals	0	0	0	0	SE
Housing Services (RSL's Advice & Strategy)	399	403	408	423	SE
Community Safety	116	117	118	119	SE
Trading Standards General	247	252	256	259	CBAU
Licensing	25	21	23	26	CBAU
Public Health, Health Education & Occupational	156	158	160	162	CBAU
Environmental Protection & Housing	117	118	120	121	SE
Operational - Dog Warden and Pest Control	61	62	63	64	CBAU
Animal Impounding	2	2	2	2	CBAU
Food Safety & Prevention of Infectious Diseases	171	173	175	177	CBAU
Default Works	0	0	0	0	SE
Registrars	74	77	81	83	CBAU
Contribution from Renewal Reserve	-125	-75	-50	0	PI
Transport	1,493	1,521	1,545	1,568	RSA,CBAU
<u>Planning & Countryside</u>					
Planning - Development Control	165	177	185	189	CBAU
Planning - Development Plan	417	393	460	404	SE
Building Control	54	55	57	59	CBAU

Medium Term Financial Plan 2017/18 to 2020/21
Place and Transformation Directorate

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Corporate Services</u>					
Risk Management	81	82	84	85	CBAU
Partnerships	59	59	60	61	CBAU
Service Support and Development	723	749	763	770	CBAU
Executive Support	185	189	192	194	CBAU
CCTV	162	163	164	165	CBAU
Peace of Mind	4	8	13	15	PI
Audit	259	267	273	277	CBAU
Counter Fraud	0	0	0	0	CBAU
Benefits	308	314	321	338	CBAU
Revenues	23	38	53	65	CBAU
Parking Services	-300	-294	-280	-285	CBAU
Leisure Trust	1,901	1,901	1,901	1,901	AL
Leisure Trust SLA's	438	438	438	438	CBAU
Retained Leisure budgets	65	64	66	66	CBAU
<u>Finance</u>					
Accountancy	702	725	738	744	CBAU
Insurance	44	45	46	46	CBAU
Creditors	146	148	150	151	CBAU
Procurement	294	317	323	326	CBAU
Net Expenditure	21,296	21,690	22,144	22,486	

Medium Term Financial Plan 2017/18 to 2020/21**Corporate Costs**

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>Corporate Management - Executive</u>	1,544	1,588	1,611	1,627	CBAU
<u>Corporate Authority</u>					
Capital Financing Costs	7,462	7,560	7,652	7,564	CBAU
Rent Allowances	-6	-6	-6	-6	SE
Council Tax Benefit Payments	6,025	6,125	6,225	6,325	CBAU
Levies	2,928	2,928	2,928	2,928	CBAU
Contribution to Pensions	339	339	339	339	CBAU
External Audit and Inspection Fees	380	380	380	380	CBAU
Insurances	553	553	1,053	1,053	CBAU
Provision for Bad Debts	20	100	100	100	CBAU
External Legal Fees	30	30	30	30	CBAU
Grants to Voluntary Organisations	14	14	14	14	CBAU
Subscriptions	100	100	100	100	CBAU
Bank Charges	71	71	71	71	CBAU
Empty Property NDR Relief	30	31	32	32	CBAU
Translations	0	0	0	0	CBAU
Welsh Translations	77	77	77	77	CBAU
Welsh Water Long Term Debt Interest	-15	-11	-7	-7	CBAU
Payroll Insurance Income	-5	-5	-4	-4	CBAU
Car Purchase Loans	-1	0	0	0	CBAU
Corporate Property	-89	-89	-89	-89	CBAU
<u>Human Resources</u>					
Human Resources	564	571	582	591	CBAU
Trade Unions	26	27	28	28	CBAU
Payroll	246	250	254	257	CBAU
<u>Legal</u>					
Legal	303	310	316	319	CBAU
Information Governance	59	63	66	67	CBAU
Democracy	170	173	175	176	CBAU
Register of Electors	40	40	40	40	CBAU
Elections	85	0	0	0	CBAU
Mayor Expenses	71	72	73	74	CBAU
Members Expenses	791	784	793	800	CBAU
Scrutiny	92	93	95	95	CBAU

Medium Term Financial Plan 2017/18 to 2020/21**Corporate Costs**

Description	Budget 2017/18 £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Corporate Priority Area
<u>To be Recharged</u>					
Holiday Pay	100	100	100	100	CBAU
Living Wage Provision	150	150	150	150	CBAU
Energy Levy	50	50	50	50	SE
Strategic Partnership Workstreams	-195	-829	-995	-995	CBAU
Net Expenditure	22,009	21,639	22,233	22,286	

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
1	Additional Learning Needs Transport Relates to contractual uplifts for transport costs (Council 7 th September 2016)	36	54	0
2	Learning – Special Recoupment Additional demand based on current trends and future projections (Council 7 th September 2016)	100	100	100
3	Learning – Retirement/Severance Additional ongoing costs resulting from approved VER's for 2015/16 (Council 7 th September 2016)	10	10	10
4	Additional Pension Contributions 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. (Council 7 th September 2016)	84	139	204
5	Application of Foundation Living Wage Projected additional financial commitment from the application of the Foundation Living Wage from 1 st April 2016 as follows: <ul style="list-style-type: none"> ○ 2017/18 at £8.69 per hour ○ 2018/19 at £8.78 per hour ○ 2019/20 at £8.87 per hour ○ 1st April 2020 at £9 per hour From 2018/19 subject to review with £150,000 per annum already included within the MTFP. (Council 7 th September 2016)	283	281	303

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
6	<p>South Wales Trunk Road Agent (SWTRA) Contract The SWTRA contract ceased on 31st March 2016 resulting from changes to the contracting Terms and Conditions owing to the current climate of austerity (Council 7th September 2016)</p>	625	618	611
7	<p>Grounds Maintenance 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 1st July 2016. (Council 7th September 2016)</p>	115	117	119
8	<p>Local Development Plan (LDP) Financial commitment associated with the replacement of the LDP (Council 7th September 2016)</p>	0	60	60
9	<p>Social Care Strategic Review Investment 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. (Council 7th September 2016)</p>	178	184	188
10	<p>Welsh Translations Additional costs arising from compliance with statutory Welsh Language. (Council 30th November 2016)</p>	45	45	45

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
11	<p>Data Protection Officer Creation of a Data Protection Officer post in compliance with the General Data Protection Regulations 2016 (Council 30th November 2016)</p>	59	64	69
12	<p>Transfers In to and Out of the Settlement Funding previously provided as specific grants has been transferred into the settlement for 2017/18, namely:</p> <ul style="list-style-type: none"> • Social Services Delivering Transformation Grant (£61,959) • Deprivation of Liberty Standards Safeguards (£3,165) • Blue Badge Scheme Additional Funding (£230) • Food Hygiene Rating Scheme (£1,249) <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) (Council 30th November 2016)</p>	47	47	47
13	<p>New Responsibilities Two new responsibilities included within the Provisional Settlement:</p> <ol style="list-style-type: none"> 1. £86,379 to fund the commitment to increase the capital limit for charging for residential care from £24,000 to £30,000 2. £6,444 to fund the commitment to fully disregard the War Disablement Pension in financial assessments for social care. <p>(Council 30th November 2016)</p>	93	93	93

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
14	<p>Apprenticeship Levy 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. (Council 30th November 2016)</p>	263	266	268
15	<p>Single Environment Grant Reflects a 6.72% reduction in the all Wales figure for 2017/18. (Council 30th November 2016)</p>	83	83	83
16	<p>Learning – Enhanced Provision Relates to additional learning needs within schools. Current financial pressures in respect of 2016/17 have been reported to Cabinet throughout the year through the budget monitoring process. (Council 30th November 2016)</p>	307	280	249
17	<p>Learning – Special Recoupmnt 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 have been reported to Cabinet throughout the year through the budget monitoring process. (Council 30th November 2016)</p>	358	359	359

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
18	<p>Looked After Children This reflects financial pressures resulting from additional residential placements within the 'Looked After Children' system. Current financial pressures in respect of 2016/17 have been reported to Cabinet throughout the year through the budget monitoring process. (Council 30th November 2016)</p>	210	210	210
19	<p>Learning – Enhanced Provision Further identified additional learning needs within schools over and above that previously approved at Council of 30th November 2016. (Council 25th January 2017)</p>	78	80	81
20	<p>Social Care – Regional Adoption Group 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. (Council 25th January 2017)</p>	14	14	14
21	<p>Adult Social Services – MTCBC Group Home (Llysfaen Fach) The Social Services and Well-being Act consolidated non-residential charging whilst removing specific respite charging (Council 25th January 2017)</p>	12	12	0
22	<p>Learning – Maternity Costs Extra demand on current levels of maternity in schools (Council 25th January 2017)</p>	21	22	24

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
23	Learning – Retirement Costs Increased levels of school based staff redundancies/retirements due to budget pressures (Council 25 th January 2017)	51	60	67
24	Learning – Schools Data Management Systems Rhondda Cynon Taf CBC Service Level Agreement for Capita One Management Information System (Council 25 th January 2017)	15	15	15
25	Neighbourhood Services – Street Cleansing Loss of income due to the termination of the contract with Merthyr Valleys Homes (Council 25 th January 2017)	23	23	23
26	Neighbourhood Services – Street Cleansing 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. (Council 25 th January 2017)	63	63	63
27	Net Neighbourhood Services – Fly Tipping Enforcement and Corporate Property & Estates 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) (Council 25 th January 2017)	-6	-6	-4

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
28	Corporate Property and Estates 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 th December 2014 the acquisitions are taking longer than initially reported. (Council 25 th January 2017)	16	56	31
29	Public Protection – Housing Services 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. (Council 25 th January 2017)	10	11	12
30	Public Protection – Transport Additional software licence costs incurred from 2018/19 onwards. (Council 25 th January 2017)	0	6	6
31	Planning – Development Plan Re-profiling of the Local Development Plan budget. (Council 25 th January 2017)	0	0	9
32	Corporate Services – CCTV Merthyr Valley Homes are reducing the funding they provide towards CCTV from 31 st December 2016. (Council 25 th January 2017)	48	48	48
33	Corporate Services – Peace of Mind Loss of provision to non-sheltered accommodation. (Council 25 th January 2017)	17	17	17

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
34	Corporate Services – Benefits Reduction in Housing Benefit administration grant. (Council 25 th January 2017)	18	18	18
35	Corporate Services – Retained Leisure Agency staff to address lack of female participation in sport in the borough. (Council 25 th January 2017)	7	7	7
36	Finance – Accountancy 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. (Council 25 th January 2017)	9	13	15
37	Finance – Procurement Reduced income as a result of Stagecoach no longer accepting purchase card payments (Council 25 th January 2017)	11	11	11
38	Human Resources Reduction in Service Level Agreement income from Education and Leisure Trust. (Council 25 th January 2017)	50	45	45
39	Corporate Services – CCTV Correction of previous growth request for £48,000 in respect of reduced funding for CCTV from Merthyr Valleys Homes (see Ref. 32) (Council 2 nd March 2017)	4	4	4

Appendix 5 (continued)

Medium Term Financial Plan 2017/18 to 2020/21
Additional Requirements

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
40	Corporate Services – Peace of Mind Growth request in respect of loss of provision to non-sheltered accommodation (Ref. 33) no longer required. (Council 2 nd March 2017)	-17	-17	-17
41	Corporate Services – Retained Leisure Growth request for agency staff to address lack of female participation in sport (Ref. 35) no longer requested. (Council 2 nd March 2017)	-7	-7	-7
42	Housing Services – Prevention of Homelessness Inclusion of further new responsibility within the Final Settlement. (Council 2 nd March 2017)	80	80	80
43	Cardiff Capital Region City Deal Merthyr Tydfil's Contribution to the Joint Committee operational costs. To be financed through specific earmarked reserve. (Council 2 nd March 2017)	40 -40	40 -40	40 -40
44	New Responsibilities and Transfers In/Out of Settlement Adjustment of new responsibilities and transfers (Ref. 12 and 13) following final validation of service requirements (Council 2 nd March 2017)	-53	-53	-51
	Total	3,360	3,532	3,529

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
1	<p>Single Environment Grant 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. (Council 7th September 2016)</p>	-43	-43	-43
2	<p>Corporate Risk Fund To alleviate the financial pressures on the Medium Term Financial Plan for 2016/17 to 2017/18 the Corporate Risk Fund is relinquished and replaced with £1.2 million earmarked from the revenue outturn surplus for 2015/16. (Council 7th September 2016)</p>	-600	0	0
3	<p>Amendment to Minimum Revenue Provision (MRP) Policy This relates to capital financing costs associated with long-term borrowing for capital expenditure. A more prudent provision based on all historic debt charged to revenue over 44 years by the straight line method was approved by Council and agreed with the Wales Audit Office. (Council 7th September 2016)</p>	-835	-816	-796
4	<p>Capitalisation of Severance Costs The Council is able to utilise capital receipts received during 2017/18 to 2018/19 to finance the costs of employee severance falling in those respective years thus alleviating the financial liability on the revenue budget. (Council 7th September 2016)</p>	-750	-750	0

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
5	Change Programme Relates to budget reductions through Voluntary Redundancy, Voluntary Early Retirement, review of Strategic Corporate Services and Back Office Support Services. (Council 7 th September 2016)	-790	-794	-799
6	Income and Cost Recovery Relates to review of fees and charges and income generation following the principles of service cost recovery. (Council 7 th September 2016)	-583	-533	-508
7	Social Services – Outcome Focused Redesign Relates to review of social care delivery including the realignment of service budget heads (Council 7 th September 2016)	-580	-572	-544
8	Leisure Trust Relates to a reduction of 0.73% in the 2016/17 management fee based on the settlement received by the Council from the Welsh Government. (Council 7 th September 2016)	-15	-15	-15
9	Procurement Subscription Savings As part of the Welsh Government e-procurement strategy for Wales the licence fees for all common e-procurement solutions were paid directly by Welsh Government. (Council 7 th September 2016)	-43	-43	-43

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
10	<p>Social Services – Outcome Focused Redesign Further review of budgets within Adult Services, Independent Service Provision and Children’s Services. (Council 7th September 2016)</p>	-335	-418	-149
11	<p>Strategic Partnership Proposals Relates to budget reduction opportunities within customer offering, strategic social services, supporting people and procurement. (Council 7th September 2016)</p>	-1,748	-2,956	-3,256
12	<p>Insurance Fund Review 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 31st March 2016 to a projected balance of between £1.031 million and £1.331 million at 31st March 2019. This is deemed satisfactory as an Insurance Provision totalling £1.030 million at 31st March 2016 also exists to meet the Council’s currently known outstanding insurance claims obligations. (Council 30th November 2016)</p>	-500	-500	0

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
13	<p>Corporate Vacancy Factor Relates to savings resulting from the time elapsing between core funded posts becoming vacant and being filled. Proposal to increase budget to £300,000 per annum. Surplus outturn reported to Cabinet and Budget Board throughout 2016/17. (Council 30th November 2016)</p>	-100	-200	-200
14	<p>Council Tax Reduction Scheme Budget reductions owing to reducing caseloads in respect of eligible demand for assistance with council tax payments as reported to Cabinet and Budget Board throughout 2016/17. (Council 30th November 2016)</p>	-200	-200	-200
15	<p>Pension Contributions 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"> • 2017/18 at 27.9% (budgeted 29.1%) • 2018/19 at 28.55% (budgeted 32.0%) • 2019/20 at 29.2% (budgeted 35.0%) <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%. (Council 30th November 2016)</p>	-304	-872	-1,503

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
16	Holiday Pay Reduction in original estimate of £125,000 for holiday pay for employees regularly working above contracted hours. (Council 30 th November 2016)	-25	-25	-25
17	Relocation of the Highways Depot 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. (Council 30 th November 2016)	-135	-135	-135
18	Voluntary Early Retirement Delegated Authority approved within Education and Admissions and Additional Learning Needs. (Council 30 th November 2016)	-120	-131	-140
19	Pension Contributions Adjustment for previously overstated pension contributions (see Ref. 15). (Council 25 th January 2017)	47	96	186
20	Capital Financing Costs Reflects re-profiling of borrowing to support capital expenditure including the 21 st Century Schools Programme with greater emphasis on short-term rather than long-term borrowing. (Council 25 th January 2017)	-421	-421	-421
21	Corporate Vacancy Factor Further proposal to increase budget to £400,000 per annum (see Ref. 13) (Council 25 th January 2017)	-100	-100	-100

Medium Term Financial Plan 2017/18 to 2020/21
Budget Reductions

Ref.	Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
22	Voluntary Redundancy Delegated Authority approved within the Education Inclusion Service. (Council 25 th January 2017)	-15	-14	-14
23	Corporate Provision for Bad Debts Revision to calculation results in a reduced contribution requirement. (Council 2 nd March 2017)	-80	0	0
24	Housing Services – Disabled Facilities Grants Fees Further contribution in respect of grant fees associated with Disabled Facilities Grants. Previously £100,000 allocated for 2017/18 with no allocations from 2018/19. (Council 2 nd March 2017)	-29	-128	-129
25	Further Expenditure Review Relates to further review and realignment of service budgets (Council 2 nd March 2017)	-27	-107	-57
	Total	-8,331	-9,677	-8,891

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
1	Social Services Business Support - Compliments and Complaints HR implications.	-4	-4	-4	-4
2	Social Services - Quality and Regulation Services HR implications.	-11	-11	-11	-11
3	Social Services - Directorate Services and Recharges 100% reduction to the Social Services equipment budget line	-3	-3	-3	-3
4	Social Services Citizen Engagement A £1,000 reduction to this line, new expenditure commitment under the Act as yet unquantifiable as to the actual budget resource required for this area.	-1	-1	-1	-1
5	Social Services Early Intervention and Assistance Services - Carers Network Contractual implications.	-22	-22	-22	-22
6	Social Services Collaborative Partnerships - Cwm Taf Youth Offending Service Based on recent outturn positions (advised by RCTCBC) within this service area a one year saving can be made on the agreed fee for collaboration.	-17	0	0	0
7	Social Services Assessment and Care Management Services - Deprivation of Liberty Services A reduction of the ongoing collaboration costs can be achieved based on recent quarter 1 outturn position (advised by RCTCBC).	-4	-4	-4	-4
8	Social Services Initial Support Services - Telecare / Telehealth Services Reduce the provision of equipment to enable people to be self managing significantly improves their quality of life and prevents further deterioration in their health needs.	-1	-1	-1	-1

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
9	Social Services Supported and Accommodation Services - Supporting People Utilising grant funding for a one year saving of £19k in the 17/18 budget. Budget will be required going forward to ensure compliance with grant terms & conditions	-19	0	0	0
10	Social Services Independent External Care Provision - Supported Placements - Accountancy Budget review and realignment to current service user makeup, adjustment for a reduced minimum wage uplift and adjustment for increased income from Health. Not impacting service users packages of care. These are a commissioned service to enable people to be supported to live independently. There is a statutory duty to support these individuals under the Social Services & Well Being Act	-138	0	0	0
11	Social Services Independent External Care Provision - Shared Lives Accountancy Budget review and realignment to current service user makeup, adjustment for a reduced minimum wage uplift. Not impacting service users packages of care. These are a commissioned service to enable people to be supported to live independently. There is a statutory duty to support these individuals under the Social Services & Well Being Act	-11	-11	-11	-11
12	Social Services Independent External Care Provision - Independent Domiciliary Care Accountancy Budget review and realignment to current service user makeup, adjustment for a reduced minimum wage uplift and adjustment for new Domiciliary Care Contract. Not impacting service users packages of care. These are a commissioned service to enable people to be supported to live independently. There is a statutory duty to support these individuals under the Social Services & Well Being Act	-42	-42	-42	-42

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
13	Social Services Independent External Care Provision - Extra Care Facility Accountancy Budget review and realignment to current contract, adjustment for a reduced minimum wage uplift. Not impacting service users packages of care. These are a commissioned service to enable people to be supported to live independently. There is a statutory duty to support these individuals under the Social Services & Well Being Act	-24	-24	-24	-24
14	Social Services Children with Disabilities HR implications.	-13	-13	-13	-13
15	Social Services Children Looked After - Fostering Services As this budget line relates to the purchasing of fostering placements across Independent Fostering Agencies, In House Fostering, Kinship Fostering & Emergency/Respite placements the reduction is against the ongoing Placement Contracts and In House Placements.	-80	-80	-80	-80
16	Social Services Children Looked After - Advocacy Services £16k efficiency - reduction of the budgets within this area. New legislative constraints and demands on service area yet to be financially verified.	-16	0	0	0
17	Community Development Adult Community Learning Contractual implications.	-4	-4	-4	-4
18	Community Development Family Community Services Cease celebration event.	-2	-2	-2	-2
20	Early Years - Early Years Reduction in training budget for the sector £4,000. Further initiatives include contractual implications.	-18	-18	-18	-18
22	Youth Services - Youth Service Management HR implications.	-4	-4	-4	-4
24	Youth Services - Adult Learning (Sufficiency) Reduce the funding available to meet the council's statutory obligation of producing both Childcare and Play sufficiency assessments.	-4	-4	-4	-4

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
26	Learning Strategic Management and Support - Building Maintenance Reduced budget to carry out priority R&M works in schools that fall to the responsibility of the council as landlord.	-16	-16	-16	-16
27	Learning School Support Services - Headteacher / Schools Forum Reduction can be achieved as schools forum members do not currently reclaim travel expenses or seek reimbursement for room hire and tea/coffee provisions.	-1	-1	-1	-1
28	Learning School Support Services - General Office Running Costs £1k reduction to be applied to £3k advertising budget. Also £3k saving from applying a 30% moratorium on office equipment/stationery budget.	-4	-4	-4	-4
30	Learning Special Educational Needs - Enhanced Provision HR implications.	-130	-130	-130	-130
31	Learning Special Educational Needs - Speech Therapists Contractual implications.	-7	-7	-7	-7
32	Learning Special Educational Needs - Special Tuition Service reconfiguration to increase group tuition and review criteria of support.	-7	-7	-7	-7
33	Learning Special Educational Needs - ALN Training Delivery of ALN Training to support capacity building in schools and the developing role of Greenfield Special School as an outreach hub - centre of excellence for specialist provision across the County Borough. £3,000 saving could be delivered by introducing charges for some types of training as an alternative to stopping specific programmes.	-3	-3	-3	-3
35	Learning School Improvement - Strategic Education Projects Reduction on On-line Admissions module to be supported via corporate reserves since one-off requirement.	-27	-27	-27	-27
36	Learning School Improvement - Schools Data Management Systems Contractual implications.	-17	-17	-17	-17

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
37	Learning Subjective Analysis Exercise Additional budget reductions identified through further review of running costs incorporating Car Allowances (£3,975), Printing and Stationery (£1,000) and Telephones and Postages (£825).	-6	-6	-6	-6
38	Neighbourhood Services - Grounds Maintenance and Bereavement Services HR implications	-54	-54	-54	-54
41	Neighbourhood Services - Fleet Management Reduction in maintenance of computer equipment budget.	-1	-1	-1	-1
42	Neighbourhood Services - Waste Disposal Roll out of kerbside sort recycling collections to difficult to access properties (e.g. farms), commencing Feb 2017. This will reduce waste disposal costs (£4,661) and increase income from the sale of recyclable materials (£8,316). Also, garden waste collections for Trade customers have been introduced. This will also reduce waste disposal costs (£3,848).	-15	-15	-15	-15
43	Neighbourhood Services - Recycling Reduce the budget for the advertising and promotion budget by £7,000 (currently £28,000). There will be a reduction in the number of leaflets, events and general communications carried out.	-7	-7	-7	-7
45	Neighbourhood Services - Sustainable Waste Management Grant HR implications.	-22	-22	-22	-22
46	Neighbourhood Services - Highways Administration Remove 1 Xerox Printer (£700), withdraw from Association for Public Service Excellence Benchmarking Club (£4,000), and reduce training budget by (£5,300). Further initiatives have HR implications.	-25	-25	-25	-25

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
47	Neighbourhood Services - Highways Operational Allow 2 Highways Operatives to undertake chargeable works for RCT CBC, which will generate net income of £55,000. This will allow the service to retain the flexibility to cover holidays, sickness and winter maintenance.	-55	-55	-55	-55
48	Neighbourhood Services - Street Lighting End the night scout service (£2,700). Reduce the energy budget by £25,000 to reflect the reduction in electricity costs already achieved by the energy efficiency programme.	-28	-28	-28	-28
50	Neighbourhood Services - Bridge Maintenance Reduce bridge maintenance budget by £2,000. This budget was increased in 2015/16, so a 2% reduction will not have a significant impact on the delivery of this service.	-2	-2	-2	-2
51	Neighbourhood Services - Land Drainage Reduce land drainage budget by £2,000. This budget was increased in 2015/16, so a 2% reduction will not have a significant impact on the delivery of this service.	-2	-2	-2	-2
52	Neighbourhood Services - Traffic Management Reduce the number of traffic orders and the reduce number of replacement road signs each year. Also a reduction in the number of road safety schemes delivered each year.	-4	-4	-4	-4
53	Neighbourhood Services - Depots Reduction of equipment budget.	-7	-7	-7	-7
54	Neighbourhood Services - Planning Development Control Includes the re-introduction of search fees for personal search companies £11,000, and £3,000 reduction of the equipment budget. Further initiatives have HR implications.	-42	-42	-42	-42
55	Neighbourhood Services - Building Control Re-introduction of search fees for personal search companies £10,000, and a reduction of the default works budget £3,000.	-13	-13	-13	-13

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
56	Community Regeneration - Employability (Core) Reduction of cash match funding into the ESF projects Bridges 2 and Working Skills for Adults after projects profiled to April 2020.	-15	-15	-15	-15
57	Community Regeneration - Economic Development HR implications.	-27	-27	-27	-27
58	Community Regeneration - Rights of Way HR and contractual implications.	-22	-22	-22	-22
59	Community Regeneration - Orbit Business Centre Reduce expenditure on repair and maintenance and building management services.	-5	-5	-5	-5
60	Community Regeneration - Tourist Information Centre Remove premises budget.	-1	-1	-1	-1
61	Community Regeneration - Housing Services Contractual implications.	-37	-37	-37	-37
62	Community Regeneration - Environmental Health HR implications.	-7	-7	-7	-7
63	Community Regeneration - Registrars HR implications.	-10	-10	-10	-10
64	Deputy Chief Executive - ICT Computers Contractual implications.	-30	-30	-30	-30
65	Deputy Chief Executive - ICT Printing Contractual implications.	-4	-4	-4	-4
66	Deputy Chief Executive - News Merthyr / Contact Supplement Produce 4 editions of the newspaper style contact magazine (8 pages english and 8 pages Welsh) costing £3,500 each edition.	-4	-4	-4	-4
67	Deputy Chief Executive - Mayoral Expenses Reduce the Hospitality Budget (Mayoral Budget 2) by 55%, saving £8,008.	-8	-8	-8	-8

Medium Term Financial Plan 2017/18 to 2020/21
Net Additional Budget Reductions

Ref.	Description	Budget Reduction 2017/18 £'000	Budget Reduction 2018/19 £'000	Budget Reduction 2019/20 £'000	Budget Reduction 2020/21 £'000
68	Corporate Services - Service Support and Development HR implications.	-80	-80	-80	-80
69	Corporate Services - Peace of Mind Savings achieved through collaboration with RCT CBC.	-5	-5	-5	-5
70	Corporate Services - Audit General running costs.	-2	-2	-2	-2
71	Corporate Services - Benefits An additional £32,000 of DWP grant monies will be built into the budget. This has been proposed and accepted as part of the change management programme.	-32	-32	-32	-32
72	Corporate Services - Revenues Reduction in postage costs due to mail merge process between Benefits and Council Tax of 10% (£4,850). There is also some scope to increase Bailiff fee income slightly (£1,500).	-6	-6	-6	-6
73	Corporate Services - Parking Services HR implications.	-15	-15	-15	-15
74	Corporate Services - Leisure Trust Contractual implications.	-100	-100	-100	-100
75	Corporate Services - Retained Leisure Budgets Reduction of expenditure as a result of new arrangements in place with Pen y Dre School for the replacement of astro turf (£6,250). Further initiatives have HR implications.	-8	-8	-8	-8
76	Finance - Accountancy General running costs reduction	-2	-2	-2	-2
77	Finance - Procurement HR implications.	-15	0	0	0
78	Human Resources HR implications.	-16	-16	-16	-16
79	Legal General running costs	-2	-2	-2	-2
	Total	-1,386	-1,181	-1,181	-1,181

Medium Term Financial Plan 2017/18 to 2020/21
Planned Utilisation of Earmarked Reserves

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Reserve Council 30 November 2016 Following a balance sheet and bad debt provision an estimated £3 million is available to assist with the budget process for the 5 years commencing 2017/18 based on a £200,000 per annum reduction in contribution.	-1,000	-800	-600	-400
Budget Reserve Cabinet 08 and 22 February 2017 Part utilisation of projected revenue outturn surplus for 2016/17 to finance the anticipated loss of approved full year savings owing to statutory engagement and consultation with employees, public and trade unions.	-245	0	0	0
Living Wage Reserve Council 07 September 2016 £1.34 million set aside within the 2015/16 audited revenue outturn surplus to finance the projected costs of the application of the Foundation Living Wage for the period 2016/17 to 2019/20.	-277	-275	-298	0
Corporate Investment Fund Council 07 September 2016 Funding to support the enablement of the 'Looked After Children' preventative agenda in respect of the Social Care Strategic Review	-178	-184	-188	-192

Medium Term Financial Plan 2017/18 to 2020/21
Planned Utilisation of Earmarked Reserves

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Budget Reserve Cabinet 22 February 2017 Utilisation of further monies to assist with the budget process for 2017/18, subject to the identification of further in-year budget reductions to offset and minimise this requirement	-700	0	0	0
Budget Reserve Cabinet 22 February 2017 Additional verbal recommendation, same narrative as above	-57	0	0	0
Total	-2,457	-1,259	-1,086	-592

Medium Term Financial Plan 2017/18 to 2020/21
Capital Programme 2017/18 to 2020/22

Expenditure	Revised 2017/18 £'000	Revised 2018/19 £'000	Revised 2019/20 £'000	2020/21 £'000	Total £'000	Corporate Priority Area
<u>21st Century Schools Programme</u>						
Afon Taf High School Remodelling	1,375	0	0	0	1,375	RSA
Ysgol Y Graig Primary School	1,531	3,800	0	0	5,331	RSA
	2,906	3,800	0	0	6,706	
<u>Physical Regeneration Programme</u>						
Town Centre Regeneration Programme	160	160	200	160	680	ED
Cyfarthfa Heritage Area	407	240	400	340	1,387	ED
Vibrant and Viable Places / City Deal Programme	0	150	350	400	900	ED
Bus Station	0	100	100	150	350	ED
Taff Bargoed Regeneration Programme	133	0	50	100	283	ED
	700	650	1,100	1,150	3,600	
<u>Riverside</u>						
Riverside Project	290	0	0	0	290	SE
Riverside Phase 3 Taff and Crescent Street	419	516	637	0	1,572	SE
	709	516	637	0	1,862	
<u>Other Projects</u>						
Cyfarthfa High School Roof Replacement	129	0	0	0	129	RSA
Schools Feasibility Studies	40	40	0	0	80	RSA
Highway Maintenance	600	600	600	600	2,400	CBAU
Disabled Facilities Grants	850	850	850	850	3,400	PI
Land Purchase/Works	900	0	0	0	900	CBAU
Depot Review	547	0	0	0	547	CBAU
Brandy Bridge, Abercanaid	300	0	0	0	300	CBAU
Road Slippage South of Pontygwaith	180	0	0	0	180	CBAU
Pontsticill Bridge	100	0	0	0	100	CBAU
Pentwyndeinter Bridge	100	0	0	0	100	CBAU
Security Fences	200	0	0	0	200	CBAU
Corporate Maintenance	235	235	235	235	940	CBAU
Costs of Supporting Capital Projects	466	466	466	466	1,864	CBAU
Redundancy costs	500	500	0	0	1,000	CBAU
Unallocated	0	616	234	780	1,630	-
	5,147	3,307	2,385	2,931	13,770	
Total	9,462	8,273	4,122	4,081	25,938	

Medium Term Financial Plan 2017/18 to 2020/21
Capital Programme 2017/18 to 2020/22

Funding	Revised 2017/18 £'000	Revised 2018/19 £'000	Revised 2019/20 £'000	2020/21 £'000	Total £'000
General Capital Funding - Grant	986	986	986	986	3,944
Supported Borrowing					
General Capital Funding - Supported Borrowing	1,619	1,619	1,619	1,619	6,476
WG Supported Borrowing - 21st Century Schools	531	0	0	0	531
	2,150	1,619	1,619	1,619	7,007
Capital Receipts					
Capital Receipts - General	0	0	500	500	1,000
Capital Receipts - Capitalisation	500	500	0	0	1,000
Capital Receipts - Riverside	429	428	0	0	857
	929	928	500	500	2,857
Contribution from Corporate Risk Fund	200	0	0	0	200
Unsupported Borrowing					
Unsupported Borrowing - General	2,542	852	380	976	4,750
Unsupported Borrowing - 21st Century Schools	2,375	3,800	0	0	6,175
Unsupported Borrowing - Riverside Project	280	88	637	0	1,005
	5,197	4,740	1,017	976	11,930
Total	9,462	8,273	4,122	4,081	25,938

Medium Term Financial Plan 2017/18 to 2020/21
Revised 21st Century Schools 2013/14 to 2018/19 - Band A Programme

Proposed Project	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Afon Taf High School Remodelling	35	2,465	5,000	3,125	1,375	0	12,000
Ysgol Y Graig Primary School	0	0	0	200	3,000	3,800	7,000
Total	35	2,465	5,000	3,325	4,375	3,800	19,000

Funding Source	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
Welsh Government - Capital Grant	0	2,375	3,500	0	1,469	0	7,344
Welsh Government - Local Government Borrowing Initiative	0	0	0	1,625	531	0	2,156
Total Welsh Government	0	2,375	3,500	1,625	2,000	0	9,500
Merthyr Tydfil County Borough Council	35	90	1,500	1,700	2,375	3,800	9,500
Total	35	2,465	5,000	3,325	4,375	3,800	19,000

Medium Term Financial Plan 2017/18 to 2020/21
Summary Regeneration Programme 2017/18 to 2020/21

Project	MTCBC £'000	External Funding £'000	Total £'000
Town Centre Regeneration Programme	680	2,000	2,680
Cyfarthfa Heritage Area	1,387	11,500	12,887
Vibrant and Viable Places / City Deal Programme	900	2,000	2,900
Bus Station	350	10,000	10,350
Taff Bargoed Regeneration Programme	283	900	1,183
Total	3,600	26,400	30,000

Medium Term Financial Plan 2017/18 to 2020/21
Summary Riverside Programme 2014/15 to 2019/20

Expenditure Profile / Funding Source	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
MTCBC	36	3,376	432	709	516	637	5,706
Welsh Government	5,700	1,000	0	0	0	0	6,700
Total	5,736	4,376	432	709	516	637	12,406

Medium Term Financial Plan 2017/18 to 2020/21
Other Earmarked Reserves

Description	31 st March 2015 £'000	31 st March 2016 £'000
<p>Local Management of Schools Contingencies This consists of monies specifically set aside to assist schools under the Authority's statutory Local Management of Schools scheme.</p>	55	55
<p>General Education Balances This reserve is earmarked for specific educational purposes.</p>	1	85
<p>Biffa Profit Sharing Account This consists of monies received from Biffa Waste under the profit sharing agreement at Trecatti Tip. The reserve is to be utilised on projects throughout the County Borough.</p>	294	378
<p>Agresso FMS Development Fund Monies set aside to finance future developments and enhancements of the Authority's Agresso Financial Management System.</p>	32	32
<p>General Planning Fund This is earmarked for specific Planning purposes.</p>	88	64
<p>General Legal and Regulatory Fund This is earmarked for specific legal and regulatory functions.</p>	82	113
<p>Grant Agency Fees This consists of monies received from the Grant Agency's clients for administrative work undertaken on their behalf. The monies are earmarked to meet future service demands.</p>	268	254

Medium Term Financial Plan 2017/18 to 2020/21
Other Earmarked Reserves

Description	31st March 2015 £'000	31st March 2016 £'000
<p>Asset Management Reserve Monies set aside to develop the Authority's Asset Management Plan including costs of IT system implementation.</p>	80	53
<p>Listed Buildings Reserve Monies set aside to finance repairs and maintenance works carried out on listed buildings within the County Borough.</p>	5	5
<p>Social Services Fund This reserve is earmarked for specific social services purposes.</p>	80	107
<p>Ffos Y Fran Reserve This consists of monies received from Miller Argent (South Wales) Limited to a Community Fund as part of the approval for the land reclamation scheme at Ffos Y Fran. The monies are Earmarked for Community Projects throughout the borough as approved by the Ffos Y Fran Panel.</p>	1,266	1,523
<p>Rights of Way This consists of monies for the development of the Rights of Way Improvement Plan and for schools' football initiatives.</p>	11	46
<p>Efficiencies and Improvement This reserve was created to assist the Authority with its forward financial planning in both financing future costs of retirement and enabling investment to improve projects generating future efficiency gains.</p>	1,365	1,408

Medium Term Financial Plan 2017/18 to 2020/21
Other Earmarked Reserves

Description	31st March 2015 £'000	31st March 2016 £'000
Care Fees Provision Monies set aside for residential places within the County Borough.	293	531
Renewal Areas Tenants Contributions This reserve contains tenants contributions towards work carried out on their properties as part of the renewals programme.	652	645
Strategic Transformation Reserve This reserve was created to assist the Authority with Transformational change as part of future budget setting processes.	480	0
Redundancy Cost Reserve Monies set aside to fund the costs of future redundancies.	129	500
Street Cleansing and Christmas Lighting Reserve Monies set aside to provide services for street cleansing of the Town Centre and to be able to provide Christmas Lighting.	120	108
Outcome Agreement Reserve Monies in this reserve will be utilised to assist the Authority with its Transformation programme.	204	634
Corporate Risk Fund Reserve Monies set aside to address unavoidable in-year budget pressures and to invest in innovative projects with longer term benefits.	0	1,200

Medium Term Financial Plan 2017/18 to 2020/21
Other Earmarked Reserves

Description	31 st March 2015 £'000	31 st March 2016 £'000
Living Wage Reserve Monies set aside to finance the Authority's corporate Foundation Living Wage commitment for the period 2016/17 to 2019/20.	0	1,340
Employee Cost Reserve Monies set aside in respect of unpaid employee related costs.	0	125
Community Infrastructure Levy (CIL) The Community Infrastructure Levy is a planning charge, to be used to help deliver infrastructure to support the development of the area in accordance with the Merthyr Tydfil County Borough Council Local Development Plan.	0	124
Miscellaneous Relates to miscellaneous historical reserves currently under review.	467	703
Budget Reserve Relates to a review of grant creditor balances during 2015/16 with a further to follow during the 2016/17 closure of accounts exercise.	0	2,414
Total	5,972	12,447

TREASURY MANAGEMENT POLICY STATEMENT and ANNUAL INVESTMENT STRATEGY 2017/18

1.0 INTRODUCTION

- 1.1 This strategy statement has been prepared in accordance with the Treasury Management Code of Practice. It is a requirement of the Code that the Council formally adopts the Treasury Management Policy Statement (Appendix i) and the Code (Appendix ii). The Council formally adopted the code on the Council of 24th March 2010.
- 1.2 Appendix iii highlights the reporting arrangements required by the revised Code. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

2.0 TREASURY MANAGEMENT STRATEGY FOR 2017/18

- 2.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 2.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (included as paragraph 13) setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 2.3 The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:
- treasury indicators in force which will limit the treasury risk and activities of the Council;
 - Prudential Indicators;
 - the current treasury position;
 - policy on borrowing in advance of need;

- prospects for interest rates;
- economic background;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy; and
- policy on use of external service providers.

3.0 BALANCED BUDGET REQUIREMENT

3.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

3.2 The Budget for 2017/18 was approved by Council on 2nd March 2017.

4.0 TREASURY LIMITS FOR 2017/18 – 2019/20

4.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

4.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

4.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion, incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

5.0 PRUDENTIAL AND TREASURY INDICATORS FOR 2017/18 – 2019/20

- 5.1 CIPFA issued a revised Prudential Code in 2011 (amended 2012) which primarily covers borrowing and the Prudential Indicators.
- 5.2 The Prudential and Treasury Indicators disclosed in Appendix iv are relevant for the purposes of setting an integrated treasury management strategy.

6.0 CURRENT PORTFOLIO POSITION

- 6.1 The Council's projected treasury portfolio position at 31st March 2017 comprises:

Description	Principal £'000	Average Rate %
Fixed rate funding		
• PWLB	54,684	7.45
• Market	23,000	0.34
Variable rate funding		
• PWLB	0	0.00
• Market	12,000	4.50
Total Debt	89,684	5.23
Total Investments	0	0.00

7.0 BORROWING REQUIREMENT

- 7.1 The Council's borrowing requirement to finance its proposed capital expenditure for the next 3 years, together with its projection for 2016/17 is as follows.

Description	Projected 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
New borrowing	9,404	7,341	6,169	2,369

Additionally when circumstances are considered favourable, the Authority may also restructure its long-term debt portfolio to take advantage of attractive interest rates.

8.0 PROSPECTS FOR INTEREST RATES

- 8.1 The Council employ's Treasury Management Consultants, part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Consultants view at February 2017.

Arlingclose interest rate forecast – February 2017

Annual Average %	Bank Rate
March 2017	0.25
June 2017	0.25
Sept 2017	0.25
Dec 2017	0.25
March 2018	0.25
June 2018	0.25
Sept 2018	0.25
Dec 2018	0.25
March 2019	0.25
June 2019	0.25
Sept 2019	0.25
Dec 2019	0.25

- 8.2 The bank rate is currently at 0.25% and is not expected to increase throughout 2018/19.

9.0 ECONOMIC BACKGROUND

- 9.1 The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Financial market volatility will remain the norm for some time.

However recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

10.0 FORWARD VIEW

10.1 Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

11.0 BORROWING STRATEGY

11.1 In view of the interest rate forecasts in 8.1 the Council's borrowing strategy will be based upon the following information:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates
- Temporary borrowing from the money markets or other local authorities
- Short dated borrowing from non PWLB sources
- Long term borrowing from PWLB to support spending plans in respect of the capital programme.

11.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Chief Finance Officer will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances, reporting any decisions to Cabinet or Council at the next available opportunity.

11.3 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any

decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

12.0 DEBT RESCHEDULING

12.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

12.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings;
- help fulfil the strategy outlined in paragraph 11 above; and
- enhance the balance of the portfolio by for example amending the maturity profile

12.3 All rescheduling will be reported to the Cabinet or Council at the meeting following its action.

13.0 ANNUAL INVESTMENT STRATEGY

13.1 Investment Policy

13.1.1 The Council's investment policy has regard to the Welsh Assembly Government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

13.1.2 The Council's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

13.1.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

13.1.4 Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories.

13.2 Specified Investments

13.2.1 All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

Investment	Security	Use
Debt Management Agency Deposit Facility	High	In-house
Term deposits – UK Local Authorities	High although LA's not credit rated	In-house
Term deposits – UK Banks and Building Societies	All UK banks and top 25 UK Building Societies based on assets	In-house

13.2.2 Investment limits in the Treasury Management Policy and Annual Investment Strategy for 2016/17 reported to Council on 23rd March 2016 were as follows:

- £5 million to any one UK Local Authority
- £5 million to any one UK Bank or Building Society
- UK Government as required

From the interest rate projections in paragraph 8 it is evident that interest rates are expected to remain unchanged at 0.25% until Dec 2019. It is

therefore considered prudent to maintain the exposure limits for investments to those reported to Council on 23rd March 2016.

13.3 Non-Specified Investments

13.3.1 Non-specified investments are those with maturity dates in excess of 1 year. As disclosed within Appendix iv (Treasury Indicators) there are no proposals for the Council to invest for periods longer than 364 days, especially in the current economic climate.

13.4 Security of Capital

13.4.1 This Council currently relies on information supplied by investment brokers to determine the creditworthiness of counterparties. It is the Council's policy to deal only with UK banks and the top 25 UK building societies based on total assets.

13.4.2 It was the intention in the longer term to move towards a process reliant on credit ratings to establish the credit quality of counterparties (issuers and issues) and investment schemes where all credit ratings would be monitored monthly. In light of the continuing economic uncertainty however, it is considered prudent for 2017/18 to maintain the UK banks and the top 25 UK building societies policy.

13.4.3 The revised Code states that credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support. In addition, councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits.

13.5 Investment Strategy

13.5.1 The Council's in-house managed funds are mainly cash-flow derived with no significant core balance available for investment over a 2-3 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

13.5.2 Arlingclose forecast Bank Rate to remain unchanged at 0.25% until December 2019. The Chief Finance Officer has prudently budgeted for an average investment return of 0.25% on investments placed during 2017/18.

13.6 End of Year Investment Report

13.6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

13.7 Policy on the use of external service providers

13.7.1 Whilst the Council employ's external treasury management advisers, it is recognised that responsibility for treasury management decisions remains with the Council at all times. Undue reliance is not placed upon external service providers. There is, however, value in employing external providers in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

14.0 SCHEME OF DELEGATION

14.1 The Treasury Management scheme of delegation for 2017/18 is as follows, with appropriate related reporting arrangements disclosed in Appendix iii.

Council should

- receive and review reports on treasury management policies, practices and activities
- approve the annual strategy

Council/Cabinet should

- approve amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- consider and approve the budget
- approve the division of responsibilities
- receive and review regular monitoring reports and act on recommendations
- approve the selection of external service providers and agreeing terms of appointment.

Scrutiny/Audit should

- review the treasury management policy and procedures and make recommendations to Council.

15.0 ROLE OF THE SECTION 151 OFFICER

15.1 The Section 151 Officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.”

Adoption of the Revised CIPFA Treasury Management Code of Practice

Introduction

The CIPFA Code of Practice on Treasury Management in Local Authorities 2011 Edition requires that a report be submitted to the Council, Cabinet or other appropriate body, setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Guidance Notes.

The Code also includes an amended version of the Treasury Management Policy Statement incorporating just three clauses and a revised definition of treasury management activities (Appendix i).

Resolutions

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - appropriate treasury management practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. Refer to Appendix v for a summary of appropriate TMP recommended by CIPFA.
2. This organisation (Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Council, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMP and CIPFA's Standard of Professional Practice on Treasury Management.

4. This organisation nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Reporting Arrangements Required by the Revised Code

Description	Committee	Frequency
Revised Treasury Management Policy Statement	Council	Initial adoption in 2010
Treasury Management and Annual Investment Strategy	Council	Annually before the start of the financial year
Treasury Management and Annual Investment Strategy – mid year report	Council	Mid year
Treasury Management and Annual Investment Strategy – updates or revisions	Council	As appropriate
Annual Treasury Outturn Report	Council	Annually after the end of the financial year
Scrutiny of Treasury Management Strategy	Audit / Scrutiny	Annually before the start of the financial year
Scrutiny of Treasury Management Performance	Audit / Scrutiny	Annually after the end of the financial year

The Prudential Code for Capital Finance in Local Authorities

The Prudential Indicators

Prudential Indicators are the mechanism by which the Authority is able to demonstrate that its capital investment decisions are affordable, prudent and sustainable and are designed to support and record local decision-making.

The recommended Prudential Indicators for the Council for the financial years 2017/18 to 2019/20 are disclosed below. I would advise Council that the financial forecasts are made on the basis of best information available at this time and by making reasonable assumptions where significant elements of uncertainty existed. Furthermore, the three-year forecasts are rolling scenarios not fixed for three years.

1. Ratio of Financing Costs to Net Revenue Stream

This indicator is specifically related to the affordability of capital investment decisions addressing the revenue implications of the Authority's financial strategy. In determining the indicators, recommended new borrowing to finance desired future capital expenditure is taken into account.

	Projected 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20
Prudential Indicator	6%	6%	7%	7%

2. Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax

This indicator identifies the incremental impact to the Council Tax from the capital expenditure proposals, particularly changes in borrowing requirements, for 2017/18 and the following two years. The 2017/18 incremental impact is included in the overall recommended Council Tax increase for Merthyr Tydfil County Borough Council for 2017/18 of 2.90%. This is a fundamental indicator of affordability.

Prudential Indicator	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20
Impact on Council Tax	£15.27	£23.63	£34.59

3. Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

As evident from the table below debt is not projected to exceed the capital financing requirement.

Description	Projected 31/03/17 £'000	Estimate 31/03/18 £'000	Estimate 31/03/19 £'000	Estimate 31/03/20 £'000
Capital Financing Requirement	99,556	104,411	107,880	107,359
Debt	91,938	98,994	101,978	104,792
Prudential Indicator	7,618	5,417	5,902	2,567

4. Capital Expenditure

The capital expenditure projected outturn for 2016/17 and the estimates of capital expenditure to be incurred for 2017/18 and the following two years are as follows.

	Projected 2016/17 £'000	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
Prudential Indicator	19,916	11,831	11,073	13,522

The capital expenditure projections for the next three years are derived after taking into account affordable, prudent and sustainable borrowing levels after estimating the availability of capital finance from capital receipts, grants and external contributions. Excess borrowing will either lead to increased Council Tax or reductions in service provision.

5. Capital Financing Requirement

Estimates of the end of year capital financing requirement for the Authority for the current and next three financial years are:

	Projected 31/03/17 £'000	Estimate 31/03/18 £'000	Estimate 31/03/19 £'000	Estimate 31/03/20 £'000
Prudential Indicator	99,556	104,411	107,880	107,359

The capital financing requirement measures the Authority's underlying need to borrow for a capital purpose.

6. Authorised Limit for External Debt

The Council's authorised limits for its external debt gross of investments for the next three financial years are as follows. These limits separately identify borrowing from other long-term liabilities.

Authorised Limit	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
Borrowing	117,414	120,696	123,792
Other Long-term Liabilities	500	500	500
Prudential Indicator	117,914	121,196	124,292

These authorised limits are consistent with the Authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. I can confirm that they are based on the estimate of most likely, prudent but not worst case scenarios, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

Capital expenditure plans, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes have been taken into account.

The Council is asked to approve these limits and to delegate authority to the Chief Finance Officer for the effective management and monitoring of the authorised limit.

In taking its decisions on this budget report, the Council is asked to note that the authorised limit determined for 2017/18 will be the statutory limit determined under section 3(1) of the Local Government Act 2003 – “A local authority shall determine and keep under review how much money it can afford to borrow”.

7. Operational Boundary for External Debt

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the Chief Finance Officer’s estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate.

The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer and is disclosed below with borrowing and other long term liabilities separately identified.

Operational Boundary	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
Borrowing	106,740	109,724	112,538
Other Long-term Liabilities	500	500	500
Prudential Indicator	107,240	110,224	113,038

The Council is asked to approve these limits and to delegate authority to the Chief Finance Officer for the effective management and monitoring of the operational boundary.

8. Actual External Debt

The Council’s projected actual external debt at 31st March 2017 is £89,984 million.

External Debt	Projected 2016/17 £'000
Borrowing	89,684
Other Long-term Liabilities	300
Prudential Indicator	89,984*

It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

* Subject to audit

9. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

The Authority has adopted the CIPFA Code of Practice and will be reporting its Treasury Management Policy Statement for the 2017/18 financial year to Council of 22nd March 2017.

Treasury Indicators

10. Interest Rate Exposures

While fixed-rate borrowing and investment can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility through the use of variable interest rates on at least part of a treasury management portfolio. This is a best practice approach to treasury management ensuring effective management and control of risk.

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2017/18, 2018/19 and 2019/20 of 99% of its net interest payable on borrowing.

It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 12% of its net interest payable on borrowing.

This means that the Chief Finance Officer will manage fixed interest rate exposures within the range 88% to 99% and variable interest rate exposures within the range 1% to 12%. The estimated net interest payable in respect of each range is shown in the following Table.

Prudential Indicator	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000
Fixed Rates			
88%	4,296	4,192	4,106
99%	4,833	4,716	4,619
Variable Rates			
1%	49	48	47
12%	586	572	560

When interest rates are considered to be relatively low then the policy is to borrow at fixed interest rates taking advantage of any potential future market increases.

11. Maturity Structure of Borrowing

This indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

This is the amount of projected borrowing that is maturing in each period as a percentage of total projected borrowing for fixed rate and Variable rate debt.

It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowings as follows:

Fixed debt

Period	Upper Limit	Lower Limit
Under 12 months	5%	0%
12 months and within 24 months	6%	0%
24 months and within 5 years	17%	0%
5 years and within 10 years	23%	0%
10 years and above	49%	0%

Variable debt

Period	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

The 2011 Code states for LOBO Loans the Maturity date is now deemed to be the next call date.

12. Total Principal Sums Invested for Periods Longer than 364 Days

There are no proposals for the Council to invest sums for periods longer than 364 days.

The purpose of this Prudential Indicator is for the Authority to contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Treasury Management Practices

CIPFA recommends that an organisation's Treasury Management Practices (TMP) include the following:

- TMP 1 – Risk Management
- TMP 2 – Best value and performance measurement
- TMP 3 – Decision-making and analysis
- TMP 4 – Approved instruments, methods and techniques
- TMP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP 6 – Reporting requirements and management information arrangements
- TMP 7 – Budgeting, accounting and audit arrangements
- TMP 8 – Cash and cash flow management
- TMP 9 – Money laundering
- TMP 10 – Staff training and qualifications
- TMP 11 – Use of external service providers
- TMP 12 – Corporate governance