



SCRUTINY REPORT

Date Written	5 th January 2018
Report Author	Steve Jones
Service Area	Finance
Exempt/Non Exempt	Non Exempt
Committee Date	17 th January 2018

To: Chair, Ladies and Gentlemen

Revised Medium Term Financial Plan 2018/19 to 2021/22 – Update

1.0 SUMMARY OF THE REPORT

- 1.1 The Provisional Welsh Local Government Settlement was announced on 10th October 2017 and resulted in a funding reduction of 1% for Merthyr Tydfil for the 2018/19 financial year.
- 1.2 The Medium Term Financial Plan 2017/18 to 2020/21 was approved at Council of 22nd March 2017 and indicated a projected budget deficit of £6.012 million for 2018/19 and a projected budget deficit of £16.358 million for the period 2018/19 to 2020/21.
- 1.3 The revised projected budget deficits (subject to the approval of service budget reduction proposals) presented to Cabinet and Council on 13th December 2017 indicated a budget deficit of £509,000 for 2018/19 and £11.126 million for the period 2018/19 to 2020/21.
- 1.4 The Final Welsh Local Government Settlement was announced on 20th December 2017 and resulted in a funding reduction of 0.36% for Merthyr Tydfil for the 2018/19 financial year.
- 1.5 Further considerations in respect of the impact of the final settlement, additional budget demands and additional corporate budget reductions result in revised budget deficits of £379,000 for 2018/19 and £10.831 million for the period 2018/19 to 2020/21, subject to the approval of all service budget reduction proposals.

1.6 The revised budget projections assume a Council Tax increase of 2.9% for the period of the Medium Term Financial Plan, as approved for 2017/18.

2.0 RECOMMENDATIONS that

2.1 The revisions to the Medium Term Financial Plan be noted and accepted.

3.0 INTRODUCTION AND BACKGROUND

3.1 The Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 was approved by Council on 22nd March 2017 and indicated a projected budget deficit of £6.012 million for 2018/19 and a projected £16.358 million for the 3 year period 2018/19 to 2020/21, as summarised in Table 1.

Table 1 – MTFP Projected Budget Deficits 2017/18 to 2020/21

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000	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	22,292	21,925	22,521	22,577
Employee Severance/Slippage	1,305	1,056	1,306	1,306
Non General Fund Allocations	-835	-835	-835	-835
Collection Fund Surplus	-600	-600	-600	-600
Corporate Vacancy Factor	-400	-400	-400	-400
Corporate Investment Fund	0	600	600	600
Capitalisation of Severance Costs	-500	-500	0	0
Earmarked Reserves/Funds	-2,457	-1,259	-1,086	-592
Net Expenditure	114,795	117,568	120,984	122,700
Available Finance	114,795	111,556	108,518	106,342
Projected Budget Deficit	0	6,012	12,466	16,358

3.2 A MTFP is a rolling programme, continually evolving as further information and changing circumstances become known. An update to the MTFP was considered at Cabinet and Council on 13th December 2017. Council approved recommendations were subject to employee, public and trade unions engagement and consultation (where appropriate) and any recommendations received from Joint Scrutiny / Audit Committee.

4.0 REVISED MTFP – PRE FINAL SETTLEMENT

4.1 The following identified changes were considered by Cabinet and Council on 13th December 2017:

- Implications of Provisional Settlement
- Corporate Additional Demands
- Corporate Budget Reductions
- Budget Reserve Re-profile
- Indicative Additional Demands
- Service Budget Reduction Proposals
- Schools Reductions

4.2 The financial impact of the above changes to the reported budget deficits for 2018/19 to 2020/21 are outlined in Table 2. It should be noted that the projected financial position for 2021/22 is currently being determined in establishing the MTFP for the 4 year period 2018/19 to 2021/22 and will be reported to a subsequent Cabinet and Council.

Table 2 –Revised Projected Budget Deficits 2018/19 to 2020/21

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Budget Deficit – Council 22nd March 2017	6,012	12,466	16,358	
Implications of Provisional Settlement	-3,444	-5,408	-6,626	Work in progress
Corporate Additional Demands	2,304	2,552	2,468	
Corporate Budget Reductions	-2,362	-1,939	-1,810	
Budget Reserve Re-profile	-600	200	400	
Indicative Additional Demands	0	1,000	2,000	
Service Budget Reduction Proposals *	-930	-1,162	-1,193	
Schools' Savings **	-471	-471	-471	
Revised Budget Deficit	509	7,238	11,126	

* to be considered by Cabinet of 24th January 2018

** to be considered by Cabinet of 7th February 2018

4.3 It is evident from Table 2 that the revised budget deficit (subject to the approval of all proposals) was £509,000 for 2018/19 and a projected £11.126 million for the 3 year period 2018/19 to 2020/21. Indicative additional demands of £1 million per annum are included for 2019/20 to 2020/21 to reflect probable further requirements in addressing demographic growth and service financial pressures.

4.4 Sections 5 to 10 consider in further detail the proposed revisions to the MTFP 2018/19 to 2021/22.

5.0 IMPLICATIONS OF PROVISIONAL SETTLEMENT

- 5.1 The Welsh Government's Provisional Local Government Settlement was announced on 10th October 2017 and resulted in a reduction in Aggregate External Finance (AEF) for 2018/19 of 1% for Merthyr Tydfil County Borough Council. An indicative all Wales average settlement of a funding reduction of 1.5% for 2019/20 was also provided.
- 5.2 The summary Provisional Revenue Settlement for 2018/19 is included as Appendix 1 and is re-produced from the documentation received from the Welsh Government. In addition the Welsh Government paper in respect of changes to key data sets is included as Appendix 2 where it is evident that for most data sets Merthyr Tydfil's formula indicators for population projections and claimant counts compare unfavourably to the Wales average resulting in Merthyr Tydfil receiving one of the worst revenue settlements for 2018/19.
- 5.3 The MTFP impact from the provisional settlement is outlined in Appendix 3 and is summarised in Table 3 and demonstrates increased spending power of £3.444 million for 2018/19.

Table 3 – Implications of Provisional Local Government Settlement

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Aggregate External Finance (AEF)	-4,914	-6,935	-8,153
Transfers into the Settlement	1,826	1,826	1,826
New Responsibilities	109	109	109
Validation Amendments	-465	-408	-408
Net Increase in Funding	-3,444	-5,408	-6,626

- 5.4 It should be noted although the indicative settlement for 2019/20 was reported as an average funding reduction for Wales of 1.5% it was considered prudent for Merthyr Tydfil to budget for a funding reduction of 2% per annum for the period 2019/20 to 2021/22. This was based on the fact that for 2018/19 Merthyr Tydfil's provisional settlement of a funding reduction of 1% was 0.5% worse than the Wales average of 0.5%.
- 5.5 Further detail in respect of 'Transfers into the Settlement', 'New Responsibilities' and 'Validation Amendments' is provided in Appendix 3.

6.0 CORPORATE ADDITIONAL DEMANDS

- 6.1 Managers have identified a number of additional financial demands, considered unavoidable, for inclusion in the MTFP, resulting from demographic growth, current and future service financial pressures, together with slippage and non-delivery of previously budgeted savings. These additional budget requirements are detailed in Appendix 4 and are summarised in Table 4.

Table 4 – Additional Budget Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Education Related	759	946	842
Social Services	957	957	957
Neighbourhood Services	105	106	108
Corporate Costs	483	543	561
Total Additional Demands	2,304	2,552	2,468

- 6.2 It is evident from Table 4 that £2.304 million of corporate additional demands are proposed for the 2018/19 financial year.
- 6.3 It is recognised that without reflecting these additional expenditure requirements within the MTFP the Council will face significant financial pressures in remaining within Budget for 2018/19 and the medium to long term. All additional demand requirements however are subject to ongoing review with any identified amendments, owing to updated information, reported in due course.

7.0 CORPORATE BUDGET REDUCTIONS

- 7.1 A number of corporate budget reduction initiatives are proposed in assisting the Council in meeting its financial commitments for 2018/19 and beyond. These are detailed in Appendix 5 and summarised in Table 5.
- 7.2 It is evident from Table 5 that £2.362 million of corporate budget reduction initiatives are proposed for the 2018/19 financial year.

Table 5 – Corporate Budget Reduction Initiatives

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Capital Financing Costs	-300	-290	-280
Corporate Investment Fund	-600	-400	-400
Corporate Vacancy Factor	-200	0	0
Council Tax Benefit Payments	-100	-150	-200
Audit Fees/Subscriptions	-55	-55	-55
Insurance Premiums	-153	0	0
Collection Fund Surplus	-250	-250	-250
Holiday Pay/Living Wage Provision	-220	-220	-220
Service Budget Review	-484	-574	-405
Total Corporate Budget Reductions	-2,362	-1,939	-1,810

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

8.0 BUDGET RESERVE RE-PROFILE

- 8.1 To assist the Authority with its medium term financial planning and achievement of annual balanced budgets planned utilisation of the Budget Reserve is reflected within the MTFP.
- 8.2 For the period 2018/19 to 2020/21 the MTFP demonstrates the Council's commitment to utilise £1.8 million of the Budget Reserve to assist with budget setting. In addition it should be noted that utilisation of £2.002 million of the Budget Reserve was also undertaken in setting the Budget for 2017/18.
- 8.3 Table 6 indicates the proposed re-profile of the Budget Reserve to assist the budget setting process for 2018/19.

Table 6 – Budget Reserve Re-profile

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
MTFP Approved Council 22/03/17	-800	-600	-400	-1,800
Proposed Re-profile	-600	200	400	0
Revised Budget Reserve Profile	-1,400	-400	0	-1,800

- 8.4 It is evident from Table 6 that the proposed re-profile ensures a neutral impact on the Budget Reserve over the 3 year period 2018/19 to 2020/21.

9.0 SERVICE BUDGET REDUCTIONS

- 9.1 Corporate Management Team has identified service budget reduction proposals of £930,000 for 2018/19 which although already shared with Cabinet will formally be considered at Cabinet of 24th January 2018. All proposals were risk assessed by Chief Officers and Service Managers as achievable and deliverable with no adverse impact on the Council's Wellbeing objectives. The proposals are summarised in Table 7.

Table 7 – Service Budget Reduction Proposals

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Proposals Already Approved	-384	-542	-542
Proposals Not Requiring Business Cases	-373	-380	-386
Proposals Requiring Business Cases	-173	-240	-265
Total Service Reduction Proposals	-930	-1,162	-1,193

- 9.2 As indicated in Table 7 service budget reductions already approved total £384,000 for 2018/19 and are outlined in Appendix 6. In addition proposals not requiring business cases total £373,000 for 2018/19 and are outlined in Appendix 7. Proposals requiring business cases are considered in the exempt report *“Revised Medium Term Financial Plan 2018/19 to 2021/22 – Service Budget Reduction Business Cases”* to this Joint Scrutiny Committee.

10.0 SCHOOLS’ SAVINGS

- 10.1 With effect from the 2017/18 financial year Local Authorities are no longer mandated by the Welsh Government to apply cash protection for schools at 1% above Welsh Government’s funding from Central Government.
- 10.2 Following agreement with the Leader of the Council and Cabinet Member for Learning the Chief Finance Officer notified the Schools Forum of 10th November 2017 of the Council’s proposals for schools’ budget savings for 2018/19. Against the provisional Council funding reduction of 1% it was proposed that Schools through the Individual Schools Budget (ISB) receive a 0% (‘cash flat’) settlement for 2018/19. Comparing the provisional budget requirement for 2018/19 (reflecting salary increases, pupil numbers and increases in running costs) of £39.297 million to the approved budget for 2017/18 of £38.826 million resulted in Schools requiring to identify £471,000 of budget savings for 2018/19. The Schools Forum Working Group has begun the task of identifying the required savings to be presented to a future Council for consideration.
- 10.3 It should also be noted that on 24th October 2017, two weeks after the announcement of the Provisional Local Government Settlement, Councils were notified by the Welsh Government that the all Wales Education Improvement Grant (EIG) provided to schools through Welsh Government grant via the School Improvement Consortia was to reduce by 11.4% for 2018/19. When applied to Merthyr Tydfil the 11.4% reduction equates to £248,000 less monies received by schools through the Central South Consortium. The Schools Forum is also required to address this funding deficit.
- 10.4 An update in respect of savings proposals is expected to be received at the Schools Forum of 10th January 2018.

11.0 REVISED MTFP – POST FINAL SETTLEMENT

- 11.1 Further revisions to the MTFP are required in reflecting the following adjustments to the projected budget deficits:
- Implications of Final Settlement
 - Further Budget Demands
 - Further Corporate Budget Reductions
- 11.2 The financial impact of the above changes to the budget deficits reported to Council on 13th December 2017 is outlined in Table 8. The projected financial position for 2021/22 is currently being determined.

Table 8 – Further Revised Projected Budget Deficits 2018/19 to 2021/22

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Budget Deficit – Council 13th December 2017	509	7,238	11,126	
Implications of Final Settlement	-505	-945	-1,370	Work in progress
Additional Budget Demands	475	775	1,075	
Additional Corporate Budget Reductions	-100	0	0	
Revised Budget Deficit	379	7,068	10,831	

- 11.3 It is evident from Table 8 that the further revised budget deficit is £379,000 for 2018/19 and a projected cumulative £10.831 million for the 3 year period 2018/19 to 2020/21.
- 11.4 Sections 12 to 14 consider in further detail the required revisions to the MTFP 2018/19 to 2021/22.

12.0 IMPLICATIONS OF FINAL SETTLEMENT

- 12.1 The Welsh Government's Final Local Government Settlement for 2018/19, announced on 20th December 2017, resulted in a funding reduction of 0.36% for Merthyr Tydfil compared to the provisional revenue settlement funding reduction of 1%. Additional monies of £28.3 million included in the all Wales Final Settlement for 2018/19 result from the following initiatives:
- £20 million from the Welsh Government's Final Budget allocations
 - £7 million to support the increase to the capital limit in charging for residential care to £40,000
 - £1.3 million for targeted discretionary rate relief to support local businesses
- 12.2 The summary Final Revenue Settlement for 2018/19 is included as Appendix 8 and is re-produced from the documentation received from the Welsh Government.

- 12.3 In the announcement of the Provisional Revenue Settlement for 2018/19 the Welsh Government also provided an indicative all Wales average settlement of a funding reduction of 1.5% for 2019/20. Following the Final Settlement and the Cabinet Secretary for Local Government and Public Services' confirmation of a further additional £20 million for Local Government in 2019/20, the indicative settlement for 2019/20 is revised from a reduction of 1.5% to a reduction of 1%.
- 12.4 The MTFP impact from the final settlement is outlined in Appendix 9 and summarised in Table 9 and demonstrates increased spending power of £505,000 for 2018/19.

Table 9 – Implications of Final Local Government Settlement

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Increase in Government Funding	-622	-1,061	-1,485	-1,893
Increase in Council Tax Base	-43	-44	-45	-46
Further New Responsibility	134	134	134	134
New Expectation	26	26	26	26
Net Increased Spending Power	-505	-945	-1,370	-1,779

- 12.5 The 'Further New Responsibility' of £134,000 included in Table 9 is Merthyr Tydfil's proportion of the £7 million additional monies included in the all Wales Final Settlement to support the increase to the capital limit in charging for residential care to £40,000.
- 12.6 The 'New Expectation' of £26,000 included in Table 9 is Merthyr Tydfil's proportion of the £1.3 million additional monies included in the all Wales Final Settlement to assist Local Authorities *"to use their discretionary powers to provide targeted relief to support local businesses which would benefit most from additional assistance"*.
- 12.7 As indicated in Appendix 9 calculations of total monies available for the period of the MTFP are currently based on a council tax increase of 2.9% per annum (as approved for 2017/18).

13.0 ADDITIONAL BUDGET DEMANDS

- 13.1 Further budget demands for 2018/19 of £475,000 have arisen following the MTFP update to Council on 13th December 2017 as outlined in Table 10.

Table 10 – Additional Budget Demands 2018/19 to 2021/22

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Pay Award ***	300	600	900	1,200
Residential Placements	175	175	175	175
Total Additional Demands	475	775	1,075	1,375

*** current best estimate with detailed calculations per employee currently being finalised

- 13.2 Pay Award – the National Employers for Local Government Services notified Local Authorities on 5th December 2017 of its final pay offer to the Trade Unions for the period 1st April 2018 to 31st March 2020. In essence the pay offer equates to an increase of 2% per annum that is an additional 1% per annum to that previously estimated within the MTFP. For Merthyr Tydfil this results in an additional demand of circa £300,000 per annum. In supporting prudent financial management it is projected that the 2% increase is maintained over the 4 year period of the MTFP.
- 13.3 Residential Placements – the Children Looked After system experienced unexpected additional demands early December 2017 resulting in increased pressures on existing budgets. This additional financial liability is currently projected at £175,000 for 2018/19, and is arrived at following a rigorous challenge of each case by Social Care and Finance officers.

14.0 ADDITIONAL CORPORATE BUDGET REDUCTIONS

- 14.1 Under sections 16(2) (b) and 20 of the Local Government Act 2003, Local Authorities in Wales may treat as capital expenditure and finance through 100% of capital receipts from the sale of fixed assets for the same accounting period, in line with the following criteria:
- Expenditure incurred on the revenue costs of projects designed to reduce future revenue costs and/or transform service delivery
 - Expenditure properly incurred during the financial years ending on 31st March 2017, 31st March 2018 and 31st March 2019

The specific example of qualifying expenditure appropriate to Merthyr Tydfil is:

“Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation”

- 14.2 Currently budgeted within the Council’s MTFP is the utilisation of £500,000 new capital receipts projected to be received in 2018/19 to assist with financing the costs associated with employee severance resulting from service restructuring and reform. Based on actual outturn for 2016/17 (£622,000), projected outturn for 2017/18

(£750,000) and anticipated asset sales for 2018/19, it is considered prudent to increase the capitalisation budget by £100,000 to £600,000 for 2018/19.

15.0 FINANCIAL IMPLICATION(S)

- 15.1 The revised MTFP for 2018/19 to 2021/22 currently projects a budget deficit of £379,000 for 2018/19 and £10.831 million for the period 2018/19 to 2020/21, subject to the approval of all proposals in respect of service budget reductions and schools' savings.

16.0 EQUALITY IMPACT ASSESSMENT

- 16.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Medium Term Financial Plan 2017/18 to 2020/21	Council 22 nd March 2017	Council agenda and minutes / Finance Department
Provisional Local Government Settlement 2018/19	Announced 10 th October 2017	Finance Department
Revised Medium Term Financial Plan 2018/19 to 2021/22 – Update December 2017	Cabinet and Council 13 th December 2017	Cabinet and Council agenda and minutes / Finance Department
National Employers for Local Government Services Pay Offer	Announced 5 th December 2017	Finance Department
Final Local Government Settlement 2018/19	Announced 20 th December 2017	Finance Department
Medium Term Financial Plan / Budget Working Papers	March 2017 to January 2018	Finance Department
Does the report contain any issue that may impact the Council's Constitution?		No

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

Welsh Local Government Revenue Settlement 2018-2019

Provisional

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

£'000s

Unitary Authority	2017-18 final Aggregate External Finance* plus top-up funding	2018-19 provisional Aggregate External Finance plus top-up funding	Percentage difference	Rank
Isle of Anglesey	94,978	94,924	-0.1%	2
Gwynedd	174,043	173,859	-0.1%	4
Conwy	154,313	152,770	-1.0%	17
Denbighshire	143,409	142,144	-0.9%	15
Flintshire	189,519	187,816	-0.9%	16
Wrexham	174,049	173,485	-0.3%	8
Powys	174,388	172,644	-1.0%	17
Ceredigion	100,200	99,905	-0.3%	7
Pembrokeshire	160,765	160,084	-0.4%	9
Carmarthenshire	259,147	257,960	-0.5%	12
Swansea	316,776	316,499	-0.1%	3
Neath Port Talbot	211,783	210,832	-0.4%	11
Bridgend	191,878	190,718	-0.6%	13
The Vale of Glamorgan	152,666	151,996	-0.4%	10
Rhondda Cynon Taf	362,790	362,219	-0.2%	5
Merthyr Tydfil	90,589	89,683	-1.0%	17
Caerphilly	268,282	265,600	-1.0%	17
Blaenau Gwent	110,870	109,761	-1.0%	17
Torfaen	131,805	130,800	-0.8%	14
Monmouthshire	93,939	93,000	-1.0%	17
Newport	212,234	211,682	-0.3%	6
Cardiff	436,913	437,867	0.2%	1
Total unitary authorities	4,205,337	4,186,247	-0.5%	

Changes in Key Datasets

Dataset	Merthyr Tydfil				Wales		
	2017-18	2018-19	% Difference	Rank	2017-18	2018-19	% Difference
Population projections	59,180	59,219	0.1%	19	3,116,371	3,125,332	0.3%
Pupil Numbers - Nursery and Primary	5,278	5,286	0.2%	17	261,391	263,464	0.8%
Pupil Numbers - Secondary in year groups 7-11	2,856	2,854	-0.1%	12	156,986	157,260	0.2%
Free School Meals - Primary	1,074	1,009	-6.1%	15	46,265	45,137	-2.4%
Free School Meals - Secondary	614	599	-2.4%	11	27,055	26,298	-2.8%
Children in out of work families	3,400	3,300	-2.9%	9	133,400	129,400	-3.0%
IS/ JSA/ PC/UC (not in employment) claimants - 18 to 64	2,916	2,433	-16.6%	17	106,468	90,588	-14.9%
IS/ JSA/ PC claimants - 65+	2,493	2,398	-3.8%	1	121,761	115,720	-5.0%
IS/ JSA/ PC/UC (not in employment) claimants - all ages	5,417	4,840	-10.6%	19	228,789	206,818	-9.6%
SDA/DLA/PIP claimants - 18 to 64	3,893	3,877	-0.4%	15	145,035	145,526	0.3%

Where:

IS = Income Support

JSA = Job Seekers Allowance

PC = Pension Credit

UC = Universal Credit

SDA = Severe Disablement Allowance

DLA = Disability Living Allowance

PIP = Personal Independence Payment

Revised Medium Term Financial Plan 2018/19 to 2021/22
Impact of Provisional Local Government Revenue Settlement

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Aggregate External Finance (Note 1)			
Budgeted Settlement (Note 2)	84,769	80,954	77,978
Provisional Settlement (Note 3)	89,683	87,889	86,131
Increase in Aggregate External Finance (Note 4)	-4,914	-6,935	-8,153
Transfers In to the Settlement (Note 5)			
Waste Element of Single Revenue Grant	598	598	598
Welsh Independent Living Grant	565	565	565
Social Care Workforce Grant	408	408	408
Looked After Children	190	190	190
Carers' Respite Care Grant	65	65	65
Total Transfers In	1,826	1,826	1,826
New Responsibilities (Note 6)			
Homelessness Prevention	109	109	109
Total New Responsibilities	109	109	109
Validation Amendments (Note 7)			
Social Care Workforce Grant	-408	-408	-408
Homelessness Prevention	-57	0	0
Total Validation Amendments	-465	-408	-408
Net Impact of Provisional Revenue Settlement	-3,444	-5,408	-6,626

Notes

1. The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates
2. Based on indicative Council projected AEF of -4.5% for 2018/19 to 2020/21
3. Based on Provisional Welsh Government AEF of -1% for 2018/19 and estimated Council AEF of -2% for 2019/20 to 2020/21
4. Based on 2017/18 Council Tax Base of 18,069.24 (96% collection rate)
5. Transfers in to the Settlement of monies previously held outside the Settlement as specific grants
6. Additional monies included within the Settlement in respect of new responsibilities
7. Relates to amendments to transfers in and new responsibilities reflecting monies already included within the Medium Term Financial Plan and current anticipated requirements

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Additional Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Individual Schools Budget (ISB) Further requirement following the re-calculation of the ISB reflecting need and pupil numbers based on 2017/18 service provision. £39.099 million originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	198	379	268
<p>Learning – Enhanced Provision Additional requirement reflects current actual pupil demand in system as evidenced by the projected budget overspend in 2017/18, £139,000 reported to Cabinet of 22nd November 2017 in respect of 2nd Quarter. £1.192 million originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	146	149	152
<p>Learning – Speech Therapists Council approved budget reduction for 2017/18 not realised. Meeting required with Cwm Taf University Health Board and Rhondda Cynon Taf County Borough Council to negotiate costs. £43,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	9	9	9
<p>Learning – Special Tuition Additional requirement reflects current actual pupil demand in system as evidenced by the projected budget overspend in 2017/18, £93,000 reported to Cabinet of 22nd November 2017 in respect of 2nd Quarter. £139,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	92	93	95
<p>Learning – Special Needs Advisory Teachers Reflects increase in Service Level Agreements with Rhondda Cynon Taf County Borough Council for Vision Impairment Teaching and Mobility of £23,000 (£12,000 to £35,000) and Additional Learning Needs Equipment of £5,000 (£10,000 to £15,000). £87,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	28	28	28

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Additional Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>School Transport – Special Educational Needs Relates to additional contracts and revisions to prices. 28 contract requests made between July 2017 and September 2017. £780,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	199	199	199
<p>Children Looked After Residential Placements Reflects financial pressures resulting from additional residential placements as evidenced by the projected budget overspend in 2017/18, £331,000 reported to Cabinet of 22nd November 2017 in respect of 2nd Quarter. £965,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	340	340	340
<p>Neighbourhood Services – Street Cleansing Reflects employment of additional Fly Tipping Clearance team in order to achieve 5 day clearance target. Relates to 2 agency employees plus transport. £1.146 million originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	50	51	53
<p>School Transport Reflects additional contracts and revisions to prices. £1.521 million originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	87	89	91
<p>Neighbourhood Services – Street Lighting Relates to 6 year rolling programme of compliance testing of the street lighting assets consisting of electrical network/column testing and structural column testing. £226,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	30	30	30

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Additional Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Corporate Services - Benefits Reflects the Department for Work and Pensions' indication that Housing Benefit Administration Grant will reduce to circa £245,000 in 2018/19 and by a further 10% in each subsequent year. Grant income of £296,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	51	71	89
<p>Corporate Property - Rentals Reflects loss of rental income following Cabinet approved sales of Pontcae Surgery (£18,000) and Gurnos Farm (£6,250) on 22nd March 2017 and 13th September 2017 respectively. Income of £89,000 originally budgeted for 2018/19 within the Medium Term Financial Plan.</p>	25	25	25
<p>Customer Programme Delivery of £280,000 of the budgeted savings of £500,000 included within the Medium Term Financial Plan considered unachievable at this time. In addition £27,000 additional monies is required to support the extension of the Revenues and Benefits software support and maintenance contract including enhancements to support the full implementation of the Customer Programme – considered at Cabinet of 13th December 2017.</p>	307	307	307
<p>Supporting People Delivery of £200,000 of the budgeted savings of £400,000 included within the Medium Term Financial Plan considered unachievable at this time</p>	200	200	200
<p>Strategic Social Services Delivery of £417,000 of the budgeted savings of £1.01 million for 2018/19 and £1.31 million thereafter included within the Medium Term Financial Plan considered unachievable in the short-term. These include Business Cases in respect of Day Centres and Care Homes.</p>	417	417	417

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Additional Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Merthyr Tydfil Leisure Trust The budgeted management fee reduction of £100,000 included within the Medium Term Financial Plan is considered unrealistic until the Trust's financial position stabilizes. An additional financial contribution to the Leisure Trust for 2017/18 was approved by Council on 22nd November 2017.</p>	100	100	100
<p>South Wales Fire and Rescue Service Levy The Council was notified on 7th November 2017 of the South Wales Fire and Rescue Service's intention to increase its levy to its constituent Local Authorities for 2018/19 by 1.36%. Merthyr Tydfil's proposed equivalent increase is 1.08% resulting in a total proposed levy for 2018/19 of £2,772,639. In responding to the consultation exercise the Council has expressed its view that the levy should mirror the Local Government Revenue Settlement whereby the Council suffered a provisional 1% reduction in funding.</p>	25	25	25
<p>Energy Levy Reflects the increase in the Climate Change Levy to 0.847 pence per KWh for electricity and 0.339 pence per KWh for gas. Additional costs relating to 2018/19 are met from the existing Energy Levy budget.</p>	0	40	40
Total	2,304	2,552	2,468

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Capital Financing Costs Negotiation of early repayment of £12 million long-term loans with Commerzbank in January/February 2018. Relates to Lender Option/Borrower Option (LOBO) loans at current coupon rate of 4.5%. The anticipated savings are net of an estimated premium charge of £4.6 million for early repayment. £7.56 million originally budgeted for 2018/19 within the Medium Term Financial Plan relating to capital financing costs.</p>	-300	-290	-280
<p>Corporate Investment Fund Relinquishment of budgeted contribution of £600,000 for 2018/19 whilst reflecting reduced contributions of £200,000 for 2019/20 and 2020/21. The Fund balance at 31st March 2018 is anticipated to be in excess of £600,000 offering further support for invest-to-save opportunities. In addition further contributions to the Fund may result from ongoing reviews of and release from earmarked reserves balances.</p>	-600	-400	-400
<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 from £400,000 to £600,000 for 2018/19 reflecting the surplus outturn reported for 2016/17 and projected for 2017/18.</p>	-200	0	0
<p>Council Tax Benefit Payments Relates to the council tax reduction scheme and is based on eligible caseload. As at 31st December 2017 caseload was 6,649 compared to 7,624 when scheme was introduced in 2013/14. Budget was reduced by £200,000 from 2017/18 but it is considered that a further budget reduction can be accommodated leaving a Budget of £6.025 million for 2018/19.</p>	-100	-150	-200

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>External Audit and Inspection Fees Wales Audit Office Audit Plan for 2017 reflects a reduction in fees from £338,000 to £313,000 for 2017/18 with current budget set at £380,000.</p>	-50	-50	-50
<p>Insurance Premiums Proposed 'one-off' reduction of contribution to insurance premium costs from £553,000 to £400,000 for 2018/19 with the Insurance Fund covering any shortfall. A £500,000 insurance fund injection "holiday" is already approved for 2017/18 and 2018/19 with an Insurance Fund balance of £2.382 million at 31st March 2017. An Insurance Provision of £1.004 million at 31st March 2017 also exists reflecting the Authority's outstanding insurance claims obligations.</p>	-153	0	0
<p>Subscriptions This consists of annual subscriptions to the Welsh Local Government Association (£78,000), Society of Welsh Treasurers (£3,000), Institute of Public Finance Statistics (£8,000), South Wales Local Resilience Forum (£5,000) and Consortium of Local Authorities in Wales (£1,000). Saving of £5,000 against budgeted £100,000.</p>	-5	-5	-5
<p>Collection Fund Surplus Based on trend data and projected council tax income due it is anticipated that budgeted £600,000 will be exceeded by a minimum of £200,000.</p>	-250	-250	-250
<p>Holiday Pay Responding to case law this relates to holiday pay for employees regularly working above contracted hours. Proposal to release £70,000 of budgeted £100,000 since additional costs absorbed within service areas.</p>	-70	-70	-70

Revised Medium Term Financial Plan 2018/19 to 2021/22
Corporate Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Living Wage Provision This provision is no longer required since the commitment has been absorbed within service budgets.</p>	-150	-150	-150
<p>Service Budget Review – General This relates to adjustments to the Medium Term Financial Plan in respect of all services reflecting updated information in respect of salary grades and points, membership of the pension fund, business rates and contractual inflation costs in realigning budgets to actual need.</p>	-212	-270	-262
<p>Service Budget Review – Social Care This relates to adjustments to the Medium Term Financial Plan reflecting updated information in respect of clients care packages within Supported Placements owing to changes in care needs, lower than anticipated cost of care packages and additional income from Cwm Taf University Health Board in respect of joint funded packages.</p>	-272	-304	-143
Total	-2,362	-1,939	-1,810

Revised Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions – Already Approved

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Neighbourhood Services Relates to the in-house management of the Council's Household Waste Recycling Centres approved at Council of 27th September 2017</p>	-108	-216	-216
<p>Neighbourhood Services Relates to Depot rationalisation linked to Cabinet report 8th March 2017</p>	0	-50	-50
<p>Neighbourhood Services Relates to security savings resulting from the installation of security fences at the Council's two household waste recycling sites. The cost of installation of £249,000 is included within the Capital Programme for 2017/18 approved by Council on 2nd March 2017 as revised by Cabinet on 22nd November 2017 to reflect actual tender price.</p>	-132	-135	-139
<p>Neighbourhood Services Relates to a Voluntary Early Retirement within office cleaning approved through delegated authority on 30th November 2017 by the Leader, Chief Executive, Head of Human Resources and Chief Finance Officer.</p>	-6	-6	-6
<p>Community Regeneration Relates to an increase in Fees and Charges within the Registrars Service linked to Cabinet report of 13th December 2017</p>	-2	-2	-2
<p>Finance Deletion of Procurement post following Voluntary Early Retirement of post holder in 2017/18. Approved through delegated authority on 16th February 2017 by the former Leader, Chief Executive, Head of Human Resources and Chief Finance Officer.</p>	-28	-28	-28

Revised Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions – Already Approved

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Business Change, Performance, Scrutiny Relates to savings following service restructure as approved by Council on 22 nd November 2017	-108	-105	-101
Total	-384	-542	-542

Revised Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions – Not Requiring Business Cases

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Learning Proposed 2% reduction in the Council's contribution to the Central South Consortium from £254,827 to £249,730 together with over estimation of £8,000 within the Medium Term Financial Plan</p>	-13	-18	-24
<p>Social Services Further review of Medium Term Financial Plan has identified additional savings across the Social Services Directorate by realigning budgets to actual need</p>	-164	-164	-164
<p>Neighbourhood Services Relates to the reduction in advertising and promotion within Waste Management from a budget of £21,000 to £16,000</p>	-5	-5	-5
<p>Neighbourhood Services Relates to a 10% reduction in the structures budget of £105,000 included within the Medium Term Financial Plan. The structures budget is used for the principal inspections and maintenance of the Council's structural assets such as highway bridges, retaining walls, culverts, subways and reservoirs.</p>	-11	-11	-11
<p>Community Regeneration Relates to a voluntary reduction in employable hours within Trading Standards resulting in no adverse impact on service delivery</p>	-10	-10	-10
<p>Community Regeneration Relates to a voluntary reduction in employable hours within Transport resulting in no adverse impact on service delivery</p>	-18	-18	-18

Revised Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions – Not Requiring Business Cases

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Community Regeneration Relates to the deletion of a vacant External Funding Officer post which has been vacant since 18th June 2017. The main purpose of the post is to provide a range of funding advice and support within the Regeneration Service, across wider Council Services and to external Voluntary Sector organisations. The focus of the role has concentrated on European finance, representing the Authority on all regional Welsh European Funding Office structure. With the wind-down of the European Funding Programmes in advance of Brexit, a large element of the role is no longer necessary. Due to high level of funding expertise within the Regeneration team, and uncertainty about future Welsh Government funding priorities, this function will be absorbed as appropriate.</p>	-35	-36	-36
<p>Community Regeneration Relates to a deletion of a vacant Business Support Officer post within Economic Development which has been vacant since 31st October 2017. The main purpose of the post is to provide a range of business support functions to the private business sector. Historically, this has focused around Welsh Government and European funded grant support. However, the Welsh Government has moved away from grant support over the last 2 years in favour of repayable support. As yet, the next round of repayable support has not been approved by Welsh Government. The remaining functions of the post will be transferred to the Orbit Business Centre in its current form.</p>	-38	-39	-40
<p>Corporate Communications Savings in mayoral costs of reduction in the mayoral fuel budget of £3,000 and Mayor's No. 2 Account of £2,000 plus deletion of Mayor's Regalia Account of £700 and Mayor's Souvenir Account of £1,000</p>	-7	-7	-7

Revised Medium Term Financial Plan 2018/19 to 2021/22
Service Budget Reductions – Not Requiring Business Cases

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<p>Corporate Utilisation of Corporate Investment Fund to finance the costs of continuing with a hard copy CONTACT magazine. The Fund balance at 31st March 2018 is anticipated to be in excess of £600,000.</p>	-15	-15	-15
<p>Finance Projected increase in purchase card income from £15,000 to £22,000 per annum. Expenditure incurred through purchase card payment is projected to be circa £2.2 million for 2018/19 with a rebate of 1%.</p>	-7	-7	-7
<p>Finance Relates to the appointment to a vacant post within the Accountancy Department at the bottom of the salary grade together with a voluntary reduction in employable hours. There is no adverse impact on service delivery.</p>	-5	-4	-3
<p>Legal Relates to the deletion of a vacant Assistant Solicitor post within the Legal Department following service restructure. This follows the appointment of the Solicitor formerly responsible for contracts and employment law to the post of Head of Human Resources whilst still providing legal advice on employment issues. This arrangement is considered manageable by the Head of Legal Services.</p>	-27	-28	-28
<p>Legal Relates to the voluntary reduction of employable hours within the Legal Department resulting in no adverse impact on service delivery</p>	-10	-10	-10
<p>ICT Relates to procurement saving in respect of the contract for Network Penetration Testing</p>	-8	-8	-8
Total	-373	-380	-386

Welsh Local Government Revenue Settlement 2018-2019

Final

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

£'000s

Unitary Authority	2017-18 final Aggregate External Finance* plus top-up funding	2018-19 final Aggregate External Finance plus top-up funding	Percentage difference	Rank
Isle of Anglesey	95,191	95,812	0.7%	2
Gwynedd	174,093	175,127	0.6%	4
Conwy	154,386	153,615	-0.5%	20
Denbighshire	143,395	143,119	-0.2%	15
Flintshire	189,565	189,156	-0.2%	16
Wrexham	174,009	174,636	0.4%	8
Powys	174,706	174,026	-0.4%	19
Ceredigion	100,819	101,251	0.4%	6
Pembrokeshire	161,314	161,774	0.3%	9
Carmarthenshire	258,819	259,440	0.2%	11
Swansea	317,122	319,087	0.6%	3
Neath Port Talbot	211,838	212,341	0.2%	12
Bridgend	191,467	191,582	0.1%	13
The Vale of Glamorgan	152,114	152,480	0.2%	10
Rhondda Cynon Taf	362,319	364,176	0.5%	5
Merthyr Tydfil	90,635	90,305	-0.4%	17
Caerphilly	268,248	267,240	-0.4%	18
Blaenau Gwent	110,905	110,351	-0.5%	20
Torfaen	131,652	131,543	-0.1%	14
Monmouthshire	93,737	93,268	-0.5%	20
Newport	211,954	212,790	0.4%	7
Cardiff	437,048	440,947	0.9%	1
Total unitary authorities	4,205,337	4,214,067	0.2%	

Revised Medium Term Financial Plan 2018/19 to 2021/22
Impact of Final Local Government Revenue Settlement

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Aggregate External Finance (Note 1)				
Provisional Settlement (Note 2)	89,683	87,889	86,131	84,409
Final Settlement (Note 3)	90,305	88,950	87,616	86,302
Decrease in Aggregate External Finance	-622	-1,061	-1,485	-1,893
Council Tax Base				
Provisional Council Tax levy (Note 4)	26,787	27,564	28,363	29,186
Final Council Tax levy (Note 5)	26,830	27,608	28,408	29,232
Increase in Council Tax levy (Note 6)	-43	-44	-45	-46
Further New Responsibilities (Note 7)	134	134	134	134
New Expectation (Note 8)	26	26	26	26
Net Impact of Final Revenue Settlement	-505	-945	-1,370	-1,779

Notes

1. The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates
2. Based on Provisional Welsh Government AEF of -1% for 2018/19 and estimated Council AEF of -2% for 2019/20 to 2021/22
3. Based on Final Welsh Government AEF of -0.36% for 2018/19 and estimated Council AEF of -1.5% for 2019/20 to 2021/22
4. Based on Provisional Council Tax Base of 18,069.24 (96% collection rate) – 2017/18 base approved by Council 30th November 2016
5. Based on Final Council Tax Base of 18,098.08 (96% collection rate) – 2018/19 base approved by Council 13th December 2017
6. Based on an indicative Council Tax Increase of 2.9% per annum (as approved for 2017/18)
7. Reflects further new responsibility in respect of the increase to the capital limit for charging for residential care to £40,000
8. Reflects new expectation in respect of discretionary rate relief for small businesses