

## **FULL COUNCIL REPORT**

Date Written	29 <sup>th</sup> October 2018
Report Author	Steve Jones
Service Area	Finance
Exempt/Non Exempt	Non Exempt
Committee Date	7 <sup>th</sup> November 2018

*To: Mayor, Ladies and Gentlemen*

# **Medium Term Financial Plan 2019/20 to 2022/23 – Update 1**

## **1.0 SUMMARY OF THE REPORT**

- 1.1 The Medium Term Financial Plan 2018/19 to 2021/22 was approved at Council of 7<sup>th</sup> March 2018 and indicated a projected budget deficit of £6.557 million for 2019/20 and a projected budget deficit of £13.729 million for the period 2019/20 to 2021/22.
- 1.2 The Provisional Welsh Local Government Settlement was announced on 9<sup>th</sup> October 2018 and resulted in a modest funding increase of 0.33% for Merthyr Tydfil for the 2019/20 financial year.
- 1.3 The revised projected budget deficits indicate a budget deficit of £5.640 million for 2019/20 and £17.277 million for the period 2019/20 to 2021/22 and reflect the implications of the provisional settlement, corporate additional demands, corporate budget reductions and proposed schools' reductions.
- 1.4 Further details in respect of the schools' savings proposals for 2019/20 will be presented to Council following a Cabinet report in December 2018.
- 1.5 The Council is still awaiting further information in respect of potential additional funding from the Welsh Government following the Autumn Budget announcement of 29<sup>th</sup> October 2018.
- 1.6 Service budget reductions encompassing the outcome of the enhanced voluntary severance proposal will be reported to Council in due course.

1.7 The revised budget projections assume a Council Tax increase of 4.15% for the period of the Medium Term Financial Plan, as approved for 2018/19.

1.8 The recommendations within this report were considered and supported by Cabinet of 7<sup>th</sup> November 2018.

## 2.0 RECOMMENDATIONS that

2.1 The implications of the Provisional Local Government Settlement for 2019/20 outlined in Section 5 and Appendices 1 and 2 be noted and accepted.

2.2 The Cabinet recommended Corporate Additional Demands outlined in Section 6 and Appendix 3 be approved.

2.3 The Cabinet recommended Corporate Budget Reductions outlined in Section 7 and Appendix 4 be approved.

2.4 The Cabinet recommended Schools Budget Reductions outlined in Section 8 be approved, subject to appropriate consultation and further report to Cabinet/Council.

## 3.0 INTRODUCTION AND BACKGROUND

3.1 The summary Medium Term Financial Plan (MTFP) 2018/19 to 2021/22 approved by Council on 7<sup>th</sup> March 2018 is outlined in Table 1.

Table 1 – MTFP Projected Budget Deficits 2018/19 to 2021/22

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Learning	44,716	45,401	45,475	46,016
Social Services	32,534	33,402	34,369	34,989
Neighbourhood Services	11,032	11,210	11,421	11,724
Community Regeneration	3,611	3,735	3,869	3,987
Support Services	7,651	7,921	8,121	8,323
Corporate Costs	21,362	22,270	22,770	22,930
Contributions / Recharges	-3,445	-149	1,546	2,741
<b>Net Expenditure</b>	<b>117,461</b>	<b>123,790</b>	<b>127,571</b>	<b>130,710</b>
Available Finance	117,461	117,233	117,073	116,981
<b>Projected Budget Deficit</b>	<b>0</b>	<b>6,557</b>	<b>10,498</b>	<b>13,729</b>

- 3.2 It is evident from Table 1 that the projected budget deficit was £6.557 million for 2019/20 and a projected cumulative £13.729 million for the 3 year period 2019/20 to 2021/22.
- 3.3 The Provisional Local Government Settlement for 2019/20 was announced on 9<sup>th</sup> October 2018 and is governed by the following characteristics:
- A total revenue funding reduction for all Welsh Local Authorities of 0.3% (£12 million) from an adjusted 2018/19 base of £4.226 billion to £4.214 billion
  - A revenue funding increase for Merthyr Tydfil of 0.3% (£303,000) from an adjusted 2018/19 base of £90.549 million to £90.852 million
  - Merthyr Tydfil's revenue settlement is ranked 2<sup>nd</sup> best of all 22 Welsh Local Authorities but 3<sup>rd</sup> best on a per capita basis
  - Funding formula and dataset changes have resulted in Merthyr Tydfil moving from 17<sup>th</sup> best revenue settlement in 2018/19 to 2<sup>nd</sup> best in 2019/20
  - Former specific grants in respect of Teachers Pay and Free School Meals totalling £12 million, previously held outside of the revenue settlement, are transferred into the settlement with Merthyr Tydfil's proportion totalling £244,000
  - Five Local Authorities are supported by a "floor mechanism" whereby the Welsh Government ensures that no Local Authority experiences a funding reduction greater than 1%, resulting in "top up funding" of £2.5 million
  - There is no formal Welsh Government mandated 1% cash protection commitment for schools
  - No indicative revenue settlement for the following year is provided by the Welsh Government
- 3.4 The summary Provisional Revenue Settlement for 2019/20 is included as Appendix 1 with changes to key data sets included as Appendix 2. The Final Local Government Settlement is to be announced on 19<sup>th</sup> December 2018.

## **4.0 REVISED MEDIUM TERM FINANCIAL PLAN**

- 4.1 A Medium Term Financial Plan is a rolling programme, continually evolving as further information and changing circumstances become known. The following identified changes are considered within this report:
- Implications of Provisional Settlement
  - Corporate Additional Demands
  - Corporate Budget Reductions
  - Schools Budget Reductions

- 4.2 The financial impact of the above changes to the reported budget deficits for 2019/20 to 2021/22 are outlined in Table 2. It should be noted that the projected financial position for 2022/23 is currently being determined in establishing the MTFP for the 4 year period 2019/20 to 2022/23 and will be reported to a subsequent Cabinet and Council.

Table 2 – Revised Projected Budget Deficits 2019/20 to 2021/22

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Budget Deficit – Council 7<sup>th</sup> March 2018</b>	<b>6,557</b>	<b>10,498</b>	<b>13,729</b>
Implications of Provisional Settlement	-1,901	-2,327	-2,742
Corporate Additional Demands	4,914	8,023	8,600
Corporate Budget Reductions	-3,236	-1,650	-1,616
Schools' Budget Reductions	-694	-694	-694
<b>Revised Budget Deficit</b>	<b>5,640</b>	<b>13,850</b>	<b>17,277</b>

- 4.3 It is evident from Table 2 that the revised budget deficit is £5.640 million for 2019/20 and a projected cumulative £17.277 million for the 3 year period 2019/20 to 2021/22. Indicative additional demands of £2 million are included for 2020/21 with a further £1 million for 2021/22 to reflect probable further requirements in addressing demographic growth and service financial pressures.
- 4.4 Sections 5 to 8 consider in further detail the proposed revisions to the MTFP 2019/20 to 2021/22 and were noted and approved (subject to consultation where appropriate) by Cabinet of 7<sup>th</sup> November 2018.

## **5.0 IMPLICATIONS OF PROVISIONAL SETTLEMENT**

- 5.1 The Welsh Government's Provisional Local Government Settlement was announced on 9<sup>th</sup> October 2018 and resulted in a modest increase in Merthyr Tydfil's Aggregate External Finance (AEF) for 2019/20 of 0.33%. No indications were provided in respect of indicative future year settlements thus inhibiting Local Authorities' ability to effectively plan over the medium term.
- 5.2 The MTFP impact from the provisional settlement is summarised in Table 3 and demonstrates increased spending power of £1.901 million for 2019/20.

Table 3 – Implications of Provisional Local Government Settlement

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<u>Aggregate External Finance (AEF)</u>			
Budgeted Settlement	88,951	87,616	86,302
Provisional Settlement	90,852	89,943	89,044
<b>Net Increase in Funding</b>	<b>-1,901</b>	<b>-2,327</b>	<b>-2,742</b>

- 5.3 The AEF consists of the total of Revenue Support Grant (RSG) and Redistributed Non Domestic Rates. Table 4 compares the budgeted AEF within the original MTFP with the revised finance assumptions included in the updated MTFP for 2019/20 to 2022/23.

Table 4 – Aggregate External Finance (AEF)

Description	2019/20	2020/21	2021/22	2022/23
Original Budgeted AEF	-1.50%	-1.5%	-1.5%	n/a
Revised AEF	+0.33%	-1.0%	-1.0%	-1.0%

- 5.4 It is evident from Table 4 that the Council has provisionally received a better than budgeted revenue settlement for 2019/20. It is considered prudent however to estimate for the potential 'worst case' settlement scenario of a funding reduction of 1% per annum for the term of the MTFP owing to the following:
- The continuing austerity measures projected to be faced by Local Government over the medium term
  - 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
  - The vagaries of the Local Government funding formula in respect of year to year changes in key datasets
- 5.5 The estimated 'worst case' settlement scenario of -1% is based on the positioning of the Welsh Government's provisional "floor mechanism" protection for 2019/20.

## 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 and service financial pressures. These additional budget requirements are detailed in Appendix 3 and are summarised in Table 5.

Table 5 – Additional Budget Demands

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
Education	1,845	3,128	3,390
Social Services	2,599	3,126	3,305
Neighbourhood Services	427	723	815
Community Regeneration	117	135	141
Support Services	146	146	146
Corporate Costs	780	765	803
Less: Indicative Demands Contingency	-1,000	0	0
<b>Total Additional Demands</b>	<b>4,914</b>	<b>8,023</b>	<b>8,600</b>

6.2 It is evident from Table 5 that £4.914 million of corporate additional demands are proposed for the 2019/20 financial year. It should be noted that the magnitude of this additional demand is unprecedented and is indicative of the financial pressures faced by all Local Authorities within the United Kingdom particularly within education and social services.

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 2019/20 and the medium to long term. All additional demand requirements however are subject to ongoing review with any identified amendments, owing to updated information, reported in due course. The potential for even more demand requests should also be noted.

## 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 2019/20 and beyond. These are detailed in Appendix 4 and summarised in Table 6.

7.2 It is evident from Table 6 that £3.236 million of corporate budget reduction initiatives are proposed for the 2019/20 financial year.

Table 6 – Corporate Budget Reduction Initiatives

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
Corporate Investment Fund	-200	-200	-200
Corporate Vacancy Factor	-200	0	0
Insurance Fund	-653	0	0
Capitalisation of Severance Costs	-600	-600	-600
Utilisation of Redundancy Reserve	-706	0	0
Corporate Budget Review	-877	-850	-816
<b>Total Corporate Budget Reductions</b>	<b>-3,236</b>	<b>-1,650</b>	<b>-1,616</b>

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 SCHOOLS’ BUDGET REDUCTIONS

8.1 In recognising the challenging budget deficit faced by the Council over the period of the Medium Term Financial Plan and the significant pressures for the 2019/20 financial year alone, the Schools Forum has identified budget savings within the Schools Budget of £694,000.

8.2 The proposed savings are itemised in Table 7 and are subject to further consultation and report to Cabinet in December 2018.

Table 7 – Proposed Schools Savings

Description	2019/20 £’000	2020/21 £’000	2021/22 £’000
Reduction in Delegated Schools Budget	-594	-594	-594
School Meals Increases	-100	-100	-100
<b>Total Proposed Schools Savings</b>	<b>-694</b>	<b>-694</b>	<b>-694</b>

8.3 The School Meals proposal is as follows:

- Primary Schools – an increase from £2.10 per meal to £2.25 per meal in April 2019 and a further increase to £2.40 per meal in September 2019
- Secondary Schools – an increase from £2.50 per meal to £2.65 per meal in April 2019 and a further increase to £2.80 per meal in September 2019

## 9.0 OTHER CONSIDERATIONS

9.1 There are a number of other potential funding streams available to the Local Authority currently awaiting clarification as follows:

- The Chancellor of the Exchequer announced the Autumn Budget Statement on 29<sup>th</sup> October 2018, resulting in additional monies to the Welsh Government of £550 million for the 3 year period 2018/19 to 2020/21. The Welsh Government previously gave a clear commitment that if additional monies were received then Local Government will be the priority for additional funding.
- Specific grants outside of the Revenue Settlement include two new grants, namely ‘Social Services Grant’ and ‘Schools Funding Grant’ with all Wales

allocations of £30 million and £15 million respectively. Local Government is still awaiting the associated individual Local Authority allocations and terms and conditions governing these grants. In addition a further £30 million has been designated by the Welsh Government for health and social services allocated to regional partnership boards. It is currently unclear how this potential additional funding may be accessed.

- It is hoped that the increase in Teachers' Pensions liability for Local Government will be centrally funded. For Merthyr Tydfil this liability stands at £715,000 for 2019/20 (effective from 1<sup>st</sup> September 2019) with a projected full year impact of £1.3 million.
- The Medium Term Financial Plan is currently based on a Council Tax increase of 4.15% per annum, reflecting the approved increase for 2018/19. Every further 1% increase in Council Tax (over and above the 4.15%) results in additional spending power for 2019/20 of £270,000.
- The Final Local Government Settlement to be announced on 19<sup>th</sup> December 2018 may include additional funding for 2019/20
- Further releases from earmarked and/or general reserves may be necessary to ensure a balanced Budget for 2019/20 is presented to the budget setting Council in February/March 2019.

9.2 Council of 24<sup>th</sup> October 2018 approved an enhanced voluntary early retirement / voluntary redundancy package for employees expressing an interest no later than 16<sup>th</sup> November 2018. Each expression of interest is to be considered on its merit with no guarantee of acceptance since service impact must also be considered. It is anticipated that this initiative will realise significant gross savings.

9.3 Service managers have identified a number of service reduction opportunities which will be considered in tandem with the required service reconfiguration resulting from the voluntary severance initiative.

## 10.0 FINANCIAL IMPLICATION(S)

10.1 The revised MTFP for 2019/20 to 2022/23 currently projects a budget deficit of £5.640 million for 2019/20 and a cumulative £17.277 million for the three year period 2019/20 to 2021/22, subject to the approval of all proposals in respect of corporate budget reductions and schools' budget reductions.

## 11.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Not Applicable
1. Merthyr Tydfil Well-being Objectives	4 of 4	0 of 4	0 of 4



<b>2. Sustainable Development Principles - How have you considered the five ways of working:</b> <ul style="list-style-type: none"> <li>• Long term</li> <li>• Prevention</li> <li>• Integration</li> <li>• Collaboration</li> <li>• Involvement</li> </ul>	5 of 5	0 of 5	0 of 5
<b>3. Protected Characteristics</b> <i>(including Welsh Language)</i>	0 of 10	0 of 10	10 of 10
<b>4. Biodiversity</b>	0 of 1	0 of 1	1 of 1
<p><b><u>Summary:</u></b></p> <p>The main positive impacts are that the update supports financial sustainability of the Council in setting balanced budgets over the period of the Medium Term Financial Plan.</p> <p>The main negative impacts are the unprecedented additional corporate budget demands requiring to be supported owing to demographic growth and service financial pressures.</p>			

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

**COUNCILLOR ANDREW BARRY**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Medium Term Financial Plan 2018/19 to 2021/22	Council 7 <sup>th</sup> March 2018	Council agenda and minutes / Finance Department
Provisional Local Government Settlement 2019/20	Announced 9 <sup>th</sup> October 2018	Finance Department
Financial Update Presentation	Budget Board 17 <sup>th</sup> October 2018	Finance Department
Medium Term Financial Plan / Budget Working	March 2018 to November 2018	Finance Department

Papers		
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 2019-2020

Provisional

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

£'000s

Unitary Authority	2018-19 final Aggregate External Finance* plus top-up funding	2019-20 provisional Aggregate External Finance plus top-up funding	Percentage difference	Rank
Isle of Anglesey	96,120	95,159	-1.0%	18
Gwynedd	175,631	174,303	-0.8%	17
Conwy	154,017	152,477	-1.0%	18
Denbighshire	143,514	142,817	-0.5%	11
Flintshire	189,714	187,817	-1.0%	18
Wrexham	175,138	174,084	-0.6%	14
Powys	174,503	172,758	-1.0%	18
Ceredigion	101,541	101,274	-0.3%	8
Pembrokeshire	162,247	161,656	-0.4%	9
Carmarthenshire	260,174	258,831	-0.5%	13
Swansea	319,970	319,988	0.0%	7
Neath Port Talbot	212,919	213,406	0.2%	4
Bridgend	192,141	190,920	-0.6%	15
The Vale of Glamorgan	152,959	151,923	-0.7%	16
Rhondda Cynon Taf	365,177	366,380	0.3%	3
Merthyr Tydfil	90,549	90,852	0.3%	2
Caerphilly	267,986	266,680	-0.5%	12
Blaenau Gwent	110,627	110,099	-0.5%	10
Torfaen	131,914	132,065	0.1%	6
Monmouthshire	93,559	92,623	-1.0%	18
Newport	213,423	213,759	0.2%	5
Cardiff	442,312	443,970	0.4%	1
<b>Total unitary authorities</b>	<b>4,226,136</b>	<b>4,213,840</b>	<b>-0.3%</b>	

## Changes in Key Datasets

Dataset	Merthyr Tydfil				Wales		
	2018-19 Final	2019-20 Provisional	% Difference	Rank	2018-19 Final	2019-20 Provisional	% Difference
Population projections	59,219	59,254	0.1%	19	3,125,332	3,134,476	0.3%
Pupil Numbers - Nursery and Primary	5,286	5,342	1.1%	3	263,464	264,060	0.2%
Pupil Numbers - Secondary in year groups 7-11	2,854	2,877	0.8%	10	157,260	158,634	0.9%
Free School Meals - Primary	1,009	1,030	2.1%	7	45,137	45,270	0.3%
Free School Meals - Secondary	599	600	0.2%	12	26,298	26,400	0.4%
Children in out of work families	3,300	3,200	-3.0%	13	129,400	126,900	-1.9%
IS/ JSA/ PC/UC (not in employment) claimants - 18 to 64	2,433	2,143	-11.9%	17	90,588	80,657	-11.0%
IS/ JSA/ PC claimants - 65+	2,398	2,312	-3.6%	1	115,720	110,054	-4.9%
IS/ JSA/ PC/UC (not in employment) claimants - all ages	4,840	4,463	-7.8%	15	206,818	191,177	-7.6%
SDA/DLA/PIP claimants - 18 to 64	3,877	3,811	-1.7%	15	145,526	143,665	-1.3%

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

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<p><b>Learning – Individual Schools Budget (ISB)</b>  Further requirement following the re-calculation of the ISB reflecting projected future need, pupil numbers and pay award based on 2018/19 service provision.</p>	14	648	843
<p><b>Learning – Enhanced Provision</b>  Additional requirement reflects current actual pupil demand in system as evidenced by the projected budget overspend in 2018/19, £575,000 reported to Cabinet of 21<sup>st</sup> November 2018. Reflects additional 2,692 support hours per week.</p>	432	442	454
<p><b>Learning – Education Other Than At School (EOTAS)</b>  Reflects the new registered Pupil Referral Unit (PRU). This investment results in cost avoidance within the Special Recoupment Budget.</p>	124	144	161
<p><b>Learning – Learning Resource Bases (LRB)</b>  Reflects the net cost of the restructure review linked to enhanced provision and PRU.</p>	361	350	350
<p><b>Learning – Teachers Pensions</b>  Reflects the increase in the teachers' pension rate from the current 16.48% to 23.6% from September 2019. Through the Welsh Local Government Association central funding is being sought from the UK Government / Welsh Government to meet this significant unexpected financial burden.</p>	715	1,308	1,309
<p><b>Learning – Special Educational Needs (SEN) Transport</b>  Reflects additional contracts and fee uplifts applicable from September 2018.</p>	63	93	125
<p><b>Learning – Facility Time</b>  Reflects facility time for Schools Union representatives – Council approval 24<sup>th</sup> October 2018.</p>	49	55	59

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Learning – Building Maintenance</b> Reflects current demand in the system in responding to statutory responsibilities including legionnaires, asbestos, periodic testing and repairs and maintenance.	33	33	33
<b>Learning – Special Needs Advisory Teachers</b> Reflects critical demand for a school nurse at Greenfield Special School.	54	55	56
<b>Social Services – Children Looked After Residential Placements</b> Reflects financial pressures resulting from additional residential placements as evidenced by the projected budget overspend in 2018/19, £647,000 reported to Cabinet of 21 <sup>st</sup> November 2018.	1,076	1,025	1,004
<b>Social Services – Children Looked After Fostering Services</b> Reflects financial pressures resulting from additional number of children accessing independent fostering services as evidenced by the projected budget overspend in 2018/19, £185,000 reported to Cabinet of 21 <sup>st</sup> November 2018.	313	377	337
<b>Social Services – Children Looked After Leaving Care Support Services</b> Reflects the current service demand within the system	134	327	266
<b>Social Services – Children Looked After Court, Legal and Professional Services</b> Reflects current demand within the system.	20	20	20
<b>Social Services – Intake and Family Support Services</b> Reflects the current cost of the service in respect of Special Guardianship Orders and allowances relating to 122 children.	234	269	124

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Social Services – Independent Domiciliary Care</b> Reflects the service experiencing “winter pressures” demand level throughout the spring and summer period resulting in an increased financial burden. Local Authorities across Wales are experiencing similar pressures.	356	507	668
<b>Social Services – Direct Payments</b> Reflects current service demand including transition of children into adult services and minimum wage requirements.	251	270	278
<b>Social Services – Cwm Taf Reflect Service</b> Reflects Merthyr Tydfil’s contribution of 22% to this regional initiative.	19	19	19
<b>Social Services – Welsh Community Care Information System (WCCIS)</b> Reflects Merthyr Tydfil’s contribution to this regional arrangement. Funded through the Intermediate Care Fund (ICF) grant in 2019/20.	0	17	17
<b>Social Services – Children with Disabilities</b> Reflects current service demand including transition of children into adult services and minimum wage requirements.	13	34	28
<b>Social Services – Supported Placements (DRIVE)</b> Supported Living Packages of Care are commissioned via DRIVE. The increase reflects the needs of current care plans including the impact of the Welsh Independent Living Fund into the Revenue Support Grant and a reduction in the level of Supporting People Grant available to support housing related needs.	43	85	93
<b>Social Services – Supported Placements (Individual Care Packages)</b> Reflects the current need within the system for individual supported living packages of care.	63	0	275

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<p><b>Social Services – Supported Placements (After School Services)</b>  Reflects current service demand including an increase in the transition of young people into adult services. Supports young adults with disabilities.</p>	8	8	8
<p><b>Social Services – Supported Placements (Independent Group Homes)</b>  Reflects reduction in Supporting People Grant to support the Park View and Glendere independent group homes.</p>	16	32	33
<p><b>Social Services – Supported Placements (Learning Disabilities Pooled Budget)</b>  Reflects reduction in monies received through the Intermediate Care Fund to support learning disabilities.</p>	0	82	80
<p><b>Social Services – MTCBC Homes for the Elderly</b>  Reflects requirement for increased staff numbers within Ty Bargoed Newydd to appropriately enhance care provision for residents.</p>	53	54	55
<p><b>Neighbourhood Services – Grounds Maintenance</b>  Reflects reinstatement of the budget for 24 hour manned security at Cyfarthfa Park and associated inflationary costs.</p>	47	52	58
<p><b>Neighbourhood Services – Fleet Management</b>  Reflects replacement of mayoral car with a contract hired vehicle owing to the current vehicle reaching the end of its useful economic life.</p>	6	6	6
<p><b>Neighbourhood Services – Fleet Management</b>  Reflects replacement of farms collection vehicle with a leased vehicle owing to the current vehicle reaching the end of its useful economic life.</p>	8	8	8



**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Neighbourhood Services – Fleet Management</b> Reflects replacement of 2 garden waste collection vehicles with leased vehicles owing to the current vehicles reaching the end of their useful economic lives in 2020/21.	0	60	60
<b>Neighbourhood Services – Fleet Management</b> Reflects replacement of 8 kerbside recycling collection vehicles with leased vehicles owing to the current vehicles reaching the end of their useful economic lives in 2020/21.	0	205	205
<b>Neighbourhood Services – Waste Disposal</b> Reflects inflationary increases arising from the Energy from Waste contract.	53	59	65
<b>Neighbourhood Services – Refuse</b> Reflects additional repair and maintenance costs for refuse vehicles.	15	15	15
<b>Neighbourhood Services – Sustainable Waste Management Grant</b> Reflects additional repair and maintenance costs for recycling vehicles.	36	36	36
<b>Neighbourhood Services – Sustainable Waste Management Grant</b> Reflects £47,000 grant shortfall in 2018/19 and projected 5% grant reduction for 2019/20.	63	63	63
<b>Neighbourhood Services – Sustainable Waste Management Grant</b> Reflects the requirement for 4 additional staff within the recycling service resulting in recycling rounds reducing from 10 to 8 whilst the crew per vehicle increases from 2 to 3. The objective is cost avoidance by reducing sickness levels and resulting agency cover and reducing reliance on agency HGV drivers.	123	128	135

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Neighbourhood Services – Waste Depot</b> Reflects repair and maintenance costs in respect of the waste depot's bailer and sorting line.	10	20	28
<b>Neighbourhood Services – Highways Operations</b> Reflects reinstatement of the gully service budget following the discontinuation of the budget saving proposal for 2018/19.	30	30	30
<b>Neighbourhood Services – Street Lighting</b> Reflects additional energy costs for 270 street lights and 2 sets of traffic lights.	4	5	5
<b>Neighbourhood Services – Corporate Property and Estates</b> Reflects increased contracted hours of a Principal Officer post from 30 to 37 hours.	12	13	13
<b>Neighbourhood Services – Corporate Property and Estates</b> Reflects the financing of a permanent Energy Officer post as per Council approval on 6 <sup>th</sup> June 2018. For the period 2019/20 to 2020/21 the post is funded through the Corporate Investment Fund.	0	0	62
<b>Neighbourhood Services – Office Accommodation</b> Reflects manned security contract inflation resulting from the National Living Wage.	14	17	20
<b>Neighbourhood Services – Building Control</b> Reflects re-alignment of building control search fees income.	6	6	6
<b>Community Regeneration – Transport</b> Reflects increases in mainstream home to school transport contract prices, variations to existing contracts, one additional contract, local bus service contract increases and increases in software charges and licence fees.	78	80	81

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

Description	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Community Regeneration – Transport</b> Reflects reinstatement of the budget from the discontinuation of the original proposal in respect of removal of post-16 home to school transport together with increased contract costs resulting from additional mileage.	39	55	60
<b>Corporate Services – Service Support and Development</b> Reflects reduction in Service Level Agreement with Merthyr Tydfil Leisure Trust in respect of switchboard services.	22	22	22
<b>Corporate Services – Benefits</b> Reflects reinstatement of budget in respect of contribution to Citizen's Advice Bureau.	69	69	69
<b>Corporate Services – Revenues</b> Reflects re-alignment of bailiff income budget.	48	48	48
<b>Legal and Democratic Services – Members Expenses</b> Reflects increase in members' salaries.	7	7	7
<b>Corporate Costs – Bank Charges</b> Reflects increase in merchant banking contract fees and loss of credit card surcharge income.	22	23	23
<b>Corporate Costs – Capital Financing Costs</b> Reflects additional interest payments associated with the deferment of the initiative to repay £12 million Lender Option Borrower Option (LOBO) long-term loans. Owing to changing economic and interest rate forecasts the proposal is no longer considered affordable at this time – Cabinet approval 25 <sup>th</sup> July 2018.	200	200	287

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Additional Demands**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<p><b>Corporate Costs – Residual Strategic Partnership Savings</b>  Reflects savings deficit in respect of the budgeted £902,000 procurement savings included within the Medium Term Financial Plan. It is anticipated that further savings will be achieved through the contract management gateway process governed by the Procurement Board.</p>	109	105	61
<p><b>Corporate Costs – Additional Pay Award Costs</b>  Reflects the additional costs arising from the National Employers for Local Government Services pay award for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2020. In essence although the pay award equates to a 2% increase per annum this increase is greater for employees at the lower spinal points of the pay structure.</p>	207	195	190
<p><b>Corporate Costs – Purchase to Pay System</b>  Reflects additional costs of supporting and maintaining the Council's purchase to pay system following replacement of the existing system – Cabinet approval 4<sup>th</sup> July 2018.</p>	42	42	42
<p><b>Corporate Costs – IT Replacement Programme</b>  Relates to both hardware and software costs and is time critical owing to the necessity to remove Windows 7 (end of life) from the network by January 2020 to avoid public sector network non-compliance, loss of connection and the risk of cyber-attack.</p>	200	200	200
<p><b>Indicative Additional Demands Contingency</b>  Reflects a 'growth' contingency included in the original Medium Term Financial Plan which part offsets the additional demand liability.</p>	-1,000	0	0
<b>Total</b>	<b>4,914</b>	<b>8,023</b>	<b>8,600</b>

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Budget Reductions**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<p><b>Corporate Investment Fund</b>  Relinquishment of the budgeted contribution of £200,000 over the term of the Medium Term Financial Plan. The Fund balance at 31<sup>st</sup> March 2019 is anticipated to be in excess of £500,000 but is fully committed over the term of the Medium Term Financial Plan. Further contributions to the Fund may result from ongoing reviews of and release from earmarked reserves balances.</p>	-200	-200	-200
<p><b>Corporate Vacancy Factor</b>  Relates to savings resulting from the time elapsing between core funded posts becoming vacant and being filled. Proposal to increase budget from £400,000 to £600,000 for 2019/20 reflecting the surplus vacancy factor outturn reported for 2017/18 and on-budget projection for 2018/19.</p>	-200	0	0
<p><b>Insurance Fund</b>  A review incorporating insurance claims trends and projections has concluded that no insurance fund injection is required for 2019/20. This proposal will reduce the Insurance Fund from a balance of £2.169 million at 31<sup>st</sup> March 2018 to a projected balance of circa £1.469 million at 31<sup>st</sup> March 2020. This is deemed satisfactory as an Insurance Provision totalling £1.244 million at 31<sup>st</sup> March 2018 also exists to meet the Council's currently known outstanding insurance claims obligations.</p>	-653	0	0
<p><b>Capitalisation of Severance Costs</b>  The Welsh Government has confirmed extension of the scheme allowing capital receipts to be used to finance revenue costs of service reform for the period 2019/20 to 2021/22. This allows Merthyr Tydfil to utilise new capital receipts to assist with the costs of employee severance payments.</p>	-600	-600	-600

**Medium Term Financial Plan 2019/20 to 2022/23**  
**Corporate Budget Reductions**

<b>Description</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>Employee Severance Costs</b> Proposed that a maximum £706,000 contribution from the £1 million Redundancy Reserve is utilised during 2019/20 to finance the remaining revenue budget commitment net of capitalised element.	-706	0	0
<b>Corporate Budget Review</b> Relates to operational 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, employee working hours, income projections, previous financial year's outturn, business rates and contractual inflation costs in realigning budgets to actual need.	-877	-850	-816
<b>Total</b>	<b>-3,236</b>	<b>-1,650</b>	<b>-1,616</b>