

MERTHYR TYDFIL COUNTY **BOROUGH COUNCIL**



MERTHYR TYDFIL
County Borough Council
Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL

MEDIUM TERM FINANCIAL PLAN

2015/16 – 2017/18

March 2015

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 2015/16 to 2017/18:
 - 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 – Treasury Management
 - Section 9 – Reserves Strategy

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 and supported by Directorate Strategic and Operational Plans.

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.

2.3 The Council reviews its Corporate Plan each year to ensure it continues to reflect the Council's corporate improvement priorities with the updated Corporate Plan to be presented to Council for approval on 22 April 2015.

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
- People in Merthyr Tydfil benefit from a strong, sustainable and diverse economy
- People who live and work in Merthyr Tydfil are supported to enjoy a healthier and better quality of life
- People enjoy a vibrant, attractive, safe and sustainable place in which to live, work, play and visit

2.6 The seven Priority Areas identified in the Corporate Plan are as follows:

1. Raising standards of attainment
2. Employability
3. Economic development
4. Active Lifestyles

- 5. Promoting independence
- 6. Meeting the needs of vulnerable children
- 7. A sustainable environment

- 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 Asset Transfer Strategy

- 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 Included within the approved Budget for 2015/16 is additional monies for a Technical Energy Officer tasked with identifying and delivering sustainable **energy efficiency** savings.
- 3.10 The Council currently targets £900,000 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 2015/16 to 2017/18. The Human Resources Service is active within this requirement in supporting the Council in undertaking redundancies, redeployment, re-structuring services, consultation and skills gap identification.
- 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 The Strategic Workforce Plan clearly indicates within its 'Action Plan' the requirement for all Council services to review and reduce the dependency on agency workers and overtime working, with the first milestone date of December 2015. This is linked to the Transformational Change Programme whereby workforce considerations are considered to be an essential part of delivering successful projects.
- 4.7 In recognising its responsibility as the main employer in the County Borough area the Authority in setting its Budget for 2015/16 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 13 January 2015 the Welsh Government published its final budget which included £70 million of extra funding to the Welsh National Health Service (NHS) in 2015/16 to deliver high quality, sustainable health services, in addition to the £295 million already announced by the Welsh Government for health and social care for 2015/16. It is against this background of additional funding for the NHS that Local Government is faced with bearing a disproportionate degree of financial reductions.

5.3 Revenue Settlement

5.3.1 The Welsh Government (WG) announced the Final Local Government Settlement for 2015/16 on 10th December 2014 with an Aggregate External Finance (AEF) reduction of 3.41% for Wales. The AEF is the total revenue funding received from the WG and is the sum of the Revenue Support Grant and Redistributed Non-Domestic rates. The Council's AEF reduced by 2.52% with no indicative AEF figures provided for future years.

5.3.2 The base budget for 2014/15 was increased by a net £300,700 to allow for the transfers in and out of the settlement of a number of grants for 2015/16 as follows:

Transfers in to the Settlement

Local Government Borrowing Initiative (21st Century Schools) of £43,850
Integrated Family Support Service of £279,705
Autistic Spectrum Disorder of £40,000

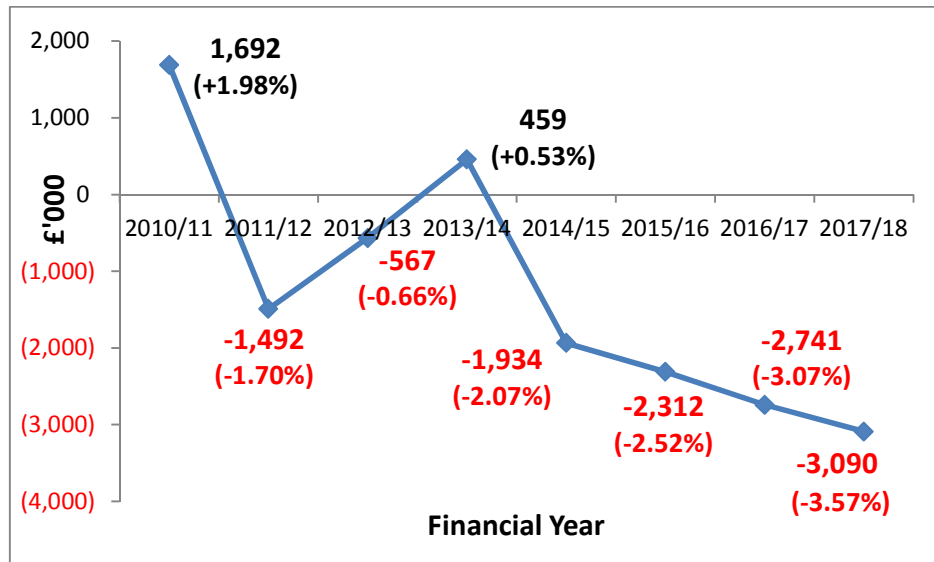
Transfers out of the Settlement

Student Finance Wales of £47,535
Food Safety Controls of £9,437
National Adoption Service of £5,883

5.3.3 The Council's revenue settlements for the period 2010/11 to 2015/16, and estimated settlements for 2016/17 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 2010/11 to 2017/18



5.3.4 It is evident from Figure 1 that although the Council has faced significant financial challenges for the period 2011/12 to 2013/14, since 2014/15 it has entered a period of unprecedented funding reductions as Central Government continues its policy of financial austerity.

5.3.5 It is clear that the three year period of this Medium Term Financial Plan is 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. This process needs to be managed against a background of continuing financial austerity imposed by Central Government.

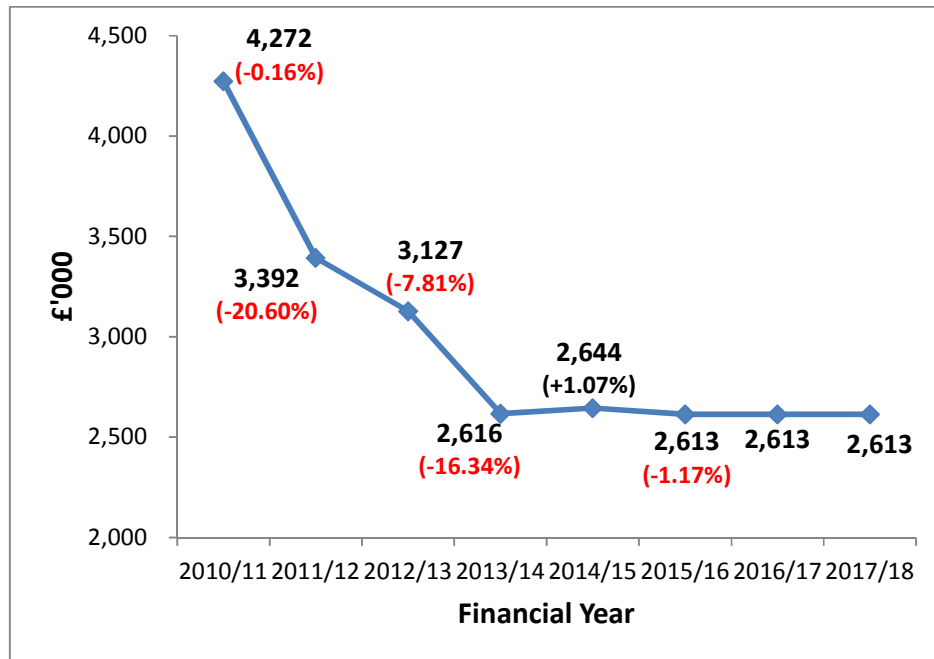
5.4 Capital Settlements

5.4.1 The WG in its announcement of the Final Local Government Settlement for 2015/16 on 10th December 2014 notified Authorities of General Capital Funding (GCF) allocations for 2015/16. 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 2015/16 with estimated allocations for 2016/17 and 2017/18 together with percentage yearly variations in capital funding. It is clear that Capital Settlements have

reducing significantly over the period 2010/11 to 2013/14 before stabilising at around £2.6 million per annum.

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 approximately £1.6 million (38%) 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 £6.968 million funding up until 2015/16. 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.

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 2014/15**

- 5.5.1 As reported to Cabinet on 11th February 2015 the projected revenue outturn for 2014/15 as at 31st December 2014 is a net budget surplus of £190,000. This compares favourably to a projected revenue deficit outturn of £641,000 at 30th June 2014 with the improved financial position resulting from the introduction of specific Directorate recovery plans to address the projected financial pressures.
- 5.5.2 Budget monitoring during 2014/15 has been supported by effective scrutiny and challenge provided by both the Budget Board and Transformation Programme Board.
- 5.5.3 The projected revenue outturn for 2015/16 is summarised in Table 1 and is based upon the report to Cabinet of 11th February 2015.

Table 1 – Projected Revenue Outturn 2014/15

Description	Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
Community Services Directorate	70,665	70,701	36	0.05
Customer Services Directorate	46,333	46,089	-244	-0.52
Employee Severance Costs	772	798	26	3.37
Non General Fund Allocations	-1,388	-1,388	0	0.00
Collection Fund Surplus	-600	-600	0	0.00
Earmarked Reserves	-580	-588	-8	-1.38
Outcome Agreement Grant	-1,100	-1,100	0	0
Net Expenditure	114,102	113,912	-190	-0.17

- 5.5.4 Budget pressures experienced during 2014/15 considered “unavoidable” have been reflected in the Medium Term Financial Plan 2015/16 to 2017/18.

6.0 **Revenue Budget**

- 6.1 The net Revenue Budget for 2015/16, approved by Council on 25th February 2015, together with indicative Net Revenue Budget Requirements for 2016/17 and 2017/18 are outlined in Appendices 1 to 3, and summarised in Table 2.

Table 2 – Budget Requirements 2015/16 to 2017/18

Description	2015/16 £'000	2016/17 £'000	2017/18 £'000
Community Services Directorate	69,957	72,192	73,972
Customer Services Directorate	45,021	45,606	46,856
Corporate Budgets	-889	-504	-376
Further Employee Reductions	-824	-824	-824
Net Budget Requirement	113,265	116,470	119,628
Estimated Finance Available	-113,265	-111,603	-109,641
Indicative Budget Deficit	0	4,867	9,987

- 6.2 It is evident from Appendices 1 to 3 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' has been introduced to denote that net expenditure not attributable to any specific priority area. The position for 2015/16 is outlined in Table 3, together with the code designated to each priority area.

Table 3 – Budget Requirement 2015/16 Linked to Corporate Priority Areas

Priority Area	Code	Budget £'000	Budget %
Raising Standards of Attainment	RSA	40,821	36.04
Employability	E	528	0.47
Economic Development	ED	765	0.68
Active Lifestyles	AL	2,197	1.94
Promoting Independence	PI	16,618	14.67
Meeting the Needs of Vulnerable Children	MNVC	10,607	9.36
A Sustainable Environment	SE	7,401	6.53
Total		78,937	69.69
Core Business As Usual	CBAU	34,328	30.31
Net Revenue Budget Requirement		113,265	100.00

It is evident from Table 3 that the core corporate improvement priorities of education and social care make up a significant proportion of the net revenue budget for 2015/16 (60%).

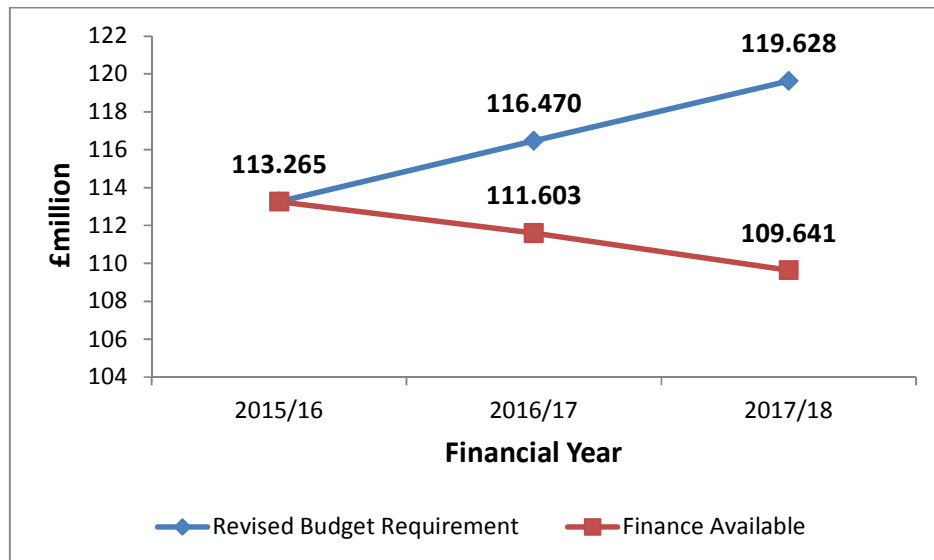
- 6.3 The Budget Requirements for 2015/16 to 2017/18 are the culmination of a budget setting process which commenced with the reporting of the MTFP 2014/15 to 2017/18 to Council on 26th March 2014. The indicative budget deficits for 2015/16 to 2017/18 included within the MTFP were subsequently revised at Cabinet on 30th July 2014. Outlined in Table 4 are the revisions to the 30th July 2014 position in arriving at a balanced budget for 2015/16 and revised remaining budget deficits for 2016/17 and 2017/18.

Table 4 – Budget Deficits 2015/16 to 2017/18

Description	2015/16 £'000	2016/17 £'000	2017/18 £'000
Cabinet 30 th July 2014	932	3,393	5,843
Final Revenue Settlement	1,073	2,933	5,124
Employee Pay Award	768	1,450	2,128
Additional Demands	2,903	3,264	3,288
Revised Budget Deficits	5,676	11,040	16,383
Budget Reductions – Non Employee	-2,490	-2,780	-2,831
Budget Reductions – Net Employee Related	-2,059	-3,017	-3,041
Leisure Trust Reductions	-113	-113	-113
Identified Budget Reductions	-4,662	-5,910	-5,985
Capitalisation Direction	-888	0	0
Council Tax Increase (from 3.95% to 4.5%)	-126	-263	-411
Other Sources of Funding	-1,014	-263	-411
Remaining Budget Deficits	0	4,867	9,987

- 6.4 It is evident from Table 4 that the Council was faced with a revised budget deficit of £5.676 million for 2015/16 alone and in excess of £16 million for the 3 year period of the MTFP. This resulted in the net budget requirements indicated in Table 2, as represented in Figure 3.

Figure 3 – Indicative Budget Deficits 2015/16 to 2017/18



6.5 **Final Revenue Settlement**

- 6.5.1 Appendix 4 outlines the impact of the Provisional Local Government Settlement received on 8th October 2014 and the Final Local Government Settlement received on 10th December 2014 on the Budget Requirement. It is evident that the reduced funding increased the budget deficit for 2015/16 by £1.073 million.
- 6.5.2 Table 5 compares the budgeted Aggregate External Finance (AEF) within the original Medium Term Financial Plan with the revised finance assumptions. In the absence of indicative AEF's from the Welsh Government for 2016/17 and 2017/18, reductions of 3.07% and 3.57% are estimated for 2016/17 and 2017/18 respectively. This is based on the reduction of 0.5% from the Final AEF for 2014/15 and the Provisional AEF for 2015/16.

Table 5 – Aggregate External Finance (AEF)

Description	2015/16	2016/17	2017/18
Original Budgeted AEF (%)	-1.26	-1.00	-1.00
Revised AEF (%)	-2.52	-3.07	-3.57
Reduced Funding (£'000)	1,073	2,933	5,124

- 6.5.3 It is evident from Table 5 that the original AEF assumptions have been significantly revised owing to the continuation of the current Government austerity measures evidenced by the significant change from indicative to actual 2015/16 AEF and the evidenced trend reduction of 0.5% per annum.

6.6 **Employee Pay Award**

- 6.6.1 The National Joint Council for Local Government Services Pay Award recommendations announced in October 2014 have resulted in the Council providing additional monies in the Medium Term Financial Plan to support the additional cost for 2015/16 and estimated additional costs for 2016/17 and 2017/18 as outlined in Table 6.

Table 6 – Employee Pay Award Implications

Description	2015/16	2016/17	2017/18
Pay Award – Original MTFP (%)	0	0	0
Pay Award – Revised MTFP (%)	2.2	2	2
Additional Cost (£'000)	768	1,450	2,128

- 6.6.2 In the absence of any further information a pay award of 2% per annum is estimated for 2016/17 and 2017/18.

6.7 **Additional “Unavoidable” Demands**

- 6.7.1 It is recognised that even when funding is reducing significantly year on year, there will be a requirement to include additional demands in addressing the following:
- Ensuring spending decisions are linked to corporate priorities
 - Reflecting current year financial pressures
 - Reflecting known future demands and financial pressures
 - Reflecting projected costs of potential employee redundancies
- 6.7.2 Additional demands are detailed as Appendices 5 to 7 and include the link to the appropriate corporate priority improvement area within the Corporate Plan. For 2015/16, additional “Unavoidable Demands” total £2.903 million and are summarised in Table 7 for each corporate priority area.

Table 7 – Additional Demands Corporate Priority Areas

Priority Area	Additional Demands £'000
Raising Standards of Attainment	282
Employability	0
Economic Development	64
Active Lifestyles	0
Promoting Independence	346
Meeting the Needs of Vulnerable Children	298
A Sustainable Environment	373
Core Business As Usual	1,540
Total Additional Demands	2,903

6.8 Budget Reductions

- 6.8.1 In achieving a balanced budget for 2015/16, gross budget reductions of £5.596 million were required to be identified, equating to £4.662 million net of estimated “slippage”. This resulted from a comprehensive Service and Budget Review exercise whereby service managers were rigorously challenged by Cabinet and Senior Management in respect of service performance, value for money and the identification of budget reductions.
- 6.8.2 In addition all proposals have been risk assessed against the Council’s “5x5 Risk Matrix” of “Likelihood of Risk” against “Impact of Risk” and subjected to Equality Impact Assessment considerations. It should be noted that all proposals are considered to be manageable risks even if risk scored as a high risk. Reference was also made to the Council’s Corporate Risk Register.
- 6.8.3 Directorates have identified a suite of non-employee related budget reductions for the period 2015/16 to 2017/18, ranging from “quick win” efficiency measures with negligible impact on service delivery to more transformational re-configuration of services. These are included as Appendices 8 to 9 and include the link to the appropriate corporate priority improvement area within the Corporate Plan. For 2015/16, non employee related budget reductions total £2.490 million and are summarised in Table 9 for each corporate priority area.
- 6.8.4 Detailed employee related budget reduction proposals were considered in closed sessions at Cabinet, Scrutiny and Audit Committees and are subject to Public, Trade Unions and Employees consultation. A summary of the proposals is outlined in Table 8 and owing to the consultation period

it is evident that not all the proposed savings for 2015/16 will be effective from 1st April 2015 and instead will be subject to a degree of 'slippage'.

Table 8 – Employee Budget Reductions

Description	2015/16 £'000	2016/17 £'000	2017/18 £'000
Directorate Proposals	-2,169	-2,193	-2,217
Senior Management Review/Corporate	-412	-412	-412
Centre Restructure			
Employee Terms and Conditions	-412	-412	-412
Gross Employee Budget Reductions	-2,993	-3,017	-3,041
Estimated Budget Reductions not achievable for 1 st April 2015	934	0	0
Net Employee Budget Reductions	-2,059	-3,017	-3,041

6.8.5 It is evident from Table 8 that for 2015/16, gross employee related budget reductions total £2.993 million and are summarised in Table 9 for each corporate priority area.

6.8.6 Council of 28th January 2015 (in closed session) considered the setting up of the Merthyr Tydfil Leisure Trust. It is proposed that the management fee payable to the Trust be net of a £113,000 efficiency saving requirement and is linked to the 'Active Lifestyles' Corporate Priority Area as outlined in Table 9.

Table 9 – Budget Reductions Corporate Priority Areas

Priority Area	Non Employee £'000	Employee £'000	Leisure Trust £'000	Total £'000
Raising Standards of Attainment	-85	-167	0	-252
Employability	-1	-93	0	-94
Economic Development	-8	-117	0	-125
Active Lifestyles	-8	0	-113	-121
Promoting Independence	-566	-358	0	-924
Meeting the Needs of Vulnerable Children	-512	-180	0	-692
A Sustainable Environment	-718	-300	0	-1,018
Core Business As Usual	-592	-1,366	0	-1,958
Employee Terms and Conditions	0	-412	0	-412
'Slippage' Resulting from Consultation	0	934	0	934
Total Budget Reductions	-2,490	-2,059	-113	-4,662

6.8.7 It is evident from Table 9 that a significant proportion of budget reductions for 2015/16 is attributable to non corporate improvement priority areas but it is recognised that in an environment of continuing financial austerity even priority areas have to bear a proportion of budget reductions. Since the Employee Terms and Conditions budget reduction is still subject to consultation and engagement with employees and Trade Unions it is not allocated to priority areas at this time although it is anticipated that the majority will relate to 'Core Business As Usual'.

6.8.8 Progress in achieving the approved budget reductions will be monitored and challenged throughout the 2015/16 financial year by the Transformation Programme Board supported by the Transformation Steering Group with a budget reduction deliverability RAG status currently being developed.

6.9 **Other Sources of Funding**

6.9.1 Capitalisation Direction

On 30th January 2015, the Council received approval from the Welsh Government for a capitalisation direction for £888,000 for the 2015/16 financial year to assist with the cost of service reform. This will enable the Council to utilise capital receipts (proceeds from the sale of assets) to finance the cost of redundancies thus alleviating the financial burden on the revenue budget.

6.9.2 Council Tax

Council of 25th February 2015 approved a Council Tax increase of 4.5% for 2015/16. This further increase in Council Tax from the originally budgeted 3.95% will generate additional income of £126,000. A 4.5% council tax increase will also be applied for the 2016/17 and 2017/18 financial years within the revised MTFP.

6.10 In addition to paragraphs 6.5 to 6.9 it is important to note that the MTFP for 2015/16 to 2017/18 is compiled on the principles and assumptions outlined as follows:

- Organizational Structure – based on the 2015/16 Budget organizational structure approved by Council on 25th February 2015
- Service Delivery – based on the 2015/16 Budget service delivery approved by Council on 25th February 2015
- Employer's Superannuation Rate – advised by Rhondda Cynon Taf County Borough Council as administrators for the Pension Fund as

24.9%, 25.5% and 26.2% for 2015/16, 2016/17 and 2017/18 respectively

- Salary Incremental Progression – included where appropriate together with Job Evaluation implications
- Schools' Protection – 1% above the Welsh Government's Block Grant at 0.6% for 2015/16 and estimated 0.6% for 2016/17 and 2017/18
- Biffa Profit Share – no contribution available as utilised to assist with budget pressures during 2014/15 – as approved by Council on 5th November 2014
- Reserves – no contribution from either general or earmarked reserves proposed for the period of the MTFP 2015/16 to 2017/18
- Corporate Vacancy Factor – anticipated in-year corporate employee cost savings of £200,000 per annum arising from the timing between a post becoming vacant and being appointed, budgeted for 2015/16 to 2017/18
- Council Tax Collection rate – set at 96%, resulting in a Council Tax Base for 2015/16 of 17,725.11, which also forms the basis of the budget requirement for 2016/17 and 2017/18 – as approved by Council on 3rd December 2014
- 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 2015/16 to 2017/18
- Outcome Agreement Grant – no contribution from Outcome Agreement Grant monies is budgeted for within the MTFP

6.11 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
- Invest to save/improve agenda
- Development of further partnership working, collaborative working and shared services objectives
- 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

6.12 **Consultation**

6.12.1 A public consultation exercise was undertaken across the County Borough during November and December 2014 in relation to the Budget and Efficiency Programme for 2015/16 as engagement with citizens is an essential part of the budget setting process.

6.12.2 The aim of the consultation period was to gather the views of members of the public in order to provide the Council with a collective response to the proposed reductions in service, council tax for 2015/16 and corporate priorities. The results were reported to the Council meeting of 28th January 2015.

6.12.3 The consultation process undertook a varied range of methodologies to ensure as wide a response as possible including an online survey, distribution of paper leaflets, drop in sessions, road shows, live social media session, letters, emails, petitions, phone calls and workshops.

6.12.4 Respondents to the consultation were in agreement with the Council's corporate priorities and to an increase in council tax to maintain as many services as possible.

6.12.5 For each budget reduction proposal an equality impact assessment was completed by the respective service manager in compliance with the Public Sector Equality Duty which came into force on 5th April 2011 which requires the Council to demonstrate that financial decisions in setting a balanced budget are fair, transparent and accountable in considering the needs and rights of different members of the Community. This is achieved through assessment of the potential impact of changes to policies, procedures and practices on different protected groups or characteristics.

6.12.6 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.

6.13 **Sensitivity Analysis**

6.13.1 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' and 'best case' scenarios to complement the current 'most likely' scenario. The reported indicative budget deficits for years 2 and 3 of the MTFP, as disclosed in Tables 2 and 4 are as follows:

- 2016/17 - £4.867 million
- 2017/18 - £9.987 million

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

6.13.2 **Council Tax Increase**

The current MTFP for 2015/16 to 2017/18 is based on a Council Tax increase per annum of 4.5%, as approved for 2015/16 by Council on 25th February 2015.

An increase or decrease in the indicative Council Tax increase for 2016/17 of 0.5% to 5% or 4%, maintained for 2017/18, would lead to revised budget deficits for the 2 year period as outlined in Table 10.

Table 10 – Impact of Revised Council Tax Increases

Financial Year	Budget Impact £'000	Indicative Budget Deficit at 4.5% £'000	Revised Budget Deficit at 4% £'000	Revised Budget Deficit at 5% £'000
2016/17	120	4,867	4,987	4,747
2017/18	250	9,987	10,237	9,737

It is evident from Table 10 there is a minimal increase in revenue for the Council from a further 0.5% increase in Council Tax, being £120,000 for 2016/17 and £250,000 for 2017/18.

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.

6.13.3 Welsh Government Funding

Further required budget reductions for 2016/17 and 2017/18 are based on estimated funding reductions of 3.07% and 3.57% respectively. It is recognised that owing to continued Central Government financial austerity measures, the Council's Aggregate External Funding for 2016/17 and 2017/18 may even be less than that budgeted. Table 11 explores the implications of revenue settlement reductions of 4.5% for 2015/16 and 2016/17 as a "worst case" scenario, reflecting the worst settlement received by a Welsh Local Authority for 2015/16.

Table 11 – Impact of Further WG Funding Reductions

Financial Year	Budgeted AEF %	Indicative Budget Deficit £'000	Potential Revised AEF %	Reduced Finance £'000	Revised Budget Deficit £'000
2016/17	-3.07	4,867	-4.5	1,276	6,143
2017/18	-3.57	9,987	-4.5	2,024	12,011

It is evident from Table 11 that a -4.5% revenue settlement would have a significant impact on the reported indicative budget deficits for both 2016/17 and 2017/18. In line with the Minister for Public Services announcements in respect of continued austerity and planning for "worst case" scenarios it would be prudent financial management to recognise that the identification of savings in excess of the "most likely" budget deficits is required.

6.14 Future Medium Term Financial Plan Strategy

- 6.14.1 It is clear from Tables 2 and 4 that the Council is still faced with indicative budget deficits of £5 million per annum from 2016/17 based on the principles and assumptions included within the MTFP. If the Revenue Settlements received from the Welsh Government are even worse than that budgeted for within the MTFP of -3.07% and -3.57% for 2016/17 and 2017/18 respectively then the indicative budget deficits could rise to £6 million per annum as indicated in Table 11.

6.14.2 The future medium to long term strategy for the Authority in addressing the indicative budget deficits in ensuring the Council remains sustainable over the term of the MTFP consists of the following considerations:

- Principles of Service and Budget Review process initiated for 2015/16 Budget process to be continued whereby service and budget managers subjected to effective challenge in respect of service performance and value for money
- Services currently identifying medium term strategies for respective service areas with estimated longer term gains
- Number of committed efficiency projects ongoing with anticipated realisable savings over the medium term
- Welsh Government Finance Review Team has recommended to the Minister for Public Services the requirement for the Council to engage with an external body to increase current internal capacity and specific expertise to assist with the identification of sustainable savings

6.14.3 In addressing the Welsh Government's recommendation the Council has engaged with PricewaterhouseCoopers (PwC) to undertake an "Operating Model Assessment" across the whole Council with the following characteristics:

- Identify options to enable the Council to make informed decisions on future direction
- Deliver sustainable savings
- Identify opportunities for sustainable improvement
- Align options with corporate priorities
- Build upon existing good work and ideas within the Council
- Develop a robust MTFP

6.14.4 The further development of the MTFP has the following provisional timeline:

- PwC engagement commenced February 2015
- PwC assessment completed by end of May 2015
- Cabinet to consider budget options by end of July 2015
- Provisional MTFP for 2016/17 to 2019/20 completed by end of October 2015
- Final MTFP approved by Council by end of February 2016

7.0 Capital Programme

- 7.1 The proposed Capital Programme for the 5 year period 2015/16 to 2019/20 is outlined in Appendix 10 and indicates a total capital commitment of £36.978 million over the 5 year period predominantly financed by the Council.
- 7.2 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:

7.2.1 21st Century Schools Programme

The 21st Century Schools Programme is the WG's current initiative to support capital investment in schools, 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 new school is to be built on the site of the former Vaynor and Penderyn High school at a project cost of £7 million.

The revised expenditure and financing profile for the Band A 21st Century Schools Programme is outlined in Appendix 11 and indicates a total project cost of £19 million subject to confirmation of Welsh Government approval.

7.2.2 Physical Regeneration Programme

This involves physical regeneration projects within the Town Centre and surrounding areas within the County Borough. Appendix 12 summarises the expenditure and financing profile for the proposed projects where it is evident that the majority of the potential total project cost (from 2015/16) of £79.156 million is funded by external providers (96%).

7.2.3 Riverside

Appendix 13 outlines the Riverside/Riverside Phase 3 Taff and Crescent Street Programmes. The works consist of infrastructure works at Merthyr Vale and a programme of work to support acquisitions in Taff and Crescent Streets and works at the Civic Amenity Site. The Authority has been successful in securing £5.700 million of funding in the 2014/15 financial year to support the projects, requiring a commitment from Merthyr Tydfil County Borough Council to complete the acquisition programme in Taff and Crescent Streets by the 2018/19 financial year.

7.2.4 Schools Feasibility Studies

This relates to scoping works in respect of the Gwaunfarren Primary, Trelewis Primary, Edwardsville Primary and Dowlais Primary requested priority projects itemised in Appendix 14.

7.2.5 Cyfarthfa High School Roof Replacement

This relates to replacement roof works since the school has experienced water ingress into classroom areas resulting from roof damage.

7.2.6 Ysgol Rhyd Y Grug Primary School Roof Replacement

This relates to the replacement of the school's original flat roof from the 1960's which is currently in extremely poor condition and placing at risk continued education provision from this site.

7.2.7 Highways Structural Maintenance

This relates to an ongoing commitment to support continued investment in the Council's highway asset with reference to the Council's Highways Asset Management Plan.

7.2.8 Disabled Facilities Grants

This relates to a mandatory demand-led annual commitment provided for improvement works to disabled people's homes. The Annual commitment

has been reduced due to the savings arising from the change in operational procedures to deliver Disabled Facilities Grants as reported to the Cabinet of 22nd October 2014.

7.2.9 Replacement Expansion Joints, Fiddlers Elbow

Responding to the deterioration of an expansion joint if not addressed may eventually collapse resulting in a closure of the East Bound carriageway of the bridge. This is a joint project between Merthyr Tydfil County Borough Council and Rhondda Cynon Taf County Borough Council with both parties making an equal contribution to the project costs. Appendix 1 details the Merthyr Tydfil County Borough Council Contribution.

7.2.10 Retaining Wall, Pontygwaith

The existing retaining wall, which supports the highway, is showing signs of serious distress and is in danger of collapsing. There are significant utility company assets within the affected highway which if damaged will further increase the costs of repair.

7.2.11 Brandy Bridge, Abercanaid

Responding to a recent Principal Inspection of the Bridge which identified a number of serious defects which left unresolved could result in the possible collapse of the bridge.

7.2.12 Corporate Maintenance

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

7.2.13 Costs of Supporting Capital Expenditure

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

7.2.14 Redundancy costs

On 30th January 2015, the Council received approval from the Welsh Government for a capitalisation direction for £888,000 for the financial year 2015/16 to assist with the cost of service reform. This enables the Council to utilise capital receipts (proceeds from the sale of assets) to finance the cost of redundancies thus alleviating the financial burden on the revenue budget. The capitalisation direction only applies to one financial year 2015/16. Information received from Welsh Government

indicates Authorities will be able to apply for a further Capitalisation Direction for the 2016/17 financial year. Appendix 10 therefore details an indicative allocation of £1 million for Redundancy costs for the 2016/17 financial year.

7.2.15 **Unallocated**

From 2017/18 there remain unallocated monies within the Capital Programme which will be subject to further reports to Cabinet in due course. It is proposed that utilisation of these monies be restricted to those priority projects outlined in Appendix 14. This proposal follows a period of consultation and discussion with senior officers responsible for the management and delivery of capital projects, based on management, understanding and acceptance of risk and estimated available capital resources.

- 7.3 All projects included in the proposed Capital Programme have been linked to Corporate Priorities and/or the Corporate Risk Register and have been risked assessed against the Council's approved '5 x 5' scoring matrix of 'impact of risk' against 'likelihood of risk'. Owing to the limited finance available only projects with a high risk score of 20 and above were considered for inclusion within the Capital Programme.
- 7.4 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 12.

Table 12 – Capital Programme Linked to Corporate Priority Areas

Priority Area	Code	Budget £'000	Budget %
Raising Standards of Attainment	RSA	11,485	31
Employability	E	0	0
Economic Development	ED	3,397	9
Active Lifestyles	AL	0	0
Promoting Independence	PI	3,400	9
Meeting the Needs of Vulnerable Children	MNVC	0	0
A Sustainable Environment	SE	5,088	14
Core Business As Usual	CBAU	8,508	23
Unallocated	-	5,100	14
Total		36,978	100

- 7.5 From Table 12 it is evident that the most significant proportion of the Council's "core" capital funding is allocated to the corporate improvement priority of education. It should be noted that Table 12 excludes capital expenditure supported by external grants.
- 7.6 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 £16.455 million.
- 7.7 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.
- 7.8 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.
- 7.9 It is recognised that owing to funding restrictions there are a number of potential significant projects currently not included within the Capital Programme which may result in further urgent requests to Cabinet for capital funding during 2015/16.
- 7.10 As evident from Figure 2 the Council's capital resources through the WG's General capital Funding (GCF) has decreased marginally for 2015/16 by £31,000 (1%) from £2.644 million to £2.613 million, following a sustained period of budget reductions. GCF projections assume the 2015/16 allocation will be maintained over the period 2016/17 to 2019/20 of the Capital Programme.
- 7.11 Appendix 10 demonstrates that for 2015/16 and 2016/17 capital receipts are being earmarked to support the approval from the Welsh Government of a capitalisation direction allowing the costs of redundancy to be financed from capital receipts. From 2016/17, only £900,000 of new capital receipts from the sale of Council assets is projected to be available to support capital investment ambitions, owing to the current difficult

economic climate predicted to continue by the Institute for Fiscal Studies for the medium to long term.

8.0 Treasury Management

- 8.1 The Council's Treasury Management Policy and Annual Investment Strategy for 2015/16 are appended as Appendix 15. 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.
- 8.2 A Treasury Outturn Statement for 2014/15 and a Mid- Year Treasury Statement for 2015/16 will be reported to Council during the 2015/16 financial year.
- 8.3 If appropriate, revised Prudential Indicators may be reported to Council during 2015/16 in the event of unforeseen circumstances such as greater than projected borrowing or potential breach of borrowing limits.

9.0 Reserves Strategy

- 9.1 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.
- 9.2 In recognition of the budget overspend position experienced during the 2012/13 and 2013/14 financial years, 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:
 - 9.2.1 **The Transformation Programme Board** (supported by the Transformation Steering Group) will monitor all Medium Term Financial Plan budget proposals to ensure deliverability of all projects within stated timescales.
 - 9.2.2 **The Budget Board** will complement both the Transformation Board and effective budget accountability by rigorous scrutiny of monthly budget monitoring statements followed by robust challenging of responsible managers.

9.3 The effectiveness of both the Transformation Programme Board and Budget Board can be demonstrated in the projected budget surplus outturn for 2014/15 of £190,000 as indicated in Table 1, paragraph 5.5.3.

9.4 Appendix 16 summarises the Council's reserves for the financial years' 2012/13 to 2018/19, being audited balances for the period 2012/13 to 2013/14 and projected balances for the period 2014/15 to 2017/18. In demonstrating the Council's reserves strategy each type of reserve is addressed individually in paragraphs 9.5 to 9.8.

9.5 General Reserves

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

9.5.2 The Council's recently created Budget Board, created to embed a culture of increased budget accountability throughout all Council services, has as its overarching aim:

"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."

9.5.3 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 25th February 2015). As at 1st April 2015, total General Reserves is estimated to be £4.5 million which is considered adequate for Merthyr Tydfil County Borough Council, equating to 3.9% of the net revenue budget.

9.5.4 It is proposed that General Reserves will remain at £4.5 million for the duration of the MTFP 2015/16 to 2017/18. 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.

9.6 Insurance Fund

9.6.1 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.

- 9.6.2 The audited balance at 31st March 2014 of £2.765 million includes a provision for £1.345 million reflecting the Authority's outstanding insurance claims obligations at 31st March 2014. Reduced service contributions to the Insurance Fund are anticipated from 1st April 2015.

9.7 Local Management of Schools

- 9.7.1 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.

- 9.7.2 It is evident that Schools Balances have reduced by 75% from £1.456 million at 31st March 2013 to £358,000 at 31st March 2014 with a further reduction to £100,000 projected at 31st March 2015. 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

- 9.7.3 Projected balances of £100,000 at 31st March 2015 are considered unacceptably low and schools will be required to identify recovery measures to ensure a more healthy balance position is sustained for the foreseeable future.

9.8 Other Earmarked Reserves

- 9.8.1 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.

- 9.8.2 It is evident from Appendix 16 that balances held for specific purposes have reduced from £5.243 million at 31st March 2013 to £3.476 million at 31st March 2014, and are anticipated to reduce to £1.598 million at 31st March 2015. Through continuous monitoring and review, every realistic opportunity to release earmarked reserves to assist with future budget planning is explored.

- 9.8.3 A breakdown of Other Earmarked Reserves for the audited financial years' 2012/13 and 2013/14, together with projections for 2014/15 is detailed in Table 13 with explanations provided below.

- Biffa Profit Share Reserve – the Council has a profit sharing agreement with Biffa Waste Services in relation to the operation at Trecatti Landfill Site. Under this agreement the Council is entitled to a percentage share of the operation's adjusted annual operating cash flows (where positive). Historically Council has approved utilisation of the monies to support projects throughout the County Borough at the discretion of local Electoral Division Members. In recent times however, Council has approved utilisation of the monies to support the budget setting process and/or current budget pressures (as evidenced in Council meeting of 5th November 2014).
- Efficiencies and Improvement Reserve – this reserve was created to assist the Council with its forward financial planning in financing future costs of retirement, enabling investment in projects generating future efficiency gains and responding to unforeseen demand or opportunities. Further utilisation of £300,000 in the revenue budget setting process for 2014/15 was approved by Council on 26th February 2014.
- Information Technology (IT) Reserve – this reserve consists of monies set aside to finance current and future developments, enhancements and maintenance of the Council's Financial Management System (Agresso) and Asset Management System (Technology Forge) together with the inevitable essential replacement of existing IT equipment. A rolling programme of replacement of IT equipment has been approved by Council.
- Civic Buildings Maintenance – this reserve consists of monies set aside to finance both planned and reactive maintenance of the Council's office accommodation.
- Ffos Y Fran Community Fund – this relates to monies administered by the Council on behalf of the Ffos-Y-Fran Panel
- Service Specific Reserves – the Council has a number of reserves earmarked for specific service purposes, closely monitored and reviewed by the Chief Finance Officer. It is evident from Table 13 that these balances have been subject to a significant reduction of 55% from £1.741 million at 31st March 2013 to £778,000 at 31st March 2014 and are projected to further reduce to £400,000 at 31st March 2015.

Table 13 – Other Earmarked Reserves 2012/13 to 2014/15

Description	2012/13 £'000	2013/14 £'000	Projected 2014/15 £'000
Biffa Profit Share Reserve	732	347	200
Efficiencies and Improvement Reserve	657	677	130
Information Technology Reserve	208	238	57
Civic Buildings Maintenance Reserve	198	65	30
Ffos Y Fran Community Fund	1,707	1,371	781
Service Specific Reserves	1,741	778	400
Total Other Earmarked Reserves	5,243	3,476	1,598

- 9.9 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, Deputy Leader of the Council and the Cabinet Member for Transformation, 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
- 9.10 As indicated in paragraph 6.10 of this report there is no planned utilisation of either General Reserves or Earmarked Reserves for the period of the Medium Term Financial Plan 2015/16 to 2017/18.

Budget Requirement 2015/16 to 2017/18
Council 25 March 2015
Corporate Summary

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000
Community Services Directorate	69,957	72,192	73,972
Customer Services Directorate	45,021	45,606	46,856
Net Severance Costs/Savings "Slippage"	1,233	1,255	1,239
Non General Fund Allocations	-1,342	-979	-835
Discretionary Non Domestic Rate Relief	20	20	20
Collection Fund Surplus	-600	-600	-600
Corporate Vacancy Factor	-200	-200	-200
Net Contribution to/(from) Earmarked Reserves	0	0	0
Contribution from Outcome Agreement Grant	0	0	0
Contribution from Biffa Profit Sharing Scheme	0	0	0
Welsh Government Floor Adjustment	0	0	0
Further Employee Related Reductions	-824	-824	-824
Net Expenditure	113,265	116,470	119,628
Finance Available	-113,265	-111,603	-109,641
Indicative Budget Deficit	0	4,867	9,987

In Appendices 2 and 3 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)

Budget Requirement 2015/16 to 2017/18
Council 25 March 2015
Community Services Directorate

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Youth & Family Social Regeneration & Development</u>				
Youth Service	569	580	601	RSA, E, MNVC
Transition Services	0	0	0	MNVC
Transition into Employment	24	24	24	E
Early Years	185	214	218	MNVC
Integrated Children's Centre	80	80	82	RSA
Youth Support Services	43	43	43	RSA, E, MNVC
Participation	68	73	82	AL
Employability & Worklessness	255	260	271	E
<u>Adult & Family Social Regeneration & Development</u>				
Adult Community Learning (inc. Venture Out)	61	63	65	E, AL, PI
Vulnerable Families	47	49	51	MNVC
Family & Community Services	46	46	46	MNVC
Communities First	0	0	0	SE
<u>Social Regeneration Management</u>				
Social Regeneration Management	261	268	278	CBAU
Adult Learning (Sufficiency)	24	24	24	E
Families First	84	89	96	MNVC
<u>Carers Network</u>	223	223	223	PI
<u>Daytime Activities</u>				
Outside/Community Based Daytime Activities	213	217	224	PI
Day Centres	960	263	263	PI
Transport Services	263	984	1,034	PI
<u>Business Services</u>				
Compliments and Complaints	73	74	76	CBAU
Business Services Teams	672	687	716	CBAU
<u>Social Services Services & Recharges</u>				
Directorate Services and Recharges	75	75	48	CBAU
Receivership	21	21	21	PI
Repairs & Maintenance	138	138	138	CBAU
Office Accommodation	216	185	185	CBAU

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Adult Services</u>				
Adult Services Management	214	218	228	CBAU
ISS Management	55	57	59	CBAU
Initial Support Services (Initial Response)	862	872	921	PI
Community Occupational Therapy	539	557	584	PI
Social Work Team	1,105	1,138	1,191	PI
Accommodation (HFE's)	1,691	1,755	1,893	PI
Continuing Social Care	0	0	0	PI
Meals on Wheels	0	0	0	PI
<u>Supported Housing Services</u>				
Supporting People	47	36	40	PI
Older Persons Strategy	49	50	53	PI
Accommodation (Group Homes)	1,247	1,285	1,375	PI
Mental Health Hostel	0	0	0	PI
<u>Safeguarding, Quality & Performance</u>				
Social Care Workforce Development	114	117	122	CBAU
Contract Compliance	82	84	89	PI, MNVC
Safeguarding	542	557	582	PI, MNVC
Policy & Quality Services	0	0	0	CBAU
<u>Independent Service Provision</u>				
Supported Placements	2,081	2,434	2,579	PI
Independent Domiciliary Care	1,675	2,022	2,058	PI
Direct Payments	688	831	967	PI
Independent Daytime Activities	120	123	126	PI
Independent Residential Establishments (IRE's)	4,227	4,667	4,810	PI
Extra Care Facility	267	277	285	PI
<u>Social Care Commissioned Services</u>				
Social Care Commissioned Services	16	16	16	PI
Autism Strategy	40	40	40	PI
Telecare / Telehealth Services	38	38	38	PI

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Children's Services</u>				
Children with Disabilities	795	872	958	MNVC
Looked After Children's Services	3,586	3,481	3,619	MNVC
Fostering and Adoption Services	2,150	2,328	2,427	MNVC
Intake & Family Support Services	2,555	2,704	2,793	MNVC
Children's Social Services	224	231	244	MNVC
Youth Offending Team	341	343	358	MNVC
Duty Services	79	89	109	MNVC
<u>Individual Schools Budget (ISB)</u>	35,828	36,041	36,256	RSA
<u>Other School Expenditure</u>				
Relief / Supply Costs	53	54	55	CBAU
Building Maintenance	80	80	80	CBAU
Retirement / Severance	295	295	295	CBAU
Child Protection	0	0	0	RSA
Insurances	0	0	0	CBAU
Schools Effectiveness Grant	188	190	194	RSA
Welsh in Education Grant	48	49	49	RSA
<u>Special Educational Needs</u>				
Ynysowen Speech & Language	76	77	78	RSA
Learning Support Assistants	639	654	671	RSA
Behavioural Support	157	165	170	RSA
Education of Travellers	7	7	7	RSA
Dyslexia Support	-3	-4	-3	RSA
Speech Therapists	54	54	54	RSA
Special Tuition	138	141	144	RSA
Hospital Education	1	1	1	RSA
Special Needs Advisory Teachers	140	142	143	RSA
Special Recoupment	358	357	357	RSA
Psychological Services	347	354	366	RSA
Partial Hearing Classes	156	158	160	RSA
School Counselling	81	82	84	RSA
SNAP Cymru	5	5	5	RSA
ALN Training	20	20	20	RSA

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>School Meals and Milk</u>				
School Meals	11	10	11	CBAU
School Milk	6	6	6	CBAU
<u>Awards and Music</u>	12	13	13	RSA
<u>Strategic Management and Support</u>				
Strategic Management	398	413	425	CBAU
Secretariat	44	46	47	CBAU
School Support Services	342	382	407	CBAU
<u>School Improvement</u>				
Strategic Education Projects	116	116	116	RSA
Schools Data Management Systems	13	64	64	CBAU
Joint Education Service	267	268	274	RSA
<u>Other Education</u>	50	50	50	CBAU
Net Expenditure	69,957	72,192	73,972	

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Customer Service, ICT & Business Change</u>				
Performance Management	224	233	247	CBAU
Partnerships	186	190	196	CBAU
Business Change	349	370	388	CBAU
Service Support and Development	998	967	1,023	CBAU
ICT Computers	1,487	1,458	1,516	CBAU
Schools Support Team	0	0	0	CBAU
ICT Printing	200	181	190	CBAU
CCTV	105	106	111	CBAU
Peace of Mind	14	20	31	PI
Parking Services	-257	-249	-240	CBAU
Civil Parking Enforcement	0	0	0	CBAU
<u>Emergency Planning</u>	96	98	103	CBAU
<u>Public Protection and Housing</u>				
Rent Allowances	-6	-6	-6	SE
Housing Renovation Grants	43	43	47	SE
Miscellaneous Rentals	-48	-48	-48	SE
Housing Services (RSL's Advice & Strategy)	408	386	394	SE
Community Safety	59	61	64	SE
Trading Standards General	171	176	183	CBAU
Food Quality	18	18	18	CBAU
Animal Health & Welfare	78	79	84	CBAU
Licensing	43	44	56	CBAU
Public Health & Health Education	40	41	43	CBAU
Private Sector Housing	62	57	59	SE
Pest Control	15	16	18	CBAU
Occupational Health	136	144	151	CBAU
Dog Warden Scheme	45	45	47	CBAU
Animal Impounding	1	1	1	CBAU
Food Safety & Prevention of Infectious Diseases	158	163	170	CBAU
Nuisances	42	25	27	SE
Pollution Control	30	19	21	SE
Default Works	-2	-2	-2	SE
Disabled Facilities Grants Fees	-100	-100	-100	PI
Registrars	80	84	91	CBAU

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Transport</u>	2,324	2,267	2,273	RSA, CBAU
<u>Leisure Culture and Environment</u>				
Proposed Merthyr Tydfil Leisure Trust	2,109	2,016	2,016	AL
Leisure Trust SLA's	0	438	438	CBAU
Further Leisure Savings	0	194	302	AL
Retained Leisure Services	61	62	88	CBAU
Sports Development	0	0	0	AL
Dolygaer Education Centre	0	0	0	AL
Bereavement Services	108	57	0	CBAU
Street Cleansing	839	839	875	SE
Grounds Maintenance	1,357	1,160	1,230	SE
<u>Waste Management</u>				
Waste Disposal	1,242	1,163	1,201	SE
Civic Amenities	1,052	1,111	1,143	SE
Recycling	177	179	187	SE
Kitchen and Garden Waste	0	0	0	SE
Refuse Collection	705	746	779	SE
Sustainable Waste	175	184	216	SE
<u>Engineering and Highways</u>				
Highways Administration	630	643	658	CBAU
Roads Maintenance and Repair	422	433	437	CBAU
Grass Maintenance	36	36	36	SE
Gullies and Drainage	76	75	77	SE
Street Furniture / Infrastructure	71	74	77	SE
MTCBC Winter Maintenance	152	152	153	CBAU
External Works	-627	-620	-615	CBAU
Street Lighting	571	638	670	SE
Bridge Maintenance	107	107	107	CBAU
Land Drainage	71	73	78	SE
Land Reclamation	21	21	21	SE
Traffic Management	53	53	54	CBAU
Engineering	448	464	485	CBAU
Depots	165	169	172	CBAU

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Corporate Property</u>				
Corporate Property and Estates Division	919	862	830	CBAU
Glynmil Gipsy Site	2	2	2	CBAU
Office Accommodation	812	816	837	CBAU
<u>Fleet Management</u>	713	678	704	CBAU
<u>Town Planning</u>				
Planning - Development Control	210	241	264	CBAU
Planning - Development Plan	415	426	444	SE
Building Control	28	32	39	CBAU
<u>Economic Development</u>				
Economic Development	409	396	409	ED
Physical Regeneration	177	184	191	ED
Rights of Way	108	109	113	ED
Orbit Business Centre	59	74	83	ED
<u>Tourist Information Centre</u>	12	3	2	ED
<u>Finance</u>				
Accountancy	835	805	841	CBAU
Insurance	39	42	44	CBAU
Audit	216	226	237	CBAU
Counter Fraud	93	100	103	CBAU
Benefits	206	219	241	CBAU
Council Tax Benefit Payments	6,268	6,425	6,585	CBAU
Revenues	-98	-96	-54	CBAU
Payroll	278	266	281	CBAU
Creditors	146	142	150	CBAU
Procurement	296	305	323	CBAU
<u>Human Resources</u>				
Human Resources	631	614	647	CBAU
Trade Unions	24	24	25	CBAU

Budget Requirement 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate**

Description	Approved Budget 2015/16 £'000	Required Budget 2016/17 £'000	Required Budget 2017/18 £'000	Corporate Priority Area
<u>Legal and Democratic</u>				
Legal	354	394	412	CBAU
Democracy	158	161	168	CBAU
Register of Electors	34	34	34	CBAU
Elections	5	5	105	CBAU
Mayor Expenses	84	85	87	CBAU
Members Expenses	781	786	807	CBAU
<u>Communications</u>	113	118	127	CBAU
<u>Scrutiny</u>	66	89	94	CBAU
<u>Corporate Management - Executive</u>	457	468	479	CBAU
<u>Corporate Authority</u>				
Capital Financing Costs	8,031	8,037	7,947	CBAU
Levies	2,906	2,906	2,906	CBAU
Contribution to Pensions	304	308	311	CBAU
External Audit and Inspection Fees	380	380	380	CBAU
Insurances	1,079	1,133	1,157	CBAU
Provision for Bad Debts	100	100	100	CBAU
External Legal Fees	30	30	30	CBAU
Grants to Voluntary Organisations	120	120	120	CBAU
Subscriptions	100	100	100	CBAU
Bank Charges	39	39	40	CBAU
Green Horizons Project	5	0	0	SE
News Merthyr/Contact Supplement	24	24	24	CBAU
Empty Property NDR Relief	28	29	30	CBAU
Flexi-time Machine	0	0	0	CBAU
Miscellaneous	1	1	1	CBAU
Translations/Welsh Translations	32	32	32	CBAU
Welsh Water Long Term Debt Interest	-25	-20	-15	CBAU
Car Purchase Loans	-3	-2	-2	CBAU
Net Expenditure	45,021	45,606	46,856	

Medium Term Financial Plan 2015/16 to 2017/18
Council 25 March 2015
Impact of Local Government Revenue Settlement

Description	Final 2015/16 £'000	Indicative 2016/17 £'000	Indicative 2017/18 £'000
Provisional Settlement - Reduction in Funding			
Aggregate External Finance - Original MTFP (Note 1)	90,133	89,232	88,339
Aggregate External Finance - Provisional Settlement (Note 2)	89,228	86,488	83,401
Reduction in Aggregate External Finance (AEF) (Note 3)	905	2,744	4,938
Provisional Settlement - Net Transfers			
Local Government Borrowing Initiative (21st Century Schools)	100	125	125
Integrated Family Support Service	280	280	280
Autistic Spectrum Disorder	40	40	40
Student Finance Wales	-48	-48	-48
Food Safety Controls	-9	-9	-9
National Adoption Service	-6	-6	-6
Net Transfers in to the Revenue Settlement	357	382	382
Final Settlement - Increase in Aggregate External Finance			
Aggregate External Finance - Provisional Settlement (Note 2)	89,228	86,488	83,401
Aggregate External Finance - Final Settlement (Note 4)	89,288	86,547	83,457
Increase in Aggregate External Finance	-60	-59	-56
Council Tax Base			
Provisional Council Tax Base Available Finance (Note 5)	113,010	111,206	109,090
Final Council Tax Base Available Finance (Note 6)	113,139	111,340	109,230
Increase in Available Finance	-129	-134	-140
Net Impact of Local Government Revenue Settlement	1,073	2,933	5,124

Notes

1. Indicative Welsh Government AEF of -1.26% for 2015/16 and estimated Council AEF of -1% for both 2016/17 and 2017/18
2. Provisional Welsh Government AEF of -2.57% for 2015/16 and estimated Council AEF of -3.07% for 2016/17 and -3.57% for 2017/18
3. AEF consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates
4. Final Welsh Government AEF of -2.52% for 2015/16 and estimated Council AEF of -3.07% for 2016/17 and -3.57% for 2017/18
5. Provisional Council Tax Base of 17,629.02 based on 96% Collection Rate (2014/15 base approved by Council 04 December 2013)
6. Final Council Tax Base of 17,725.11 based on 96% Collection Rate (approved by Council 03 December 2014)

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate Additional 'Unavoidable' Demands**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
1	Special Educational Needs (SEN) Recoupment	Additional SEN pupils educated out of county.	107	107	107	RSA
2	Education of Travellers	Additional match funding (25%) based on 2013/14 and 2014/15 of the Education of Travelers programme costs .	3	3	3	RSA
3	Looked After Children - Adoption	Regional Adoption Consortium	107	107	107	MNVC
4	Looked after children	Increased demand & changes to assessed need within Looked After Children	137	200	200	MNVC
5	Children's Social Services - Contact & Outreach	Increase in court ordered contact	19	20	20	MNVC
6	Safeguarding	Increased demands & legislation regarding Child Protection & Looked After Children reviews	13	15	17	MNVC
7	Supported Housing - Accommodation	Increased demand & changes to assessed needs within group home - reduces reliance on Independent sector	136	137	140	PI
8	Supported Housing - Accommodation	Demand resulting from the withdrawal of Budget Reduction proposal reference 12 of Appendix 8 to the non-exempt report to Cabinet 23 December 2013 relating to the deregistration of Learning Difficulties and Disabilities (LDD) Care Homes	22	22	22	PI
9	Residential Accommodation	Increase demand & changing assessed need within residential homes - reduces reliance on Independent sector for Elderly and Mentally Infirm services	107	110	116	PI
10	Adult Social Services	Increased demands & legislation regarding Deprivation of Liberties and Continuing Health Care	42	44	44	PI
11	Early Years & Play	Demand resulting from the withdrawal of Budget Reduction proposal reference 48 of Appendix 8 to the non-exempt report to Cabinet 23 December 2013 relating to stopping the three non maintained provisions and parental choice is purely based on accessing maintained provisions within schools	22	22	22	MNVC
12	Transport Services	Current service demand & assessed need	12	12	12	PI
13	Transport Services	Demand resulting from the non-achievement of Budget Reduction proposal reference 14 of Appendix 8 to the non-exempt report to Cabinet 23 December 2013 relating to review of transport within Adult Services	27	27	27	PI
Total Community Services Directorate			754	826	837	

Note

All proposals were approved at Council of 25th February 2015

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Additional 'Unavoidable' Demands**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
1	Legal	Income target not achievable. Loss of contract with Merthyr Valleys Homes	13	12	12	CBAU
2	Corporate Property & Regen	Restatement of Fees & Charges - historically understated	15	15	15	CBAU
3	Office Accommodation	Rates for the Unit 5 are currently understated	13	0	0	CBAU
4	Election	Avantguard Software-used for running postal votes	5	5	5	CBAU
5	Members Expenses	1 additional Cabinet member with Portfolio for Transformational Change	10	10	11	CBAU
6	Planning	Income target not achievable (Development Control Fees and Rentals)	114	114	114	CBAU
7	Transport - Home to School	Expenditure for college bus and rail passes not previously built in by department	96	96	96	RSA
8	Transport - Home to School	Increase in the contractual daily rate for Additional Learning Needs (ALN) transport	76	76	76	RSA
9	Transport - Public Transport	Increase in costs of local bus contracts	12	12	12	CBAU
10	Corporate Property & Regen	Costs associated with the acquisition of an additional 18 properties within Merthyr Vale - additional properties at Taff & Crescent Street	60	40	20	CBAU
11	Museum	Demand resulting from the non-achievement of Budget Reduction proposal reference 7 of Appendix 9 to the non-exempt report to Cabinet 23 December 2013 relating to museum entry charges	25	0	0	CBAU
12	Human Resources	Yearly maintenance Risex Ltd - Online Health & Safety Management System	10	10	10	CBAU
13	Car Parking	Demand resulting from the non-achievement of Budget Reduction proposal reference 22 of Appendix 9 to the non-exempt report to Cabinet 23 December 2013 relating to parking tariff	91	91	91	CBAU
14	Car Parking	Reduction in car parking income due to reduced demand	271	271	271	CBAU
15	Orbit Centre	Demand resulting from the non-achievement of Budget Reduction proposal reference 65 of Appendix 9 to the non-exempt report to Cabinet 23 December 2013 relating to the sale of the Orbit Centre	56	70	76	ED

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Additional 'Unavoidable' Demands**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
16	Corporate/planning	Geographical Information System (GIS) Officer built into core structure.	17	35	35	CBAU
17	Civic Amenities Sites	Security costs at Civic Amenities sites are currently understated	30	36	41	SE
18	Civic Amenities Sites	Additional tonnage and increased average cost per ton	280	315	330	SE
19	Recycling/Communications	Additional cost relating to the Collaborative Change Programme (CCP)	13	7	-19	SE
20	Corporate	Capital Financing costs - Increased costs due to Cabinet approved additional capital expenditure for the Riverside project and inclusion of expenditure for a potential Capitalisation Direction to aid service reform (Redundancy and Pension Costs).	26	268	355	CBAU
21	Counter Fraud	Reduction in Benefit Fraud grant by 10%	17	17	17	CBAU
22	Office Accommodation	Additional maintenance costs associated with the High Voltage Switch and Transformer at Unit 5	5	5	5	CBAU
23	Economic Development	Rental income for unit no longer received	8	8	8	ED
24	Emergency Planning	LRF income no longer being received	4	4	4	CBAU
25	Corporate Property and Estates	Fixed term appointment of Technical Energy Officer post resulting in sustainable energy efficiency savings	45	45	0	SE
26	Corporate Property and Estates	Implementation of council wide energy awareness raising initiatives with the aim of delivering sustainable energy efficiency savings	5	0	0	SE
27	Partnerships	Reflects the Welsh Government notification of 15 December 2014 of a reduction in grant to support the Local Service Board. The post in question also supports the Single Integrated Plan Steering Group and the Regional Collaboration Board	5	5	5	CBAU
Total Customer Services Directorate			1,322	1,567	1,590	

Note

All proposals were approved at Council of 25th February 2015

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Corporate Additional 'Unavoidable' Demands**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
1	Corporate Wide	Net corporate re-alignment of budget heads to reflect correction of minor salary/income projections etc.	65	109	99	CBAU
2	Redundancy Costs / Savings Slippage	Corporate provision for costs of redundancy and potential slippage in savings owing to consultation process extending past 1 April 2015 and into the 2015/16 financial year	762	762	762	CBAU
Total Corporate			827	871	861	

Note

All proposals were approved at Council of 25th February 2015

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
1	Individual Schools Budget (ISB)	Net reduced requirement for ISB after applying the cash protection of 0.6% and reflecting prior year pupil led adjustments, the increased savings resulting from review of nursery provision and the contribution to borrowing costs relating to 21st Century Schools.	-85	-85	-84	RSA
2	Children with Disabilities – Direct Payments	Reflects reviewed service & growth requirements in respect of the Additional 'Unavoidable' Demand request reference 11 of Appendix 4 to the non-exempt report to Cabinet 23 December 2013	-163	-64	-64	MNVC
3	Youth Offending Services	Consortium working contract commitment matched - contracted out service	-18	-18	-18	MNVC
4	Childrens Social Services	Cessation of Think Family commitment	-24	-24	-24	MNVC
5	Looked After Children Education Support (LACES)	Reflects revised growth requirements in respect of the Additional 'Unavoidable' Demand request reference 14 of Appendix 4 to the non-exempt report to Cabinet 23 December 2013 relating to increased demand for additional tuition for Looked After Children	-15	-15	-15	MNVC
6	Children's Social Services – Volunteer Drivers	Reflects revised growth requirements in respect of the Additional 'Unavoidable' Demand request reference 9 of Appendix 4 to the non-exempt report to Cabinet 23 December 2013 relating to increased demand on volunteer driver services	0	-8	-16	MNVC
7	Children with Disabilities – Service Provision	Reflects revised growth requirements in respect of the Additional 'Unavoidable' Demand request reference 10 of Appendix 4 to the non-exempt report to Cabinet 23 December 2013	-29	-28	-28	MNVC
8	Duty Services	Review of demand & MTFP assumptions - contracted out service	-13	-13	-13	MNVC
9	Children's Social Services - Intake & Family Support	Enforced 15%-20%-25% year on year levy reduction to expenditure budgets within Preventative Services (S17)	-6	-7	-9	MNVC
10	Children's Social Services - Intake & Family Support	Enforced 5% levy reduction to Taith contracts	-1	-1	-1	MNVC
11	Children's Social Services - Looked After Children	Transition Programme from Independent Foster Care to In-House Foster Care Services (5 young people)	-90	-90	-90	MNVC
12	Children's Social Services - Looked After Children	1% reduction to the Outreach Service Contract commissioned through the voluntary sector	-4	-4	-4	MNVC

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
13	Children's Social Services - Looked After Children	0.5% reduction to the SGO/CAO services within LAC through case and needs assessment reviews	-20	-20	-20	MNVC
14	Children's Social Services - Looked After Children	Reduction of Specialist Adoptive placements from 4 to 2	-54	-27	-27	MNVC
15	Children's Social Services - Looked After Children's Services	Review of demand & MTFP assumptions for overall LAC services	-43	-44	-45	MNVC
16	Children's Social Services - Looked After Children's Services	Review of demand & MTFP assumptions for "When I'm Ready" reduced to 80% take up rate	-11	-15	-18	MNVC
17	Children's Social Services - Looked After Children's Services	Enforced 2.5% levy reduction to expenditure budgets within LACES	-5	-5	-5	MNVC
18	Children's Social Services - Looked After Children's Services	Review of MTFP assumptions for Direct Payments services for children additional demand reduced to 40hrs per week	-5	-6	-7	MNVC
19	Independent Service Provision	Review of demand & MTFP assumptions - Independent Domiciliary Care	-63	-63	-63	PI
20	Independent Service Provision	Review of demand & MTFP assumptions - Independent Residential Establishments	-110	-110	-110	PI
21	Independent Service Provision	Review of demand & MTFP assumptions - Ty Cwm Extra Care	-9	-9	-9	PI
22	Adult Social Services - Commissioned Services	Targeted 10% reduction of the Telecare/Teleheath Service	-5	-5	-5	PI
23	Adult Social Services - Accommodation	Further enforced % levy reductions to expenditure budgets within both Residential Homes to enable a 10% reduction overall when combined with Food Provision reduction	-21	-21	-21	PI
24	Adult Social Services - Accommodation	Reduction in Food Provision for meals from £6 per person per day to £5pppd in both Residential Homes	-23	-23	-23	PI
25	Adult Social Services - Supported Housing Services	Reduction in Food Provision for meals from £6 per person per day to £5pppd in all Group Homes	-4	-4	-4	PI

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Community Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
26	Adult Social Services - Initial Support Services	MTFP adjustment to incorporate "Fairer Charging" policy agreed by Council 7th May 14	-71	-71	-71	PI
27	Adult Social Services - Independent Service Provision	MTFP adjustment to incorporate transfer of one client to In-House provision rather than Independent (MT)	-52	-52	-52	PI
28	Adult Social Services - Independent Service Provision	Section 117 CHC funding from Health for 7 current placements	-52	-52	-52	PI
29	Adult Social Services - Independent Service Provision	MTFP adjustment based on anticipated reduction in placements within the Independent Sector, new placements to LA Homes	-54	-54	-54	PI
30	Adult Social Services - Residential	MTFP adjustment to income projections within LA Residential Homes	-34	-34	-34	PI
31	Adult Social Services - Independent Service Provision	MTFP adjustment to fees uplift within Independent Sector	-25	-25	-25	PI
32	Business Services - Directorate Support Services	MTFP adjustment to Health Park rental charges inline with known floor plan charge allowing for % year on year uplift to charge	-7	-4	0	CBAU
33	Social Regeneration - Early Years	Reduce service areas ability to respond to the CSA assessment and training for the wider childcare workforce	-9	-9	-9	MNVC
34	Social Regeneration - Participation - Youth Support Services	It is recommended that the authority commission out the participation service	-2	-2	-2	MNVC
35	Social Regeneration - Adult Learning	Reduction in amount allocated to tender for the completion of this specialised work (last full PSA cost 24,500)	-1	-1	-1	E
36	Social Regeneration - Carers Network	Delay the procurement of a single model structure whilst reducing contributions to carer organisations.	-12	-12	-12	PI
Total Community Services Directorate			-1,140	-1,026	-1,036	

Note

All proposals were approved at Council of 25th February 2015

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
1	Waste Disposal	Reduction in Disposal Cost relating to the Collaborative Change Programme (CCP)	-32	-296	-290	SE
2	Refuse Collection	Reduction in Transport Related Expenditure relating to the Collaborative Change Programme (CCP)	-157	-112	-102	SE
3	Sustainable Waste Management Grant/Recycling	Saving through introduction of the Collaborative Change Programme (CCP)	-99	-119	-65	SE
4	Lifeline	Additional income from new contract	-30	-30	-30	PI
5	Dolygaer	If Dolygaer is sold or transferred in 2014/15	-8	-8	-17	AL
6	Legal	Police and Crime Panel Grant awarded from Home Office	-30	0	0	CBAU
7	Scrutiny	Police and Crime Panel Grant awarded from Home Office	-20	0	0	CBAU
8	Tourist Information Centre	Possible closure of Tourist Information Centre	-8	-18	-19	ED
9	Museum Service	NNDR savings change in rateable value	-11	-13	-14	CBAU
10	Car Parking	Reduction in Car Park NNDR	-21	-20	-23	CBAU
11	Corporate	Reduction in Levy due to SW Fire & Rescue	-46	-46	-78	CBAU
12	Corporate	Pension Contribution ex mid glam-saving based on projected spend 2014/15-includes an increase of 1.2% CPI	-18	-24	-27	CBAU
13	Council Tax Reduction Scheme	Reduction in demand	-99	-145	-196	CBAU
14	Street Cleansing	Transport Related Expenditure	-38	-32	-27	SE
15	Street Cleansing	Additional income from existing contract	-5	-5	-4	SE
16	Bereavement	Decrease expenditure by 10% in 2015/16 and increase fees by 20% pa for 3 years.	-53	-87	-131	CBAU
17	Depots	Rent budget for Unit 3 Viaduct House no longer required as property now vacant.	-19	-19	-19	CBAU
18	Estates	Security for Unit 5 delivered through new contract	-30	-40	-40	CBAU
19	Estates	Dismantling of mezzanine floor Unit 5	0	-13	-13	CBAU
20	Grounds Maintenance	Other Indirect Staff Costs e.g. CRB Checks, medical tests etc	-3	-3	-3	SE
21	Grounds Maintenance	Repairs & Maintenance (buildings)	-30	-71	-71	SE

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
22	Grounds Maintenance	Electricity, gas, fuel oil, water, cleaning Savings resulting from a rationalisation of the number of sports field changing rooms, increasing fees and charges to users will also be necessary.	-10	-10	-10	SE
23	Grounds Maintenance	Transport Related Expenditure Petrol, tyres, repairs and maintenance. A reduction in fleet as part of the ASD fleet review will result in less spend in associated budgets. Not double counted with fleet review.	-50	-50	-50	SE
24	Grounds Maintenance	Equipment, Furniture & Materials. A reduced workforce and standard of maintenance would lead to a reduction in equipment required	-50	-50	-50	SE
25	Grounds Maintenance	Maintenance of Equipment. A reduction in the amount of plant required would mean a reduction in the maintenance requirement	-4	-4	-4	SE
26	Grounds Maintenance	Hire of Equipment. As part of the reduction in service standards i.e. reduction in number of cuts the requirement to hire in some machinery will be removed.	-5	-5	-5	SE
27	Grounds Maintenance	Chemicals. Weed spraying reduction in the current provision.	-5	-5	-5	SE
28	Grounds Maintenance	Protective Clothing & Uniforms. Standardisation of the protective clothing issue combined with a reduced agency requirement will mean the budget requirement will be less.	-10	-10	-10	SE
29	Grounds Maintenance	Contractor Payments. A reduced service will result in less payments to contractors i.e. specialist work to playing fields.	-5	-5	-5	SE
30	Grounds Maintenance	Refuse/Tipping Charges. Reduce waste going to landfill by recycling more, chipping green waste back on site, educating staff to keep waste streams separate i.e. green waste and refuse.	-5	-5	-5	SE
31	Grounds Maintenance	Plant & Seeds	-5	-5	-5	SE
32	Grounds Maintenance	Taff Bargoed Park. Reduction in the maintenance specification i.e. reduction in the grass cutting. Reduced spend on materials.	-20	-20	-20	SE

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
33	Grounds Maintenance	Fleet reductions. Part of the ASD fleet review. Reduction in the number of crew cabs, vans and tractors. Lease charges and Fuel.	-42	-67	-67	SE
34	Grounds Maintenance	Reduce 1 crew cab tipper	0	-7	-7	SE
35	Grounds Maintenance	Reduce 1 tractor (fields)	0	-4	-8	SE
36	Property	Reduce Gypsy site costs	-5	-5	-5	CBAU
37	Street Cleansing	Fleet Review - e.g. reduce mechanical sweepers	-20	-20	-20	SE
38	Elections	Adaptation of premises all completed	-4	-4	-4	CBAU
39	Members	Staff training and support reduced to required level also conferences and seminars reduced- covered in training budget	-9	-9	-9	CBAU
40	Members	Professional fees standards Committee budget not required- covered in another budget line	-1	-2	-1	CBAU
41	Register of Electors	Saving in Staff training budget	-1	-1	-1	CBAU
42	Planning	Reduction in Inquiry and Appeals budget (DC) - subject to corporate covering any potential overspend.	-16	-16	-16	CBAU
43	CCTV	Reduction in Maintenance budget	-5	-5	-5	CBAU
44	Customer Contact/Central Services	Reduction in print budget	-7	-7	-7	CBAU
45	Customer Contact/Central Services	Reduction in training budget	-5	-5	-5	CBAU
46	Customer Contact/Central Services	Reduction in Car Allowance budget	-2	-2	-2	CBAU
47	Customer Contact/Central Services	Reduction in catering budget	-2	-2	-2	CBAU
48	Customer Contact/Central Services	Reduction in clothing budget	-1	-1	-1	CBAU
49	ICT	Network Management charge for Schools - £15k. The management, development and support of the all Schools wide area network and local networks in schools (including wireless) is not included in any Schools SLA.	-15	-15	-15	CBAU
50	IT	Stop Vodaphone APN contract - £4k.	-4	-4	-4	CBAU
51	IT	Stop Bloxx web filtering- £3.4k	-3	-3	-3	CBAU

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
52	IT	Schools Purchasing – 5% oncost charge on all purchases will give 7k income based on current school spend.	-7	-7	-7	CBAU
53	IT	Cancel BSI ISO27001 accreditation - £7.6k	-8	-8	-8	CBAU
54	IT	Cancel Daisy Mittel call centre software insurance £3.5k	-4	-4	-4	CBAU
55	Parking	Reduction in print budget	-8	-8	-8	CBAU
56	Partnerships	Community Safety Partnership contribution.	-15	-15	-15	CBAU
57	Accountancy and Insurance	Reduction in contribution to insurance fund	-8	-17	0	CBAU
58	Audit	Audit - Reduce professional fees and Seminar Budgets	-13	-13	-13	CBAU
59	Benefits	Reduction in Training budget	-2	-2	-2	CBAU
60	Payroll	Subscriptions saving £750 each year	-1	-1	-1	CBAU
61	Procurement	Reduction in Training budget	-2	-2	-2	CBAU
62	Procurement	WPC Management Fee-no charge	-13	-13	-13	CBAU
63	Procurement	Reduction in Procserve Marketplace Licence	-17	-17	-17	CBAU
64	Procurement	Conferences budget removed.	-1	-1	-1	CBAU
65	Revenues	Small increase in proportion of Bailiff work retained in-house	-5	-5	-5	CBAU
66	Revenues	Reduction of Professional fees relating to external bailiffs as move work is retained in house. Bank charges reduced as less payments are processed mainly due to no longer taking rent payments from Merthyr Valleys homes.	-21	-35	-21	CBAU
67	Environmental Health	Dog Warden - boarding and professional fees. Holding dogs for Statutory minimum.	-12	-12	-12	CBAU
68	Environmental Health	Remove Sunbed regulations budget	-1	-1	-1	CBAU
69	Environmental Health	Reduction of Default Works budget	-2	-2	-2	SE
70	Housing Renewals & DFGs	Use a greater proportion of the Dept income from fees to offset salary costs.	-21	-21	-21	SE
71	Housing Renewals & DFGs	Using DFG reserve fund	-100	-100	-100	SE
72	Licensing	Training budget, travel etc	-7	-7	-7	CBAU
73	Registrars	Reconfigure service, increase income charges	-2	-2	-2	CBAU

Medium Term Financial Plan 2015/16 to 2017/18**Council 25 March 2015****Customer Services Directorate Non Employee Related Budget Reductions**

Ref.	Service	Description	2015/16 £'000	2016/17 £'000	2017/18 £'000	Corporate Priority Area
74	Trading Standards	Reduction in Training Budget	-3	-3	-3	CBAU
75	Trading Standards	Reduction in equipment budget	-2	-2	-2	CBAU
76	Trading Standards	Reduction in car allowance	-2	-2	-2	CBAU
77	Trading Standards	Reduction in legal fees	-2	-2	-3	CBAU
78	Trading Standards	Reduction in printing budget	-1	-1	-1	CBAU
79	Trading Standards	Reduction in Professional fees	-2	-2	-2	CBAU
Total Customer Services Directorate			-1,350	-1,754	-1,795	

Note

All proposals were approved at Council of 25th February 2015

Capital Programme 2015/16 to 2019/20
Council 25 March 2015

Expenditure	Revised 2015/16 £'000	Revised 2016/17 £'000	Revised 2017/18 £'000	Revised 2018/19 £'000	2019/20 £'000	Total £'000	Corporate Priority Area
<u>21st Century Schools Programme</u>							
Afon Taf High School Remodelling	2,470	1,931	1,375	0		5,776	RSA
Ysgol Y Graig Primary School	0	200	1,000	3,800		5,000	RSA
	2,470	2,131	2,375	3,800		10,776	
<u>Physical Regeneration Programme</u>							
Town Centre Regeneration Programme	0	150	150	150		450	ED
Cyfarthfa Park Heritage	2	0	0	0		2	ED
Pontmorlais Heritage Quarter	0	30	0	0		30	ED
Vibrant and Viable Places Programme	739	676	400	150		1,965	ED
Cyfarthfa Furnaces Enhancement	150	150	150	0		450	ED
Bus Station	0	500	0	0		500	ED
	891	1,506	700	300		3,397	
<u>Riverside</u>							
Riverside Project	3,330	290	0	0		3,620	SE
Riverside Phase 3 Taff and Crescent Street	274	439	404	351		1,468	SE
	3,604	729	404	351		5,088	
<u>Other Projects</u>							
Schools Feasibility Studies	80	0	0	0		80	RSA
Cyfarthfa High School Roof Replacement	126	124	129	0		379	RSA
Ysgol Rhyd Y Grug Primary School	0	250	0	0		250	RSA
Highway Maintenance	600	600	600	600		2,400	CBAU
Disabled Facilities Grants	850	850	850	850		3,400	PI
Replacement Expansion Joints, Fiddlers Elbow	1,000	0	0	0		1,000	CBAU
Retaining Wall, Pontygwaith	200	0	0	0		200	CBAU
Brandy Bridge, Abercanaid	200	0	0	0		200	CBAU
Corporate Maintenance	235	235	235	235		940	CBAU
Costs of Supporting Capital Projects	470	470	470	470		1,880	CBAU
Redundancy costs	888	1,000	0	0		1,888	CBAU
Unallocated	0	0	529	1,058	3,513	5,100	-
	4,649	3,529	2,813	3,213	3,513	17,717	
Total	11,614	7,895	6,292	7,664	3,513	36,978	

Capital Programme 2015/16 to 2019/20
Council 25 March 2015

Funding	Revised 2015/16 £'000	Revised 2016/17 £'000	Revised 2017/18 £'000	Revised 2018/19 £'000	2019/20 £'000	Total £'000
General Capital Funding - Grant	989	989	989	989	989	4,945
<u>Supported Borrowing</u>						
General Capital Funding - Supported Borrowing	1,624	1,624	1,624	1,624	1,624	8,120
WG Supported Borrowing - 21st Century Schools	970	431	0	0	0	1,401
	2,594	2,055	1,624	1,624	1,624	9,521
<u>Capital Receipts</u>						
Capital Receipts - General	275	0	900	900	900	2,975
Capital Receipts - Capitalisation	888	1,000	0	0	0	1,888
Capital Receipts - Riverside	0	439	404	351	0	1,194
	1,163	1,439	1,304	1,251	900	6,057
<u>Unsupported Borrowing</u>						
Unsupported Borrowing - General	2,706	1,422	0	0	0	4,128
Unsupported Borrowing - 21st Century Schools	1,500	1,700	2,375	3,800	0	9,375
Unsupported Borrowing - Riverside Project	2,662	290	0	0	0	2,952
	6,868	3,412	2,375	3,800	0	16,455
Total	11,614	7,895	6,292	7,664	3,513	36,978

Capital Programme 2015/16 to 2019/20
Council 25 March 2015
21st Century Schools - 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	3,500	3,500	2,500	0	12,000
Ysgol Y Graig Primary School	0	0	0	200	3,000	3,800	7,000
Total	35	2,465	3,500	3,700	5,500	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	1,620	1,030	1,569	3,125	0	7,344
Welsh Government - Local Government Borrowing Initiative	0	755	970	431	0	0	2,156
Total Welsh Government	0	2,375	2,000	2,000	3,125	0	9,500
Merthyr Tydfil County Borough Council	35	90	1,500	1,700	2,375	3,800	9,500
Total	35	2,465	3,500	3,700	5,500	3,800	19,000

Capital Programme 2015/16 to 2019/20
Council 25 March 2015

Summary Physical Regeneration Programme

Project	MTCBC (cash) £'000	MTCBC (in kind) £'000	External Funding £'000	Total £'000
Town Centre Regeneration	450	73	2,095	2,618
Cyfarthfa Park Heritage	2	0	1,058	1,060
Pontmorlais Heritage Quarter	30	0	1,154	1,184
Vibrant and Viable Places Programme	1,965	0	64,484	66,449
Cyfarthfa Furnaces Enhancement	450	0	2,050	2,500
Bus Station	500	0	4,845	5,345
Total	3,397	73	75,686	79,156

Town Centre Regeneration

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
MTCBC (cash)	0	150	150	150	450
MTCBC (in-kind land)	73	0	0	0	73
European Regional Development Fund (ERDF)	2,095	0	0	0	2,095
Total	2,168	150	150	150	2,618

Cyfarthfa Park Heritage

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	Total £'000
MTCBC (cash)	2	0	2
Heads of the Valley (HOV)	30	0	30
Heritage Lottery Fund (HLF)	885	83	968
CADW	40	20	60
Total	957	103	1,060

Capital Programme 2015/16 to 2019/20
Council 25 March 2015

Pontmorlais Heritage Quarter

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	Total £'000
MTCBC (cash)	0	30	30
Heads of the Valley (HOV)	196	0	196
Private	157	0	157
Heritage Lottery Fund (HLF)	571	210	781
CADW	20	0	20
Total	944	240	1,184

Vibrant and Viable Places (VVP) Programme

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
MTCBC (cash)	739	676	400	150	1,965
Private Sector	5,123	23,115	0	0	28,238
Welsh Government	1,716	3,800	0	0	5,516
Other Public Sector	1,251	8,793	0	0	10,044
ERDF	584	3,932	0	0	4,516
Supported Housing Grant	1,089	791	0	0	1,880
Voluntary Sector	2,350	2,733	0	0	5,083
Welsh Government (VVP)	5,243	3,964	0	0	9,207
Total	18,095	47,804	400	150	66,449

Cyfarthfa Furnaces Enhancement

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
MTCBC (cash)	150	150	150	450
Welsh Government	250	500	250	1,000
Heritage Lottery Fund (HLF)	250	250	250	750
CADW	100	100	100	300
Total	750	1,000	750	2,500

Capital Programme 2015/16 to 2019/20
Council 25 March 2015

Bus station

Expenditure Profile / Funding Source	2015/16 £'000	2016/17 £'000	Total £'000
MTCBC (cash)	0	500	500
Welsh Government (VVP)	0	100	100
Metro Funding	495	4,250	4,745
Total	495	4,850	5,345

Capital Programme 2015/16 to 2019/20**Council 25 March 2015****Riverside/Riverside Phase 3 Taff and Crescent Street**

Expenditure Profile / Funding Source	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	Total £'000
MTCBC (cash)	30	3,604	729	404	351	5,118
Welsh Government	5,700	0	0	0	0	5,700
Total	5,730	3,604	729	404	351	10,818

Capital Programme 2015/16 to 2019/20**Council 25 March 2015****Unallocated 2017/18 to 2018/19**

Ref.	Project	2017/18 £'000	2018/19 £'000	Risk Score
1	Gwaunfarren Primary - This extension is needed urgently for safeguarding and curriculum needs (the junior toilets are only accessible externally, the school is at its capacity, access into the school is poor and there is no ICT suite). Previously there has been a safeguarding incident when a youth was found in the girls' toilets. The plan to build an extension near to the entrance would enable the school to manage all entries onto site and into the building, aswell as providing an ICT suite. The school would then provide far more suitable accomodation on the whole. The bid includes £20k scoping works in 2015/16 enabling the extension to be fully prepared for a build in 2017/18.	630	0	20
2	Trelewis Primary - The school needs an extension and some internal remodelling/enhancement in order to be able to accomodate the increased pupil numbers projected to arise from the new housing development in the area. As a consequence of this there is a S106 agreement in place with the developer which will provide £250k towards the cost of these works. This funding is expected from the developer during 2015/16 when the 80th house is occupied. However, it needs to be stressed that the authority will only receive this income to be used to contribute towards the required extension at the school. The bid includes £20k scoping works in 2015/16 enabling the extension to be fully prepared for a build to commence in 2016/17 (S106 ccontribution) and completed in 2017/18 from the capital programme.	440	0	20
3	Edwardsville Primary - This would be an invest to save opportunity for the authority as a small extension onto Edwardsville Primary school would enable the nursery unit to transfer to the same site. This is much better from a curriculum viewpoint where the foundation phase are expected to work together throughout the day and is consistent with WG guidance on locating Primary schools on a single site. It would then release the Treharris site which could either be sold or used to extend the Flying Start provision in the area. The bid includes £20k scoping works in 2015/16 enabling the extension to be fully prepared for a build in 2018/19.	0	300	15
4	Dowlais Primary - This school was previously separate Junior and Infants and the school remains over two sites. The Infant unit is in poor condition, overcrowded and cannot meet the needs of the foundation phase due to the unusual internal layout. The school has had a number of incidents related to poor access for pedestrians and drivers including a near miss. There are extensive grounds at the Junior site and an extension to this site could enable the primary school to operate on one site, enhance the security and safety at the site and release the infant site for sale. The bid includes £20k scoping works in 2015/16 enabling the extension to be fully prepared for a build in 2018/9.	0	740	15
5	Highways Road Improvements Schemes - Highways Footway Improvement Schemes/Structures	1,000	1,000	25

TREASURY MANAGEMENT POLICY STATEMENT and **ANNUAL INVESTMENT STRATEGY 2015/16**

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 2015/16

- 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 2015/16 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 2015/16 was approved by Council on 25th February 2015.

4.0 TREASURY LIMITS FOR 2015/16 – 2017/18

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 2015/16 – 2017/18

- 5.1 CIPFA has issued a revised Prudential Code in 2009 (updated 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 2015 comprises:

Description	Principal £'000	Average Rate %
Fixed rate funding <ul style="list-style-type: none">• PWLB• Market	59,784 8,800	7.62 0.38
Variable rate funding <ul style="list-style-type: none">• PWLB• Market	0 12,000	0.00 4.50
Total Debt	80,584	6.36
Total Investments	1,000	0.50

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 2014/15 is as follows.

Description	Projected 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
New borrowing	3,391	9,462	5,467	3,999

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 has appointed Capita Treasury Solutions Limited, formerly Sector Treasury Services Ltd as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita central view.

Capita interest rate forecast – 7th January 2015

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2015	0.50	2.20	3.40	3.40
June 2015	0.50	2.20	3.50	3.50
Sept 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
March 2016	0.75	2.60	4.00	4.00
June 2016	1.00	2.80	4.20	4.20
Sept 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
March 2017	1.25	3.20	4.50	4.50
June 2017	1.50	3.30	4.60	4.60
Sept 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
March 2018	2.00	3.60	4.80	4.80

- 8.2 The bank rate is currently at 0.50% and is not expected to start increasing until quarter 3 of 2015/16.

9.0 ECONOMIC BACKGROUND

9.1 Global Economy

- 9.1.1 For the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth.

9.1.2 The US, the biggest world economy, has generated stunning growth rates of 4.6% in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.

9.2 UK Economy

9.2.1 UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015.

10.0 FORWARD VIEW

10.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of Key areas:

- UK strong economic growth is weaker than we currently anticipate
- Weak growth or recession in the UK's main trading partners – the EU, US and China
- A resurgence of the Eurozone sovereign debt crisis
- Recapitalising of European banks requiring more government financial support

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 2015/16 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 main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:
- if it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- 11.4 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 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

12.4 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 2014/15 reported to Council on 26th March 2014 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 not expected to begin increasing until the fourth Quarter of 2015/16. It is therefore considered prudent to maintain the exposure limits for investments to those reported to Council on 26th March 2014.

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 2015/16 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 Capita forecasts Bank Rate to remain unchanged at 0.50% before starting to rise from quarter 4 of 2015/16. The Chief Finance Officer has prudently budgeted for an average investment return of 0.50% on investments placed during 2015/16.

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 uses Capita Treasury Solutions Limited as its 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 2015/16 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 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 was revised in 2009 (and updated in 2011) in the light of the default by Icelandic banks in 2008. The Code 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 (Cabinet/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 2015/16 to 2017/18 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 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Prudential Indicator	7%	7%	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 2015/16 and the following two years. The 2015/16 incremental impact is included in the overall recommended Council Tax increase for Merthyr Tydfil County Borough Council for 2015/16 of 4.50%. This is a fundamental indicator of affordability.

Prudential Indicator	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
Impact on Council Tax	£5.81	£13.63	£18.62

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 31/03/15 £'000	Estimate 31/03/16 £'000	Estimate 31/03/17 £'000	Estimate 31/03/18 £'000
Capital Financing Requirement	83,212	89,852	92,324	93,303
Debt	81,524	79,598	81,729	84,104
Prudential Indicator	1,688	10,254	10,595	9,199

4. Capital Expenditure

The capital expenditure projected outturn for 2014/15 and the estimates of capital expenditure to be incurred for 2015/16 and the following two years are as follows.

	Projected 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
Prudential Indicator	31,961	35,162	62,105	10,017

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 31/03/15 £'000	Estimate 31/03/16 £'000	Estimate 31/03/17 £'000	Estimate 31/03/18 £'000
Prudential Indicator	83,212	89,852	92,324	93,303

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 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
Borrowing Other Long-term Liabilities	97,816 500	100,053 500	102,547 500
Prudential Indicator	98,316	100,553	103,047

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 2015/16 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 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
Borrowing Other Long-term Liabilities	93,158 500	95,289 500	97,664 500
Prudential Indicator	93,658	95,789	98,164

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, subject to audit, at 31st March 2015 is £81.168 million.

External Debt	Projected 2014/15 £'000
Borrowing Other Long-term Liabilities	80,584 584
Prudential Indicator	81,168

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.

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 2015/16 financial year to Council of 25 March 2015.

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 2015/15, 2016/17 and 2017/18 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 2015/16, 2016/17 and 2017/18 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 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
Fixed Rates			
88%	4,529	4,384	4,284
99%	5,096	4,932	4,819
Variable Rates			
1%	51	50	49
12%	618	598	584

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	4%	0%
12 months and within 24 months	4%	0%
24 months and within 5 years	15%	0%
5 years and within 10 years	25%	0%
10 years and above	52%	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

Analysis of Council Reserves 1 April 2013 to 1 April 2018

Description	1 April 2013 £'000	1 April 2014 £'000	Projected 1 April 2015 £'000	Projected 1 April 2016 £'000	Projected 1 April 2017 £'000	Projected 1 April 2018 £'000
<u>General Reserves</u>	4,390	4,411	4,500	4,500	4,500	4,500
<u>Earmarked Reserves</u>						
Insurance Fund (Note 1)	2,475	2,765	2,765	2,765	2,765	2,765
Local Management of Schools (Note 2)	1,456	358	100	100	100	100
Other Earmarked Reserves	5,243	3,476	1,598	1,598	1,598	1,598
Total	9,174	6,599	4,463	4,463	4,463	4,463
Total	13,564	11,010	8,963	8,963	8,963	8,963

Notes

1. Includes provision to reflect outstanding insurance claims obligations
2. Updated information in respect of schools' balances will be reported throughout 2015/16