

MERTHYR TYDFIL COUNTY **BOROUGH COUNCIL**



MEDIUM TERM FINANCIAL PLAN

2018/19 – 2021/22

March 2018

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 2018/19 to 2021/22:
 - Section 2 – Corporate Wellbeing Objectives
 - Section 3 – Asset Management Plan
 - Section 4 – Strategic Workforce Plan
 - Section 5 – Financial Context
 - Section 6 – Revenue Budget
 - Section 7 – Capital Programme
 - Section 8 – Reserves Strategy
 - Section 9 – Treasury Management

2.0 Corporate Wellbeing Objectives

2.1 Underpinning all the considerations within Sections 3 to 9 is the requirement for the MTFP to be determined by corporate spending priorities having regard to the Wellbeing of Future Generations (Wales) Act 2015. The Act embraces seven Wellbeing Goals:

1. A prosperous Wales
2. A resilient Wales
3. A healthier Wales
4. A more equal Wales
5. A Wales of cohesive communities
6. A Wales of vibrant culture and thriving Welsh Language
7. A globally responsible Wales

2.2 The Wellbeing Duty dictates that as a public body Merthyr Tydfil County Borough Council must develop in a way that is sustainable over the long term, to improve the economic, social, environmental and cultural wellbeing of Wales.

2.3 In setting its Wellbeing Objectives the Council must demonstrate how it has applied the sustainable development principles in aligning with the 5 ways of working of:

1. Involvement
2. Collaboration
3. Integration
4. Prevention
5. Long Term

2.4 The Council's initial Wellbeing Objectives approved by Council on 22nd March 2017 and revised at Council of 28th June 2017, are as follows:

Best Start to Life

- Children get the best start to life
- Children and young people are equipped with the skills they need to be successful learners and confident individuals

Working Life

- Making skills work for Merthyr Tydfil: Developing the workforce of the future
- Developing the environment and infrastructure for business to flourish

Environmental Wellbeing

- Communities protect, enhance and promote our natural environment and countryside
- Communities protect, develop and promote our heritage and cultural assets

Living Well

- Developing safer communities
- People have good physical and mental wellbeing
- People live independently

- 2.5 The Council's Plan **[Focus on the Future: Wellbeing in our Community]** was approved by Council on 26th July 2017 and sets out the Council's intentions in working towards the Council's Wellbeing Objectives.

3.0 Asset Management Plan

- 3.1 The Corporate Asset Management Plan 2014/2019 was approved by Council on 26th March 2014. The Plan recognises that the effective management of property is fundamental to the Council's ability to deliver on its corporate priorities and on its ability to sustain wider service delivery.
- 3.2 The Plan sets out the vision for asset management where:
- The property portfolio is aligned to corporate priorities and service requirements
 - Appropriate investment is made in capital projects
 - The portfolio is efficiently maintained, is fit for purpose and meets health and safety requirements
- 3.3 The Corporate Asset Management Plan includes appendices in respect of:
- Asset Management work streams
 - Maintenance Strategy
 - Office Accommodation Strategy
 - Energy Policy
 - Community Organisation Rental Policy
- 3.4 The Plan is a live document updated, as necessary, to reflect changes to service delivery, Council structures and legislation.
- 3.5 Fundamental to improving and strengthening links with the Medium Term Financial Plan has been the implementation of the new **Asset**

Management System, which ensures that all financial and property management systems are linked to a single, complete and accurate Asset Register. The Technology Forge (TF), were appointed in September 2011 following a tender exercise to provide a corporate Asset Management Software System. This system provides an integrated Asset Register, which facilitates the production of the Council's Capital Accounts and enables a corporate approach to Asset Management Planning.

- 3.6 The **Workforce Plan** is completed as part of the performance management yearly cycle, focusing on gaps in service delivery where staff numbers and skills are considered inadequate. Accommodation requirements and the potential for mobile or flexible working practices are also explored as part of the workforce planning process. This exercise informs the Medium Term Financial Plan, provides data which informs the **Office Accommodation Strategy** and provides for continuous review of the office accommodation requirements.
- 3.7 The Authority's **Property Review** Officer is tasked with rationalisation of the Property portfolio, re-allocating property to appropriate service areas and identifying potential surplus property thus realising capital receipts.
- 3.8 To enable continued improvements to **energy management and carbon reduction**, Cabinet of 12th February 2014 approved an application to Salix Finance for an interest free loan of £2.2 million to upgrade the Authority's street lighting lanterns from high pressure sodium units to new energy efficient Light Emitting Diode (LED) lanterns. This loan would be repaid over 8 years by which time it is projected that gross savings of £2.7 million would be achieved. Over the estimated 20 year life of the equipment it is projected that gross savings of £10.4 million will be realised. The Council has worked closely with the Carbon Trust over recent years to assist the authority in effectively targeting energy improvements.
- 3.9 The Council employs a Technical Energy Officer tasked with identifying and delivering sustainable **energy efficiency** savings.
- 3.10 The Council currently targets £600,000 of new **Capital Receipts** per annum to support Capital Programme ambitions. A Corporate Maintenance Budget allocation of £300,000 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 Our first 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 Many of the original actions have been delivered, including departmental restructuring, management development, engagement surveys (stress), employee engagement (staff forum) and Performance Management. The department recently recruited a dedicated Workforce Development specialist, and work is ongoing to help instil a robust and resilient 'Change Agile' culture to support staff with change.
- 4.3 The Council is faced with identifying significant budget reductions over the term of the MTFP 2018/19 to 2021/22. The Human Resources (HR) Service is active within this requirement in supporting the Council in undertaking redundancies, redeployment, re-structuring services, consultation and training. In response to the provisional budget announcement, and in response to the savings that will need to be achieved in 2019/20, the Council wrote to all Trade Unions to extend the provisions of the Section 188 letter, which sets out actions that the Council would like to undertake, working collectively with Trade Union Colleges.
- 4.4 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, 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.
- 4.5 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.

- 4.6 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. Moving forward, HR is committed to working proactively and strategically in partnership with each Chief Officer and Head of Service to review HR metrics to ascertain and mitigate potential people risks. In particular, this will include proposals to ensure a return on investment from the apprenticeship levy, and potential long term reduction plan on the usage of peripheral staff, and overtime working.
- 4.7 In 2015/16 the Council developed the 'Steering the Ship' strategy which created a robust strategic plan integrating corporate priorities to the MTFP and people strategies. This strategy further strengthens strategic workforce planning within the Council in recognising the intrinsic link between workforce planning, asset management (including information technology) and financial sustainability.
- 4.8 The Strategic Workforce Plan clearly indicated the requirement for all Council services to review and reduce the dependency on agency workers and overtime working. This has resulted in the Council substantially reducing the number of agency workers in the workforce, with the recent council reports and HR strategies continuing this work, alongside the development of the Leadership and Management academy, and development of wider employee skills. This is linked to the Transformational Change Programme whereby workforce considerations are considered to be an essential part of delivering successful projects.
- 4.9 In recognising its responsibility as the main employer in the County Borough area the Authority in setting its Budget for 2018/19 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. This commitment forms part of the Section 188 letter sent to Trade Unions in December 2017.

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

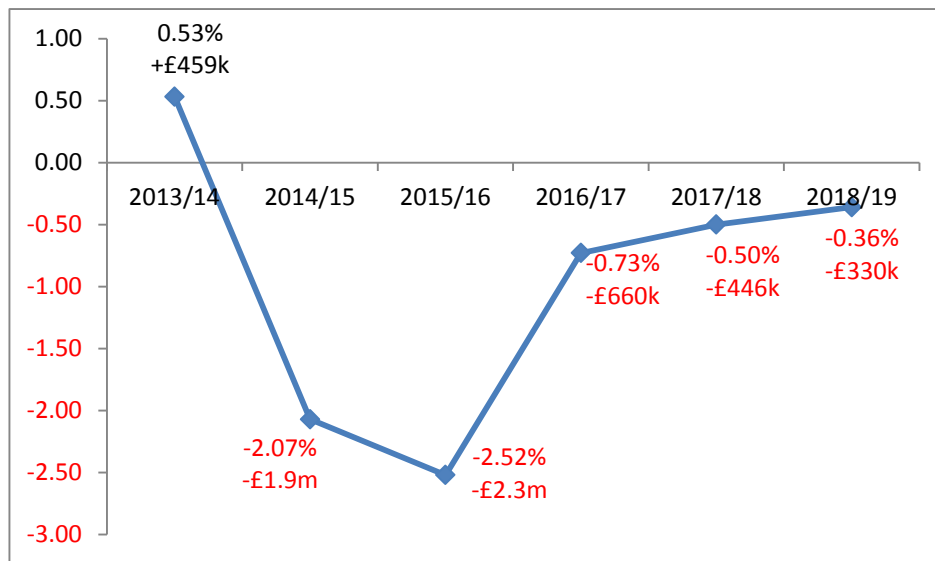
5.3 **Revenue Settlement**

- 5.3.1 The Welsh Government (WG) announced the Final Local Government Settlement for 2018/19 on 20th December 2017 with an Aggregate External Finance (AEF) increase of 0.2% for Wales. The Wales AEF for 2018/19 totals £4.214 billion and is the total revenue funding received from the WG being the sum of the Revenue Support Grant and Redistributed Non-Domestic rates. The indicative AEF for Wales for 2019/20 is a reduction of 1%.
- 5.3.2 Merthyr Tydfil's AEF for 2018/19 reduced by 0.36% to £90.305 million being a cash reduction of £329,663. Merthyr Tydfil's projected AEF for 2019/20, based on the indicative Wales figure, is a reduction of 1.5%.
- 5.3.3 The base budget for 2017/18 was increased by £1,871,518 to allow for transfers in to the settlement for 2017/18 of £1,824,601 and a formula adjustment of £46,917.

The transfers in to the settlement are as follows:

- Single Revenue Grant (Waste element only) of £598,330
 - Welsh Independent Living Grant of £564,380
 - Social Care Workforce Grant of £408,107
 - Looked After Children Funding of £189,346
 - Carers' Respite Care Grant of £64,438
- 5.3.4 The Council's revenue settlements for the period 2013/14 to 2018/19 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 meaningful funding comparison.

Figure 1 – Cash and % Changes in AEF 2013/14 to 2018/19



5.3.5 It is evident from Figure 1 that the Council has faced significant financial challenges for the period 2013/14 to 2018/19, experiencing a period of unprecedented funding reductions as Central Government continues its policy of financial austerity.

5.3.6 It is clear that the four year period of this MTFP continues to be critical in transforming the Authority in ensuring it is fit for purpose to meet financial challenges for the future in aligning scarce resources to corporate priorities ensuring effective and efficient service delivery is both maintained and further developed and improved. To this end the Authority has prudently projected annual AEF reductions of 1.5% for 2019/20 to 2021/22.

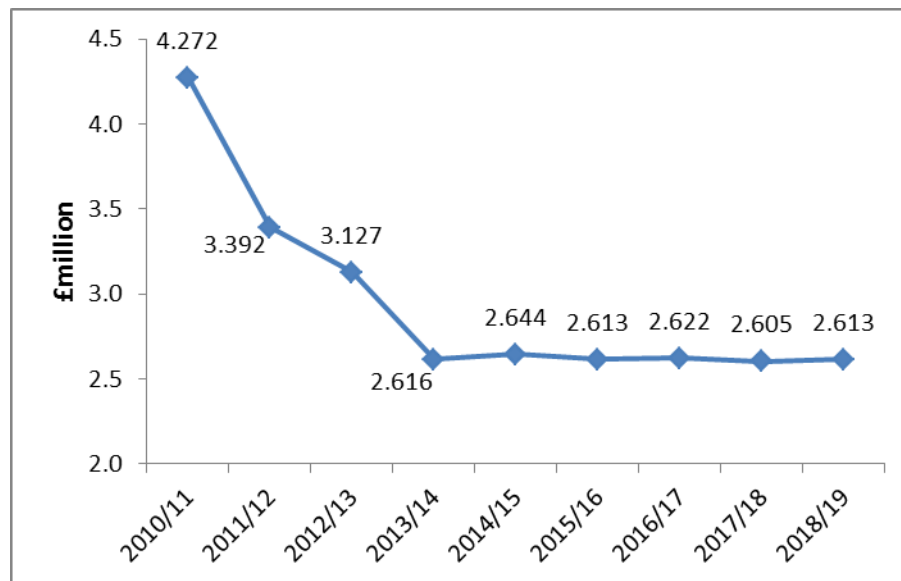
5.3.7 This transformation agenda needs to be managed against a background of continuing financial austerity imposed by Central Government, together with the requirements for Local Government Reform and increased inter authority collaboration expressed within the Welsh Government's White Paper "Reforming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

5.4 Capital Settlements

5.4.1 The WG in its announcement of the Final Local Government Settlement for 2018/19 on 20th December 2017 notified Authorities of General Capital Funding (GCF) allocations for 2018/19. 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 2018/19 clearly demonstrating that Capital Settlements have significantly reduced over the period 2010/11 to 2013/14 before stabilising at circa £2.6 million per financial year.

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



- 5.4.3 It is evident from Figure 2 that current capital funding through the GCF has reduced by £1.659 million (39%) from 2010/11 to current funding levels. If GCF had been maintained at the 2010/11 level then the Council would have received an additional £11.944 million funding up until 2018/19. This reduction has placed additional pressures on the Council to satisfy capital investment requirements at a time when demand for capital investment in highways infrastructure, schools' reconfiguration and maintaining ageing property assets is increasing. Core capital funding is projected to remain at £2.613 million per annum over the period of the MTFP.

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

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

- 5.4.5 In addition to GCF the Council receives capital grants from a variety of sources, mainly through the guises of WG, which are restricted for specific

projects and are governed by the terms and conditions of the grant approval. Under the current financial restrictions, however, specific capital grants may not be as accessible as in previous years.

5.5 **Projected Revenue Budget Outturn 2017/18**

- 5.5.1 As reported to Cabinet on 21st February 2018 the projected revenue outturn for 2017/18 as at 31st December 2017 is a net budget surplus of £43,000.
- 5.5.2 Budget monitoring during 2017/18 has been supported by effective scrutiny and challenge provided by both the Budget Board and Change Management Steering Group. The projected revenue outturn for 2017/18 is summarised in Table 1 and is based upon the report to Cabinet of 21st February 2018.

Table 1 – Projected Revenue Outturn 2017/18

Description	Budget £'000	Projected Outturn £'000	Variance £'000	Variance %
People and Performance	74,012	74,790	778	1.05
Place and Transformation	21,118	21,345	227	1.07
Corporate Costs	22,586	22,529	-57	-0.25
Non General Fund Allocations	-835	-835	0	0.00
Collection Fund Surplus	-600	-850	-250	-41.67
Corporate Vacancy Factor	166	-166	-332	-200.00
Net Employee Severance	805	396	-409	-50.81
Earmarked Reserves	-2,457	-2,457	0	0.00
Net Expenditure	114,795	114,752	-43	-0.04

- 5.5.3 Budget pressures experienced during 2017/18 considered “unavoidable” have been reflected in the Medium Term Financial Plan 2018/19 to 2021/22.

6.0 **Revenue Budget**

- 6.1 The net Revenue Budget for 2018/19 of £117.461 million, together with projected budget deficits for 2019/20 to 2021/22 are outlined in Appendices A to D, and summarised in Table 2.

Table 2 – Budget Requirements 2018/19 to 2021/22

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
People and Performance	77,250	78,803	79,844	81,005
Place and Transformation	22,183	22,690	23,181	23,756
Corporate Costs	21,519	22,492	23,046	23,254
Net Contributions/Recharges	-3,491	-195	1,500	2,695
Net Required Expenditure	117,461	123,790	127,571	130,710
Estimated Finance Available (Budget Requirement**)	-117,461	-117,233	-117,073	-116,981
Projected Budget Deficit	0	6,557	10,498	13,729

** indicative for 2019/20 to 2021/22 subject to budget reduction requirements

6.2 In embracing the Wellbeing of Future Generations (Wales) Act 2015 the Council has arrived at the following four wellbeing objectives:

1. Best Start to Life
2. Working Life
3. Environmental Wellbeing
4. Living Well

For the purposes of the MTFP it is assumed that each wellbeing objective reconciles to one of the four Chief Officer areas of service responsibility as demonstrated in Table 3. An additional category 'Business As Usual' denotes those service/corporate budgets not included within the four Chief Officer remits.

6.3 The net expenditure position for 2018/19 is outlined in Table 3 and demonstrates that 78% of the 2018/19 Net Revenue Budget is allocated to services directly contributing to the Wellbeing Objectives with 22% allocated to expenditure contributing to the Council's 'Business As Usual'.

Table 3 – Budget Requirement 2018/19 Linked to Wellbeing Objectives

Wellbeing Objective	Chief Officer Designation	Net Budget	
		£'000	%
Best Start to Life	Learning	44,716	38
Working Life	Community Regeneration	3,611	3
Environmental Wellbeing	Neighbourhood Services	11,031	9
Living Well	Social Services	32,534	28
Total		91,892	78
Business As Usual	All Other Services	25,569	22
Budget Requirement 2018/19		117,461	100

- 6.4 The Budget Requirement for 2018/19 and indicative Budget Requirements for 2019/20 to 2021/22 are the culmination of a budget setting process which commenced with the reporting of the MTFP 2017/18 to 2020/21 to Council on 22nd March 2017. Budget 2018/19 and MTFP 2018/19 to 2021/22 proposals have been considered and approved by Cabinet, Joint Scrutiny / Audit Committee and Council as indicated in Table 4.

Table 4 – Budget / MTFP Committee Dates

Cabinet	Council	Joint Scrutiny / Audit
13 th December 2017 24 th January 2018 7 th February 2018 21 st February 2018 7 th March 2018	13 th December 2017 7 th February 2018	17 th January 2018

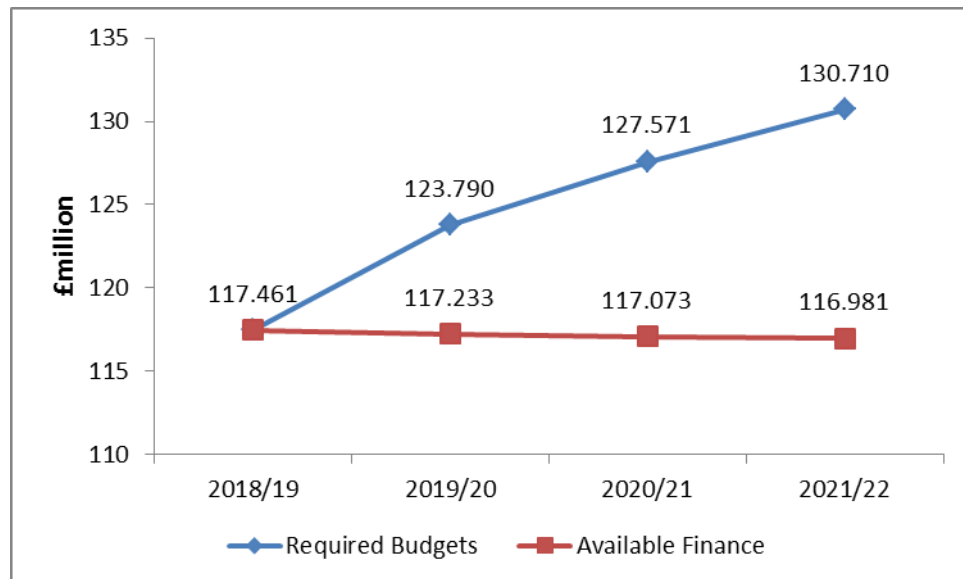
- 6.5 Outlined in Table 5 are the revisions to the 22nd March 2017 position approved by Council in arriving at updated budget deficits for 2018/19 to 2021/22.

Table 5 – Budget Deficits 2018/19 to 2021/22

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Budget Deficit Council 22nd March 2017	6,012	12,466	16,358	
Implications of Revenue Settlement	-3,949	-6,353	-7,996	
Corporate Additional Demands	2,842	3,413	3,678	
Corporate Budget Reductions	-2,770	-2,007	-1,387	
Budget Reserve Re-profile	-600	200	400	
Service Budget Reductions	-801	-1,016	-1,036	
Schools Savings	-408	-471	-471	
Indicative Additional Demands	0	1,000	2,000	
Council Tax at 4.15%	-326	-675	-1,048	
Budget Deficit Council 7th March 2018	0	6,557	10,498	13,729

- 6.6 It is evident from Table 5 that the Council is faced with a revised budget deficit of £6.557 million for 2019/20 and £13.729 million for the 4 year period of the MTFP as represented in Figure 3.

Figure 3 – Indicative Budget Deficits 2018/19 to 2021/22



6.7 Implications of Revenue Settlement

- 6.7.1 The Welsh Government's Final Local Government Settlement was announced on 20th December 2017 and resulted in a reduction in

Aggregate External Finance (AEF) for 2018/19 of 0.36% for Merthyr Tydfil County Borough Council.

- 6.7.2 The MTFP impact resulting from the implications of the Local Government Revenue Settlement is outlined in Appendix E and summarised in Table 6 and demonstrates increased spending power of £3.949 million for 2018/19.

Table 6 – Implications of Local Government Revenue Settlement

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Aggregate External Finance	-5,536	-7,996	-9,638
Council Tax Base	-43	-44	-45
Transfers In to the Settlement	1,826	1,826	1,826
New Responsibilities	243	243	243
New Expectations	26	26	26
Validation Amendments	-465	-408	-408
Net Impact of Settlement	-3,949	-6,353	-7,996

- 6.7.3 The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant (RSG) and Redistributed Non Domestic Rates. Table 7 compares the budgeted AEF within the original MTFP with the revised finance assumptions included in the updated MTFP for 2018/19 to 2021/22.

Table 7 – Aggregate External Finance (AEF)

Description	2018/19 %	2019/20 %	2020/21 %	2021/22 %
Original Budgeted AEF	-4.50	-4.50	-4.50	n/a
Revised AEF	-0.36	-1.50	-1.50	-1.50

- 6.7.4 It should be noted although the Welsh Government indicative settlement for 2019/20 is reported as an average funding reduction for Wales of 1% it is considered prudent for Merthyr Tydfil to budget for a funding reduction of 1.5% per annum for the period 2019/20 to 2021/22. This is based on the fact that for 2018/19 Merthyr Tydfil's final settlement of a funding reduction of 0.36% is circa 0.5% worse than the Wales average of +0.2%.

6.8 **Corporate Additional Demands**

- 6.8.1 Managers have identified a number of additional financial demands, considered unavoidable, for inclusion in the MTFP, resulting from demographic growth, current and future service financial pressures, together with slippage and non-delivery of previously budgeted savings. These additional budget requirements are detailed in Appendix F and are summarised in Table 8.

Table 8 – Additional Budget Demands

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Education Related	759	946	842
Social Services	1,132	1,132	1,132
Neighbourhood Services	105	106	108
Corporate Costs	483	543	561
Pay Award	363	686	1,035
Total Additional Demands	2,842	3,413	3,678

- 6.8.2 It is evident from Table 8 that £2.842 million of corporate additional demands are proposed for the 2018/19 financial year.
- 6.8.3 It is recognised that without reflecting these additional expenditure requirements within the MTFP the Council will face significant financial pressures in remaining within Budget for 2018/19 and the medium to long term. All additional demand requirements however are subject to ongoing review.

6.9 **Corporate Budget Reductions**

- 6.9.1 A number of corporate budget reduction initiatives are proposed in assisting the Council in meeting its financial commitments for 2018/19 and beyond. These are detailed in Appendix G and summarised in Table 9.
- 6.9.2 It is evident from Table 9 that £2.770 million of corporate budget reduction initiatives are proposed for the 2018/19 financial year.

Table 9 – Corporate Budget Reduction Initiatives

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Capital Financing Costs	-539	-358	143
Corporate Investment Fund	-600	-400	-400
Corporate Vacancy Factor	-200	0	0
Council Tax Benefit Payments	-100	-150	-200
Audit Fees/Subscriptions	-55	-55	-55
Insurance Premiums	-153	0	0
Collection Fund Surplus	-250	-250	-250
Holiday Pay/Living Wage Provision	-220	-220	-220
Service Budget Review	-484	-574	-405
Capitalisation of Severance Costs	-100	0	0
Further Budget Reserve Utilisation	-69	0	0
Total Corporate Budget Reductions	-2,770	-2,007	-1,387

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

6.10 **Budget Reserve Re-profile**

6.10.1 Table 10 indicates the proposed re-profile of the Budget Reserve to assist the budget setting process for 2018/19 and demonstrates a neutral impact on the Budget Reserve over the 3 year period 2018/19 to 2020/21.

Table 10 – Budget Reserve Re-profile

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
MTFP Approved Council 22/03/17	-800	-600	-400	-1,800
Proposed Re-profile	-600	200	400	0
Additional Utilisation	-69	0	0	-69
Revised Budget Reserve Profile	-1,469	-400	0	-1,869

6.11 **Service Budget Reductions**

6.11.1 Corporate Management Team has identified service budget reduction proposals of £801,000 for 2018/19. All proposals were risk assessed by

Chief Officers and Service Managers as achievable and deliverable with no adverse impact on the Council's Wellbeing objectives. The proposals are summarised in Table 11 and detailed in Appendix H.

Table 11 – Service Budget Reductions

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Learning	-13	-18	-24
Social Services	-164	-164	-164
Neighbourhood Services	-294	-463	-467
Community Regeneration	-81	-125	-140
Corporate Support Services	-249	-246	-241
Total Service Budget Reductions	-801	-1,016	-1,036

6.12 Schools Savings

6.12.1 Council of 13th December 2017 approved a 0% ('cash flat') funding increase for schools for 2018/19. Comparing the provisional budget requirement for 2018/19 (reflecting salary increases, pupil numbers and increases in running costs) of £39.297 million to the approved budget for 2017/18 of £38.826 million results in Schools requiring to identify £471,000 of budget savings for 2018/19.

6.12.2 Council of 7th February 2018 recognised that not all the schools proposed savings would be effective from 1st April 2018 hence reducing the savings for 2018/19 by £63,000 to £408,000.

6.13 Indicative Additional Demands

6.13.1 Indicative additional demands of £1 million per annum are included for 2019/20 to 2021/22 to reflect probable further requirements in addressing demographic growth and service financial pressures.

6.14 Council Tax

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

- Council Tax increase of 4.15% per annum
- Council Tax collection rate of 96%
- Council Tax Base of 18,098.08

6.15 In addition to paragraphs 6.7 to 6.14 it is important to note that the MTFP for 2018/19 to 2021/22 is compiled on the principles and assumptions outlined as follows:

- Service Delivery – based on the 2018/19 Budget service delivery approved by Council on 7th March 2018 whilst recognising the requirement for further budget reductions through the Council's Change Management programme
- Pay award of 2% per annum, based on National Joint Council for Local Government Services pay award recommendations for 2018/19 maintained for the period of the MTFP
- Salary Incremental Progression – included where appropriate together with Job Evaluation implications
- Inflation – allowance for unavoidable contractual uplifts (including energy costs) where appropriate with no increase for general inflation

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

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

6.17 Consultation

6.17.1 A public consultation exercise was undertaken across the County Borough from November 2017 to February 2018 in relation to the Council's Priorities and Budget for 2018/19 as engagement with citizens is an essential part of the budget setting process.

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

- Cabinet Roadshows
- On-line survey through the Council website and Cwm Taf Community Engagement Hub
- Engagement through Social Media
- Local press
- CONTACT Community Newspaper
- Engagement with staff and Trade Unions

6.17.3 The results of the consultation and engagement exercise were reported to Cabinet on 21st February 2018 with Council services prioritised as indicated in Table 12.

Table 12 – Council Services Prioritisation following Public Consultation

Budget Priority Area	Priority %	Response	Rank
Schools and Education	16	986	1
Care for the Elderly	15	913	2
Children's and Adults' Social Care	13	817	3
Refuse and Waste	10	585	4
Street Scene	9	540	5
Environmental Health & Community Safety	8	497	6
Leisure and Culture	8	493	7
Highways and Infrastructure	8	493	7
Community Regeneration	8	471	9
Physical Regeneration	5	327	10
Total	100	6,122	n/a

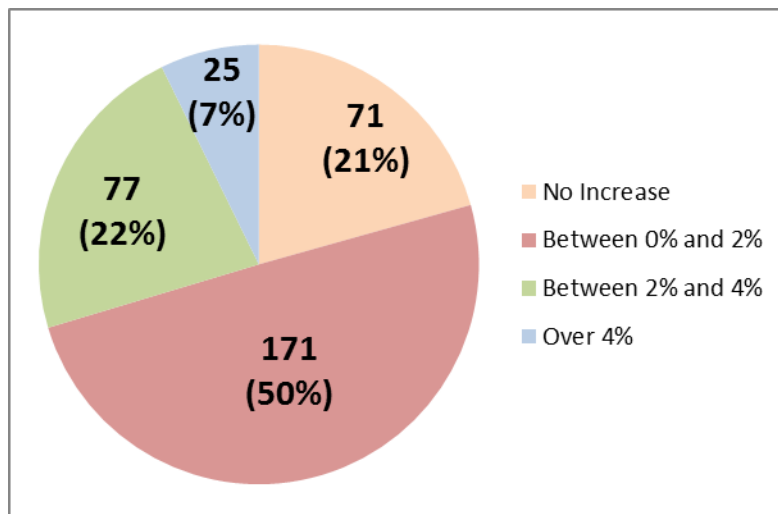
6.17.4 It is evident from Table 12 that 44% of the public have prioritised education and social care by ranking in priority order 1 to 3. This mirrors the Council's allocation of revenue resources (Table 3) in supporting education and social care.

6.17.5 In addition the outcomes in relation to potential Council Tax increase were reported to Council on 7th March 2018 as part of the formal Budget and Council Tax setting process. The consultation indicated that 76% of 352 respondents supported a reasonable increase in Council Tax if it meant that as many Council services as possible were maintained at current levels of service. In responding to the preferred level of Council Tax increase for 2018/19, 29% of the 344 respondents supported a Council Tax increase in excess of 2%, as follows:

- No increase – 71 respondents (21%)
- Between 0% and 2% – 171 respondents (50%)
- Between 2% and 4% – 77 respondents (22%)
- Over 4% – 25 respondents (7%)

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

Figure 4 – Preferred Council Tax Increase for 2018/19



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

6.18 **Sensitivity Analysis**

6.18.1 The development of sensitivity analyses techniques further prepares the Council for changing circumstances and its impact on the projected budget deficits for the medium term. This allows the Council to consider 'worst case', 'best case' and 'most likely' budget scenarios. The reported

indicative budget deficits for years 2 to 4 of the MTFP, as disclosed in Tables 2 and 5, are as follows:

- 2019/20 – £6.557 million
- 2020/21 – £10.498 million
- 2021/22 – £13.729 million

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

6.18.2 Council Tax Increase

The current MTFP for 2018/19 to 2021/22 is based on a Council Tax increase per annum of 4.15%, as approved for 2018/19.

An increase or decrease in the indicative Council Tax increase for 2019/20 of 1% to 5.15% or 3.15%, maintained for 2020/21 and 2021/22, would lead to revised budget deficits for the 3 year period as outlined in Table 13.

Table 13 – Impact of Revised Council Tax Increases

Financial Year	Budget Impact £'000	Indicative Budget Deficit at 4.15% £'000	Revised Budget Deficit at 5.15% £'000	Revised Budget Deficit at 3.15% £'000
2019/20	272	6,557	6,285	6,829
2020/21	568	10,498	9,930	11,066
2021/22	892	13,729	12,837	14,621

It is evident from Table 13 there is an increase in revenue for the Council from a further 1% increase in Council Tax of £272,000 for 2019/20, £568,000 for 2020/21 and £892,000 for 2021/22.

It should be noted that it was previously understood that Local Authorities in Wales were subject to informal “capping” by the Welsh Government whereby council tax increases were limited to a maximum of 5% per annum. In a continuing age of austerity however it is evident that a number of Local Authorities in Wales have approved Council Tax increases in excess of 5% for 2018/19.

6.18.3 Welsh Government Funding

Further required budget reductions for 2019/20 to 2021/22 are based on estimated funding reductions of 1.50%.

Table 14 explores the implications of revenue settlement reductions of 2.5% and 0.5% for the projected budget deficits for 2019/20 to 2021/22. In each scenario the modelled funding reduction is projected to be maintained for the duration of the MTFP.

Table 14 – Impact of Further WG Funding Reductions

Financial Year	Budget Impact £'000	Budget Deficit at AEF of -1.5% £'000	Budget Deficit at AEF of -2.5% £'000	Budget Deficit at AEF of -0.5% £'000
2019/20	903	6,557	7,460	5,654
2020/21	1,770	10,498	12,268	8,728
2021/22	2,602	13,729	16,331	11,127

It is evident from Table 14 that for every 1% better than projected AEF for 2019/20, additional funding of £903,000 is secured.

7.0 Capital Programme

- 7.1 The Capital Programme for 2018/19 to 2021/22 is outlined in Appendix I and indicates a core funded Capital Programme of £10.923 million for 2018/19 and £37.142 million for the four year period.
- 7.2 It should be noted that a significant amount of additional capital investment is supported by external providers such as Welsh Government, Heads of the Valley Programme, Heritage Lottery Fund and European Regional Development Fund demonstrating the Council's ability to attract and successfully bid for external capital funding.
- 7.3 The Council currently has a number of medium to long term capital commitments linked to its Corporate Priorities and Corporate Risk Register and supported by its Asset Management Plans. These are described as follows:

7.3.1 **21st Century Schools Programme**

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

Afon Taf High School

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

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

New Ysgol Y Graig Primary School

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

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

Band B Projects

New Build / Refurbishment schemes have been identified within an expenditure envelope of £53.608 million (Appendix J) over the lifetime of the programme (£17.066 million over the 4 years of the MTFP).

7.3.2 **Physical Regeneration Programme**

This involves physical regeneration projects within the Town Centre and surrounding areas within the County Borough. Appendix K outlines the indicative Physical Regeneration Programme for the Council whereby a financial commitment of £4.550 million from the Authority, commencing 2018/19, potentially secures the Council additional capital finance of £39.4 million. It should be noted that certain external funding bids are still subject to formal approval.

7.3.3 **Riverside**

Appendix L outlines the Riverside/Riverside Phase 3 Taff and Crescent Street Programmes. The Authority was successful in securing £6.7 million of funding in 2014/15 and 2015/16 to support both projects, with a contribution from the Authority of £7.007 million. This required a commitment from Merthyr Tydfil County Borough Council to complete the house purchase programme in Taff and Crescent Streets by the close of the 2018/19 financial year.

7.3.4 All other projects are briefly described under Appendix M.

7.4 From Appendices I to M it is evident that the Council is faced with challenging capital finance constraints but is innovative and effective in securing external funding and working with partners to support its capital investment ambitions. General Capital Funding received from the Welsh Government is projected to be maintained at £2.613 million per annum over the period of the Capital Programme, whilst new capital receipts from the sale of Council surplus assets is prudently projected not to exceed £600,000 per annum.

7.5 It is recognised that owing to funding restrictions there are a number of potential significant projects currently not included within the proposed Capital Programme which may result in further urgent requests to Cabinet for capital funding during 2018/19.

7.6 Council of 25th January 2017 approved the Joint Working Agreement formally establishing the Cardiff Capital Region Joint Committee under the City Deal initiative involving the 10 constituent Local Authorities within South East Wales. Specific projects within the initiative together with associated financial commitments are currently being determined.

7.7 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 £25.117 million.

7.8 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.

- 7.9 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.

8.0 Reserves Strategy

- 8.1 The level of balances at any particular point in time (both earmarked and non-earmarked) will inform decisions in respect of proposed utilisation to either offset budget setting pressures or to increase 'one-off' expenditure on corporate priorities. It is acknowledged that the continuous use of balances to avoid difficult budget decisions is both unwise and unsustainable.
- 8.2 The following initiatives were introduced for the 2014/15 financial year to enhance the budget monitoring process in supporting effective financial management and increased accountability:
- 8.2.1 **The Change Management Board** (supported by the Change Management Steering Group) monitors all Medium Term Financial Plan budget proposals to ensure deliverability of all projects within stated timescales.
- 8.2.2 **The Budget Board** complements both the Change Management Board and effective budget accountability by rigorous scrutiny of monthly budget monitoring statements followed by robust challenging of responsible managers.
- 8.3 The Council's Corporate Reserves Policy was formally approved by Council on 22nd March 2017.
- 8.4 In demonstrating the Council's reserves strategy each type of reserve is addressed individually in paragraphs 8.5 to 8.8.
- 8.5 **General Reserves**
- 8.5.1 General Reserves consist of un-hypothecated reserves enabling the Council to respond to unforeseen or unexpected financial liabilities.

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

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

This objective was formally adopted within the Corporate Reserves Policy.

- 8.5.3 Under Part II of the Local Government Act 2003, the Chief Finance Officer is required to report upon the adequacy of general reserves (most recent report to Full Council meeting 7th March 2018). As at 1st April 2018, total General Reserves is estimated to be £4.627 million which is considered adequate for Merthyr Tydfil County Borough Council, equating to circa 3.9% of the net revenue budget.
- 8.5.4 It is proposed that General Reserves will remain at circa £4.6 million for the duration of the MTFP 2018/19 to 2021/22. This would allow the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures. It is not considered prudent for the Council to utilise general reserves to support its future revenue budget plans owing to the unacceptable risk and exposure to the Council of an inadequate level of reserves to address potential future revenue budget overspends. In addition the level and adequacy of Council general reserves is also subject to scrutiny by external regulators.

8.6 Insurance Fund

- 8.6.1 The Council maintains an Insurance Fund to enable it to respond to any known or potential future insurance liability with the balance reviewed annually by its Insurance Advisor Marsh Limited.
- 8.6.2 The audited balance at 31st March 2017 of £3.386 million includes a provision for £1.004 million reflecting the Authority's outstanding insurance claims obligations at 31st March 2017.
- 8.6.3 A review incorporating insurance claims trends and projections together with Insurance Fund comparisons with all Welsh Local Authorities has concluded that no insurance fund injection was required for 2017/18 to 2018/19. This reduces the Insurance Fund balance to a projected balance of circa £1.3 million at 31st March 2019. This is deemed satisfactory owing to the Insurance Provision of £1.004 million.

8.7 Local Management of Schools

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

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

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

This is owing to:

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

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

- 31st March 2016 – £779,000
- 31st March 2017 – £956,000
- 31st March 2018 – a projected £1.18 million

8.8 Other Earmarked Reserves

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

8.8.2 Balances held for specific purposes increased from £12.477 million at 31st March 2016 to £13.662 million at 31st March 2017 resulting from additional appropriations to earmarked reserves together with re-classification to reserves of items previously classified as creditors.

- 8.8.3 Through continuous monitoring and review, every realistic opportunity to release earmarked reserves to assist with future budget planning is explored.
- 8.8.4 It should be noted that increased earmarked reserves result from prudent budget management with the Council recognising the anticipated future financial liabilities resulting from the Change Programme agenda, including projected investment costs and employee severance costs.
- 8.9 Members' engagement in scrutinising the level of reserves held by the Council is ensured through the following processes, with the main focus being in respect of the Council Fund (General Reserves) and Schools Balances:
- Cabinet Members are appraised of reserve balances during the budget setting process through Cabinet Budget Workshops and subsequent formal Cabinet meetings and provide effective challenge where appropriate
 - The Budget Board, consisting of the Leader of the Council and Deputy Leader of the Council, considers the adequacy of reserves and balances through budget monitoring updates
 - Cabinet considers the impact of budget monitoring reports on the level of reserves
 - Members of the Scrutiny Committees and Audit Committee, encompassing all Council Members in at least one committee, challenge the use and adequacy of reserves where appropriate
 - Schools Forum considers the adequacy of schools balances and provides effective challenge
 - The adequacy of General Reserves is reported to the Full Council meeting tasked with approval of the annual Budget and is subject to question

9.0 Treasury Management

- 9.1 The Council's Treasury Management Policy and Annual Investment Strategy for 2018/19 are appended as Appendix N. The Prudential Indicators included within the Policy, ensure that the Council's borrowing and investment plans included within the MTFP are affordable, prudent and sustainable.
- 9.2 Appendix N reflects the Minimum Revenue Provision Statement for 2018/19 approved by Council on 7th March 2018.

- 9.3 A Treasury Outturn Statement for 2017/18 and a Mid- Year Treasury Statement for 2018/19 will be reported to Council during the 2018/19 financial year.
- 9.4 If appropriate, revised Prudential Indicators may be reported to Council during 2018/19 in the event of unforeseen circumstances such as greater than projected borrowing or potential breach of borrowing limits.

Medium Term Financial Plan 2018/19 to 2021/22
Corporate Summary

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
People and Performance Directorate	77,250	78,803	79,844	81,005
Place and Transformation Directorate	22,183	22,690	23,181	23,756
Corporate Costs	21,473	22,446	23,000	23,208
Discretionary Non Domestic Rate Relief	46	46	46	46
Apprenticeship Levy	266	268	271	274
Employee Severance Costs	1,056	1,306	1,306	1,306
Contribution to Corporate Investment Fund	0	200	200	200
Indicative Additional Demands	0	1,000	2,000	3,000
Non General Fund Allocations	-835	-835	-835	-835
Collection Fund Surplus	-850	-850	-850	-850
Corporate Vacancy Factor	-600	-400	-400	-400
Contribution from Living Wage Reserve	-275	-296	0	0
Contribution from Corporate Investment Fund	-184	-188	-192	0
Capitalisation of Severance Costs	-600	0	0	0
Contribution from Budget Reserve	-1,469	-400	0	0
Net Expenditure	117,461	123,790	127,571	130,710
Available Finance	-117,461	-117,233	-117,073	-116,981
Projected Budget Deficit (to be identified through the Corporate Change Programme)	0	6,557	10,498	13,729

Medium Term Financial Plan 2018/19 to 2021/22
People and Performance Directorate

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Business Support</u>				
Business Manager	59	61	62	63
Compliments and Complaints	74	77	78	80
Quality & Regulation Services	101	104	106	108
Client Financial Management Services	225	231	236	241
Receivership	28	22	22	22
<u>Duty, IAA & ACT Compliance</u>				
Out of Hours/Emergency Duty Services	75	63	63	67
IAA Duty Services	68	69	71	72
<u>Early Intervention and Assistance Services</u>				
Multiple Intervention Assistance Service	0	0	0	0
Carers Network	218	239	237	237
<u>Social Services Collaborative Partnerships</u>				
SEW IT Shared Service	26	26	26	26
Integrated Community Equipment Store (ICES)	169	175	185	185
Cwm Taf Social Care Workforce Development	144	150	154	157
Cwm Taf Youth Offending Services	340	340	340	340
Vale, Valleys & Cardiff (VVC) Regional Adoption Group	175	175	180	185
Integrated Family Support Services (IFST)	280	280	280	280
Delivering Transformation (Collaborative Regional Change Agenda)	62	62	62	62
Cwm Taf Autism Service	40	40	40	40
Deprivation of Liberty (DOLs) Services	72	73	80	81
<u>Adult Social Care</u>				
Adult Services Management	145	149	151	154
Social Care Client Service Strategies	48	51	54	56
Health Park Accommodation (previously Social Services Running Costs)	163	163	163	163
<u>Assessment & Care Management Services</u>				
Social Work Team	1,183	1,216	1,245	1,272
<u>Initial Support Services</u>				
ISS Management	68	69	71	72
Initial Adult Services	261	267	273	278
Initial Response Services	567	589	602	611
Community Occupational Therapy	395	404	411	418
Telecare / Telehealth Services	37	37	37	37

Medium Term Financial Plan 2018/19 to 2021/22
People and Performance Directorate

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Supported and Accommodation Services</u>				
MTCBC Homes for the Elderly	1,749	1,801	1,861	1,900
MTCBC Group Home (Llysfaen Fach)	904	935	955	971
Supporting People	99	101	103	106
<u>Day Care Services</u>				
Outside/Community Based Activities	227	232	235	240
Day Centres	1,006	1,035	1,045	1,068
Transport	215	225	234	243
<u>Independent External Care Provision</u>				
Supported Placements	2,496	2,861	3,193	3,037
Shared Lives	387	472	514	559
Independent Domiciliary Care	1,812	1,937	2,013	2,091
Direct Payments	1,693	1,733	1,806	1,878
Independent Commissioned Day Services	166	166	166	166
Independent Residential Establishments (IRE's)	4,751	5,027	5,174	5,325
Extra Care Facility	248	269	283	298
<u>Children's Social Care</u>				
Children's Social Care	203	208	212	216
<u>Children with Disabilities</u>				
Children with Disabilities	687	725	706	723
<u>Children Looked After</u>				
Looked After Children Team	499	517	531	544
Looked After Children Educational Support (LACES)	161	163	165	168
Fostering & Family Placement Team	413	424	433	442
LAC Residential Placement Services	1,495	1,154	1,228	1,219
Fostering Services	3,016	3,013	2,798	2,725
Leaving Care Support Services	412	463	560	666
Adoption Services	111	123	135	146
Advocacy Services	75	75	75	75
<u>Intake & Family Support Services</u>				
Intake Team	549	568	581	593
Child & Family Team	633	652	673	692
Specialist Family Support	25	25	25	25
Family Centre & Contact Services	623	639	651	662
Children in Need	432	440	446	453
Support Other Than Looked After Services	752	577	522	636

Medium Term Financial Plan 2018/19 to 2021/22
People and Performance Directorate

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Youth Justice Services</u>				
Youth Justice Services (LASPO)	0	0	0	0
<u>Safeguarding</u>				
Merthyr Tydfil Safeguarding Unit	200	204	210	214
Independent Safeguarding Services	108	110	111	114
Multi Agency Safeguarding Hub (MASH)	311	321	329	336
<u>Early Years and Youth Management</u>	60	61	63	61
<u>Early Years & Youth</u>				
Early Years	156	156	208	209
Integrated Children's Centre Services	-29	-28	-10	-11
Integrated Children's Centre building	92	93	94	93
<u>Youth Services</u>				
1400 Youth Service Management	120	122	125	121
1422 Youth Service Street based	66	68	71	70
1425 Youth Service 16+	35	37	37	36
1451 Youth Servie Penydre	102	104	106	104
1452 Youth Service Treharris	87	89	90	88
1457 Youth Service Cyfarthfa	79	80	82	80
1466 Youth Service Troedyrhiw	75	77	79	81
1730 Youth service YPAG	0	0	0	0
1731 Youth Service Strategy Grant	0	1	1	0
Sufficiency Assessments	20	20	20	20
Participation & Youth Support Services	83	84	86	87
<u>Communities First Grant</u>	0	0	0	0
<u>Inspire Programmes</u>				
Inspire to Achieve	0	0	0	0
Inspire to Work (to be confirmed)	0	0	0	0
Inspire Match Funding	24	24	24	24
<u>Families First (grant)</u>	0	0	0	0
<u>Community Development</u>				
Adult Community Learning (inc. Venture Out)	34	37	39	37
Family & Community Services	49	50	52	51

Medium Term Financial Plan 2018/19 to 2021/22
People and Performance Directorate

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Individual Schools Budget</u>				
Individual Schools Budget (ISB)	38,888	39,499	39,499	39,970
Ynysowen Speech & Language	79	80	81	81
Partial Hearing Classes	162	164	166	166
EIG	241	246	251	256
<u>Other School Expenditure</u>				
Maternity Costs	62	64	65	66
Facility Time	16	16	16	16
Retirement / Severance	364	373	381	390
Welsh Joint Education Committee (WJEC)	14	14	14	14
<u>School Meals</u>	13	14	14	14
<u>Strategic Management and Support</u>				
Strategic Management and Support (now only training)	7	7	7	7
Extended Leadership Team	78	80	81	83
<u>School Support Services</u>				
Statutory Building Compliance/Maintenance	47	47	47	47
Health & Safety	29	29	29	30
Caretaking & Cleaning SLA	0	0	0	0
LMS & Resources	48	50	52	54
Admissions	70	66	69	70
Governor Support	27	29	31	33
Headteacher / Schools Forum	3	3	3	3
General Office Running Costs	10	10	10	10
Peripatetic Music Service	0	0	0	0
Youth Orchestra Service	15	16	16	16
<u>Other Education</u>				
Local Safeguarding Children's Board (LSCB)	9	9	9	9
Vacant Education Properties	0	3	3	3
School Building Lease	17	17	17	17
Grant to Organisations	1	1	1	1

Medium Term Financial Plan 2018/19 to 2021/22**People and Performance Directorate**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Special Educational Needs</u>				
Education Inclusion	66	69	71	72
Enhanced Provision	1,337	1,363	1,390	1,417
Speech Therapists	51	52	53	53
Special Tuition	231	235	240	245
Special Needs Advisory Teachers	115	116	117	119
Special Recoupment	816	816	816	816
Psychological Services	382	392	401	410
SNAP Cymru	13	13	13	13
ALN Training	12	12	12	12
School Counselling	69	70	72	72
School Transport	979	979	979	979
<u>School Improvement</u>				
Strategic Education Projects	89	89	89	89
Schools Data Management Systems	106	108	110	113
Joint Education Service	250	250	250	250
Net Expenditure	77,250	78,803	79,844	81,005

Medium Term Financial Plan 2018/19 to 2021/22**Place and Transformation Directorate**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Director</u>				
ICT Computers	1,512	1,538	1,559	1,581
Schools Support Team	0	0	0	0
ICT Printing	188	192	196	200
Business Change	354	367	374	382
Corporate Communications Team	134	136	139	142
News Merthyr/Contact Supplement	0	1	1	1
Emergency Planning	99	101	103	105
<u>Community Regeneration</u>				
Economic Development	217	221	225	229
Physical Regeneration	184	187	190	193
Rights of Way	92	93	95	96
Orbit Business Centre	-21	-24	-14	-15
Tourist Information Centre	0	0	0	0
<u>Employability</u>				
Employability core	288	291	296	293
Bridges into work 2 (grant)	0	0	0	0
Working Skills for Adults	0	0	0	0
Communities for Work P3	0	0	0	0
Communities for Work P1	0	0	0	0
<u>Neighbourhood Services</u>				
Bereavement Services	-54	-52	-51	-44
Grounds Maintenance	1,228	1,257	1,281	1,308
Street Cleansing	1,174	1,206	1,235	1,262
Fleet Management	720	734	748	773
<u>Refuse and Waste</u>				
Waste Disposal	730	726	756	786
Civic Amenities	820	748	785	810
Recycling	279	290	299	310
Refuse Collection	815	836	853	868
Sustainable Waste Management Grant	719	760	797	829
Pentrebach Waste Management Depot	331	339	343	348

Medium Term Financial Plan 2018/19 to 2021/22**Place and Transformation Directorate**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Highways and Engineering</u>				
Highways Administration	427	438	440	449
Highways Operational	805	810	823	836
Street Lighting	271	281	292	304
Bridge Maintenance	105	105	105	105
Land Drainage	47	50	52	54
Land Reclamation	21	21	21	21
Traffic Management	38	38	38	39
Engineering	413	422	430	439
Depots	78	30	41	43
<u>Corporate Property & Estates</u>				
Corporate Property & Estates Division	663	648	635	652
Glynmil Gipsy Site	3	3	3	3
Asset Management	0	18	19	19
Office Accommodation	765	779	794	809
<u>Public Protection</u>				
Housing Renovation Grants	-71	-69	-67	-6
Housing Services (RSL's Advice & Strategy)	460	526	545	553
Community Safety	119	122	125	127
Trading Standards General	240	246	252	256
Licensing	21	26	28	31
Public Health	91	94	96	98
Environmental Protection & Housing	157	161	164	167
Operational - Dog Warden and Pest Control	60	62	64	65
Animal Impounding	2	2	2	2
Food Safety & Prevention of Infectious Diseases	194	200	205	210
Default Works	0	0	0	0
Registrars	80	87	92	97
Contribution from Renewal Reserve	-75	-50	0	0
Transport	1,573	1,560	1,571	1,591
<u>Planning & Countryside</u>				
Planning - Development Control	156	167	175	182
Planning - Development Plan	425	498	446	454
Building Control	53	58	61	65

Medium Term Financial Plan 2018/19 to 2021/22**Place and Transformation Directorate**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Corporate Services</u>				
Risk Management	96	100	103	106
Partnerships	50	50	50	51
Service Support and Development	756	781	799	816
Executive Support	191	195	199	203
CCTV	165	167	169	171
Peace of Mind	12	18	23	29
Audit	234	243	251	258
Benefits	294	327	356	383
Revenues	32	52	70	88
Parking Services	-288	-273	-277	-274
Leisure Trust	2,423	2,423	2,423	2,423
Retained Leisure budgets	80	83	85	86
<u>Finance</u>				
Accountancy	728	750	764	780
Insurance	46	47	47	48
Creditors	150	154	157	160
Procurement	284	293	300	306
Net Expenditure	22,183	22,690	23,181	23,756

Medium Term Financial Plan 2018/19 to 2021/22**Corporate Costs**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Corporate Management - Executive</u>	1,581	1,638	1,671	1,704
<u>Corporate Authority</u>				
Capital Financing Costs	7,024	7,292	7,709	7,738
Rent Allowances	-6	-6	-6	-6
Council Tax Benefit Payments	6,025	6,075	6,125	6,175
Levies	2,953	2,953	2,953	2,953
Contribution to Pensions	453	453	453	453
External Audit and Inspection Fees	330	330	330	330
Insurances	400	1,053	1,053	1,053
Provision for Bad Debts	100	100	100	100
External Legal Fees	30	30	30	30
Grants to Voluntary Organisations	14	14	14	14
Subscriptions	95	95	95	95
Bank Charges	71	71	71	71
Empty Property NDR Relief	31	32	32	33
Welsh Translations	77	77	77	77
Welsh Water Long Term Debt Interest	-11	-7	-7	0
Payroll Insurance Income	-5	-4	-4	-4
Corporate Property	-64	-64	-64	-64
<u>Human Resources</u>				
Human Resources	576	595	611	622
Trade Unions	25	26	27	27
Payroll	252	259	265	271
<u>Legal</u>				
Legal	243	251	256	262
Information Governance	94	98	99	101
Democracy	203	207	211	215
Register of Electors	40	40	40	40
Mayor Expenses	62	63	65	66
Members Expenses	761	770	777	784
Scrutiny	1	1	1	1

Medium Term Financial Plan 2018/19 to 2021/22**Corporate Costs**

Description	Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000
<u>Performance</u>				
Corporate Team	178	187	196	204
Social Service Team	99	102	105	108
<u>Miscellaneous</u>				
Holiday Pay	22	22	22	30
Energy Levy	0	40	40	40
Strategic Partnership Workstreams	-181	-347	-347	-315
Net Expenditure	21,473	22,446	23,000	23,208

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
<u>Aggregate External Finance (Note 1)</u>			
Budgeted Settlement (Note 2)	84,769	80,954	77,978
Final Settlement (Note 3)	90,305	88,950	87,616
Increase in Aggregate External Finance	-5,536	-7,996	-9,638
<u>Council Tax Base</u>			
Provisional Council Tax levy (Note 4)	26,787	27,564	28,363
Final Council Tax levy (Note 5)	26,830	27,608	28,408
Increase in Council Tax levy (Note 6)	-43	-44	-45
<u>Transfers In to the Settlement (Note 7)</u>			
Waste Element of Single Revenue Grant	598	598	598
Welsh Independent Living Grant	565	565	565
Social Care Workforce Grant	408	408	408
Looked After Children	190	190	190
Carers' Respite Care Grant	65	65	65
Total Transfers In	1,826	1,826	1,826
<u>New Responsibilities (Note 8)</u>			
Homelessness Prevention	109	109	109
Charging for Residential Care	134	134	134
Total New Responsibilities	243	243	243
<u>New Expectation (Note 9)</u>			
Discretionary Rate Relief	26	26	26
Total New Expectations	26	26	26
<u>Validation Amendments (Note 10)</u>			
Social Care Workforce Grant	-408	-408	-408
Homelessness Prevention	-57	0	0
Total Validation Amendments	-465	-408	-408
Net Impact of Revenue Settlement	-3,949	-6,353	-7,996

Notes to the Impact of Local Government Settlement

1. The Aggregate External Finance (AEF) consists of the total of Revenue Support Grant and Redistributed Non Domestic Rates
2. Based on indicative Council projected AEF of -4.5% for 2018/19 to 2020/21
3. Based on Final Welsh Government AEF of -0.36% for 2018/19 and estimated Council AEF of -1.5% for 2019/20 to 2021/22
4. Based on Provisional Council Tax Base of 18,069.24 (96% collection rate) – 2017/18 base approved by Council 30th November 2016
5. Based on Final Council Tax Base of 18,098.08 (96% collection rate) – 2018/19 base approved by Council 13th December 2017
6. Based on an indicative Council Tax Increase of 2.9% per annum (as approved for 2017/18)
7. Transfers in to the Settlement of monies previously held outside the Settlement as specific grants
8. Additional monies included within the Settlement in respect of new responsibilities relating to the prevention of homelessness and an increase to the capital limit for charging for residential care to £40,000
9. Reflects new expectation in respect of discretionary rate relief for small businesses
10. Relates to amendments to transfers in and new responsibilities reflecting monies already included within the Medium Term Financial Plan and current anticipated requirements

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Individual Schools Budget (ISB) Further requirement following the re-calculation of the ISB reflecting need and pupil numbers based on 2017/18 service provision (Council 13 th December 2017)	198	379	268
Learning – Enhanced Provision Additional requirement reflects current actual pupil demand in system as evidenced by the projected budget overspend in 2017/18, £139,000 reported to Cabinet of 22 nd November 2017 in respect of 2 nd Quarter (Council 13 th December 2017)	146	149	152
Learning – Speech Therapists Council approved budget reduction for 2017/18 not realised. Meeting required with Cwm Taf University Health Board and Rhondda Cynon Taf County Borough Council to negotiate costs (Council 13 th December 2017)	9	9	9
Learning – Special Tuition Additional requirement reflects current actual pupil demand in system as evidenced by the projected budget overspend in 2017/18, £93,000 reported to Cabinet of 22 nd November 2017 in respect of 2 nd Quarter (Council 13 th December 2017)	92	93	95
Learning – Special Needs Advisory Teachers Reflects increase in Service Level Agreements with Rhondda Cynon Taf County Borough Council for Vision Impairment Teaching and Mobility of £23,000 (£12,000 to £35,000) and Additional Learning Needs Equipment of £5,000 (£10,000 to £15,000) (Council 13 th December 2017)	28	28	28

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
School Transport – Special Educational Needs Relates to additional contracts and revisions to prices. 28 contract requests made between July 2017 and September 2017 (Council 13 th December 2017)	199	199	199
Children Looked After Residential Placements Reflects financial pressures resulting from additional residential placements as evidenced by the projected budget overspend in 2017/18, £331,000 reported to Cabinet of 22 nd November 2017 in respect of 2 nd Quarter (Council 13 th December 2017)	340	340	340
Neighbourhood Services – Street Cleansing Reflects employment of additional Fly Tipping Clearance team in order to achieve 5 day clearance target. Relates to 2 agency employees plus transport. (Council 13 th December 2017)	50	51	53
School Transport Reflects additional contracts and revisions to prices (Council 13 th December 2017)	87	89	91
Neighbourhood Services – Street Lighting Relates to 6 year rolling programme of compliance testing of the street lighting assets consisting of electrical network/column testing and structural column testing (Council 13 th December 2017)	30	30	30

Appendix F (continued)

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Corporate Services - Benefits Reflects the Department for Work and Pensions' indication that Housing Benefit Administration Grant will reduce to circa £245,000 in 2018/19 and by a further 10% in each subsequent year (Council 13 th December 2017)	51	71	89
Corporate Property - Rentals Reflects loss of rental income following Cabinet approved sales of Pontcae Surgery (£18,000) and Gurnos Farm (£6,250) on 22 nd March 2017 and 13 th September 2017 respectively (Council 13 th December 2017)	25	25	25
Customer Programme Delivery of £280,000 of the budgeted savings of £500,000 included within the Medium Term Financial Plan considered unachievable at this time. Business cases considered at Audit Committee on 1 st December 2017 and Governance Scrutiny Committee on 8 th December 2017 prior to consideration at Council on 13 th December 2017. In addition £27,000 additional monies is required to support the extension of the Revenues and Benefits software support and maintenance contract including enhancements to support the full implementation of the Customer Programme – considered at Cabinet of 13 th December 2017. (Council 13 th December 2017)	307	307	307
Supporting People Delivery of £200,000 of the budgeted savings of £400,000 included within the Medium Term Financial Plan considered unachievable at this time (Council 13 th December 2017)	200	200	200

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Strategic Social Services Delivery of £417,000 of the budgeted savings of £1.01 million for 2018/19 and £1.31 million thereafter included within the Medium Term Financial Plan considered unachievable in the short-term. These include Business Cases in respect of Day Centres and Care Homes. (Council 13 th December 2017)	417	417	417
Merthyr Tydfil Leisure Trust The budgeted management fee reduction of £100,000 included within the Medium Term Financial Plan is considered unrealistic until the Trust's financial position stabilizes. An additional financial contribution to the Leisure Trust for 2017/18 was approved by Council on 22 nd November 2017. (Council 13 th December 2017)	100	100	100
South Wales Fire and Rescue Service Levy The Council was notified on 7 th November 2017 of the South Wales Fire and Rescue Service's intention to increase its levy to its constituent Local Authorities for 2018/19 by 1.36%. Merthyr Tydfil's proposed equivalent increase is 1.08% resulting in a total proposed levy for 2018/19 of £2,772,639. In responding to the consultation exercise the Council has expressed its view that the levy should mirror the Local Government Revenue Settlement whereby the Council suffered a 1% reduction in funding. (Council 13 th December 2017)	25	25	25

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Energy Levy Reflects the increase in the Climate Change Levy to 0.847 pence per KWh for electricity and 0.339 pence per KWh for gas. Additional costs relating to 2018/19 are met from the existing Energy Levy budget. (Council 13 th December 2017)	0	40	40
Pay Award Relates to the National Employers for Local Government Services final pay offer to the Trade Unions in essence equating to a 2% increase per annum for the period 1 st April 2018 to 31 st March 2020. A 1% increase per annum was originally budgeted. (Council 7 th February 2018)	363	686	1,035
Children Looked After Residential Placements Reflects financial pressures resulting from additional residential placements in December 2017 within the Children Looked After system. (Council 7 th February 2018)	175	175	175
Total	2,842	3,413	3,678

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Capital Financing Costs Negotiation of early repayment of £12 million long-term loans with Commerzbank in January/February 2018. Relates to Lender Option/Borrower Option (LOBO) loans at current coupon rate of 4.5%. The anticipated savings are net of an estimated premium charge of £4.6 million for early repayment. (Council 13 th December 2017)	-300	-290	-280
Corporate Investment Fund Relinquishment of budgeted contribution of £600,000 for 2018/19 whilst reflecting reduced contributions of £200,000 for 2019/20 and 2020/21. The Fund balance at 31 st March 2018 is anticipated to be in excess of £600,000 offering further support for invest-to-save opportunities. In addition further contributions to the Fund may result from ongoing reviews of and release from earmarked reserves balances. (Council 13 th December 2017)	-600	-400	-400
Corporate Vacancy Factor Relates to savings resulting from the time elapsing between core funded posts becoming vacant and being filled. Proposal to increase budget from £400,000 to £600,000 for 2018/19 reflecting the surplus outturn reported for 2016/17 and projected for 2017/18. (Council 13 th December 2017)	-200	0	0

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Council Tax Benefit Payments Relates to the council tax reduction scheme and is based on eligible caseload. As at 31 st October 2017 caseload was 6,695 compared to 7,668 when scheme was introduced in 2013/14. Budget was reduced by £200,000 from 2017/18 but it is considered that a further budget reduction can be accommodated. (Council 13 th December 2017)	-100	-150	-200
External Audit and Inspection Fees Wales Audit Office Audit Plan for 2017 reflects a reduction in fees from £338,000 to £313,000 for 2017/18 with current budget set at £380,000. (Council 13 th December 2017)	-50	-50	-50
Insurance Premiums Proposed 'one-off' reduction of contribution to insurance premium costs from £553,000 to £400,000 for 2018/19 with the Insurance Fund covering any shortfall. A £500,000 insurance fund injection "holiday" is already approved for 2017/18 and 2018/19 with an Insurance Fund balance of £2.382 million at 31 st March 2017. An Insurance Provision of £1.004 million at 31 st March 2017 also exists reflecting the Authority's outstanding insurance claims obligations. (Council 13 th December 2017)	-153	0	0
Subscriptions This consists of annual subscriptions to the Welsh Local Government Association (£78,000), Society of Welsh Treasurers (£3,000), Institute of Public Finance Statistics (£8,000), South Wales Local Resilience Forum (£5,000) and Consortium of Local Authorities in Wales (£1,000). Saving of £5,000 against budgeted £100,000. (Council 13 th December 2017)	-5	-5	-5

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Collection Fund Surplus Based on trend data and projected council tax income due it is anticipated that budgeted £600,000 will be exceeded by a minimum of £200,000. (Council 13 th December 2017)	-250	-250	-250
Holiday Pay Responding to case law this relates to holiday pay for employees regularly working above contracted hours. Proposal to release £70,000 of budgeted £100,000 since additional costs absorbed within service areas. (Council 13 th December 2017)	-70	-70	-70
Living Wage Provision This provision is no longer required since the commitment has been absorbed within service budgets. (Council 13 th December 2017)	-150	-150	-150
Service Budget Review – General This relates to adjustments to the Medium Term Financial Plan in respect of all services reflecting updated information in respect of salary grades and points, membership of the pension fund, business rates and contractual inflation costs in realigning budgets to actual need. (Council 13 th December 2017)	-212	-270	-262

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Service Budget Review – Social Care This relates to adjustments to the Medium Term Financial Plan reflecting updated information in respect of clients care packages within Supported Placements owing to changes in care needs, lower than anticipated cost of care packages and additional income from Cwm Taf University Health Board in respect of joint funded packages. (Council 13 th December 2017)	-272	-304	-143
Capitalisation of Severance Costs Based on current projections for 2018/19 an additional £100,000 to the originally budgeted £500,000 new capital receipts can be utilised to assist with financing the costs associated with employee severance resulting from service restructuring and reform. (Council 7 th February 2018)	-100	0	0
Capital Financing Costs Reflects a reduction in capital financing costs in comparing original budget within the MTFP with borrowing requirements to support proposed Capital Programme 2018/19 to 2021/22. (Council 7 th February 2018)	-239	-68	423
Budget Reserve Contribution Reflects further utilisation of the Budget Reserve for 2018/19 in setting the Budget Requirement for 2018/19. This increases the total Budget Reserve contribution for 2018/19 to £1.469 million. (Council 7 th March 2018)	-69	0	0
Total	-2,770	-2,007	-1,387

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Neighbourhood Services Relates to the in-house management of the Council's Household Waste Recycling Centres approved at Council of 27 th September 2017 (Council 7 th February 2018)	-108	-216	-216
Neighbourhood Services Relates to Depot rationalisation linked to Cabinet report 8 th March 2017 (Council 7 th February 2018)	0	-50	-50
Neighbourhood Services Relates to security savings resulting from the installation of security fences at the Council's two household waste recycling sites. The cost of installation of £249,000 is included within the Capital Programme for 2017/18 approved by Council on 2 nd March 2017 as revised by Cabinet on 22 nd November 2017 to reflect actual tender price. (Council 7 th February 2018)	-132	-135	-139
Neighbourhood Services Relates to a Voluntary Early Retirement within office cleaning approved through delegated authority on 30 th November 2017 by the Leader, Chief Executive, Head of Human Resources and Chief Finance Officer. (Council 7 th February 2018)	-6	-6	-6
Community Regeneration Relates to an increase in Fees and Charges within the Registrars Service linked to Cabinet report of 13 th December 2017 (Council 7 th February 2018)	-2	-2	-2

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Finance Deletion of Procurement post following Voluntary Early Retirement of post holder in 2017/18. Approved through delegated authority on 16 th February 2017 by the former Leader, Chief Executive, Head of Human Resources and Chief Finance Officer. (Council 7 th February 2018)	-28	-28	-28
Business Change, Performance, Scrutiny Relates to savings following service restructure as approved by Council on 22 nd November 2017 (Council 7 th February 2018)	-108	-105	-101
Learning Proposed 2% reduction in the Council's contribution to the Central South Consortium from £254,827 to £249,730 together with over estimation of £8,000 within the Medium Term Financial Plan (Council 7 th February 2018)	-13	-18	-24
Social Services Further review of Medium Term Financial Plan has identified additional savings across the Social Services Directorate by realigning budgets to actual need (Council 7 th February 2018)	-164	-164	-164
Neighbourhood Services Relates to the reduction in advertising and promotion within Waste Management from a budget of £21,000 to £16,000 (Council 7 th February 2018)	-5	-5	-5

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Community Regeneration Relates to a voluntary reduction in employable hours within Trading Standards resulting in no adverse impact on service delivery (Council 7 th February 2018)	-10	-10	-10
Community Regeneration Relates to a voluntary reduction in employable hours within Transport resulting in no adverse impact on service delivery (Council 7 th February 2018)	-18	-18	-18
Corporate Communications Savings in mayoral costs of reduction in the mayoral fuel budget of £3,000 and Mayor's No. 2 Account of £2,000 plus deletion of Mayor's Regalia Account of £700 and Mayor's Souvenir Account of £1,000 (Council 7 th February 2018)	-7	-7	-7
Corporate Utilisation of Corporate Investment Fund to finance the costs of continuing with a hard copy CONTACT magazine. The Fund balance at 31 st March 2018 is anticipated to be in excess of £600,000. (Council 7 th February 2018)	-15	-15	-15
Finance Projected increase in purchase card income from £15,000 to £22,000 per annum. Expenditure incurred through purchase card payment is projected to be circa £2.2 million for 2018/19 with a rebate of 1%. (Council 7 th February 2018)	-7	-7	-7

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Community Regeneration Relates to the deletion of a vacant External Funding Officer post which has been vacant since 18 th June 2017. The main purpose of the post is to provide a range of funding advice and support within the Regeneration Service, across wider Council Services and to external Voluntary Sector organisations. The focus of the role has concentrated on European finance, representing the Authority on all regional Welsh European Funding Office structure. With the wind-down of the European Funding Programmes in advance of Brexit, a large element of the role is no longer necessary. Due to high level of funding expertise within the Regeneration team, and uncertainty about future Welsh Government funding priorities, this function will be absorbed as appropriate. (Council 7 th February 2018)	-35	-36	-36
Finance Relates to the appointment to a vacant post within the Accountancy Department at the bottom of the salary grade together with a voluntary reduction in employable hours. There is no adverse impact on service delivery. (Council 7 th February 2018)	-5	-4	-3
ICT Relates to procurement saving in respect of the contract for Network Penetration Testing (Council 7 th February 2018)	-8	-8	-8

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

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000
Legal Relates to the deletion of a vacant Assistant Solicitor post within the Legal Department following service restructure. This follows the appointment of the Solicitor formerly responsible for contracts and employment law to the post of Head of Human Resources whilst still providing legal advice on employment issues. This arrangement is considered manageable by the Head of Legal Services. (Council 7 th February 2018)	-27	-28	-28
Legal Relates to the voluntary reduction of employable hours within the Legal Department resulting in no adverse impact on service delivery (Council 7 th February 2018)	-10	-10	-10
Proposals Requiring Business Cases Relates to proposals considered under the exempt report to Council of 7 th March 2018 (Council 7 th March 2018)	-93	-144	-159
Total	-801	-1,016	-1,036

Indicative Capital Programme 2018/19 to 2021/22**Original Schemes****Education**

21st Century Schools Programme : Band A Ysgol Y
Graig
Schools Feasibility Studies

Physical Regeneration

Town Centre Regeneration Programme
Cyfarthfa Park Heritage
Vibrant and Viable Places Programme/City Deal
Programme
Bus Station
Taf Bargoed Regeneration Programme

Miscellaneous Schemes

Riverside Phase 3 Taff and Crescent Street
Highway Maintenance
Corporate Maintenance
Disabled Facilities Grants
Redundancy Costs
Costs of Supporting Capital Projects
Unallocated

Total original programme

	Revised 2018/19 £'000	Revised 2018/19 £'000	Revised 2019/20 £'000	Revised 2019/20 £'000	Revised 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000
	3,800	706	0	6,000	0	0	0
	40	40	0	0	0	0	0
	160	160	200	300	160	160	160
	240	240	400	400	340	340	340
	150	150	350	350	400	400	400
	100	250	100	250	150	150	0
	0	250	50	50	100	100	100
	516	633	637	1,037	0	1,000	0
	600	1,000	600	1,000	600	1,000	1,000
	235	300	235	300	235	300	300
	850	850	850	850	850	850	850
	500	600	0	0	0	0	0
	466	466	466	466	466	466	466
	616	0	234	0	780	0	0
	8,273	5,645	4,122	11,003	4,081	4,766	3,616

Indicative Capital Programme 2018/19 to 2021/22**New Schemes****Education**

	Revised 2018/19 £'000	Revised 2018/19 £'000	Revised 2019/20 £'000	Revised 2019/20 £'000	Revised 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000
Abercanaid Insulation	50						
Cyfarthfa Lighting Replacement	120						
Dowlais Learning Resource Base	225		130				
Cyfarthfa High School Gym Roof	0		133				
21st Century Schools Programme Band B	0		975		1,962		988
Gwaunfarren Roof	0		0		0		250

Transport Infrastructure

Pont Bren Bridge Replacement	75						
Pont Cefn Bridge Concrete Repairs	100						
Highways Congestion Improvement Schemes	120						
Drainage Replacement Schemes	70						
Land/Works	900						
Brandy Bridge Abercanaid	60						
Pontsticill Bridge	25						
Traffic Light Replacement	20		60		48		30
Highways Drainage Replacement Schemes	110		18		27		18
Safety Fence Renewal	27		13		29		20
Disabled Access Schemes	20		20		20		20
Streetlight Column Replacement	81		81		81		81
Edwardsville Tramroad Bridge Repair	0		60				
Quakers Yard Road Bridge Expansion Joints	0		80				
Harveys Bridge Quakers Yard Junction Improvements	0		20		120		

Land and Buildings

Depot Review - Unit 3 and 4 Dilapidations	350						
Household Waste Recycling Centre	183						
Cefn Cemetery	200						
Cyfarthfa Lake Dam Walls	320						
Ty-Penderyn Reception Improvements	22						
Pengarnddu	1,000		1,000				
Depot Review - Unit 20 Works	1,200		100				
Civic Centre Roof and Windows	0		150		150		150
Total New Demands	5,278		2,840		2,437		1,557

Indicative Capital Programme 2018/19 to 2021/22**Capital Programme Requirement:**

Original Schemes

New Schemes

Total

	Revised 2018/19 £'000	Revised 2018/19 £'000	Revised 2019/20 £'000	Revised 2019/20 £'000	Revised 2020/21 £'000	Revised 2020/21 £'000	2021/22 £'000
Original Schemes	8,273	5,645	4,122	11,003	4,081	4,766	3,616
New Schemes	0	5,278	0	2,840	0	2,437	1,557
Total	8,273	10,923	4,122	13,843	4,081	7,203	5,173

Capital Funding:

General Capital Funding - Grant

Supported Borrowing

General Capital Funding - Supported Borrowing

WG Supported Borrowing - 21st Century Schools

Capital Receipts

Capital Receipts - General

Capital Receipts - Capitalisation

Capital Receipts - Riverside

Unsupported Borrowing

Unsupported Borrowing - General

Unsupported Borrowing - 21st Century Schools

Unsupported Borrowing - Band B Schools

Unsupported Borrowing - Riverside Project

Contribution from Reserves

Total

986	988	986	988	986	988	988
1,619	1,625	1,619	1,625	1,619	1,625	1,625
0	531	0	0	0	0	0
0	0	500	0	500	0	0
500	600	0	0	0	0	0
428	259	0	0	0	0	0
852	5,929	380	3,218	976	1,628	1,572
3,800	175	0	6,000	0	0	0
0	0	0	975	0	1,962	988
88	633	637	1,037	0	1,000	0
0	183	0	0	0	0	0
8,273	10,923	4,122	13,843	4,081	7,203	5,173

Indicative Capital Programme 2018/19 to 2021/22**21st Century Schools Band A**

Proposed Project Expenditure	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Afon Taf High School Remodelling	35	2,465	5,000	3,125	1,375	0	0	12,000
Ysgol Y Graig Primary School	0	0	0	67	133	800	6,000	7,000
Total	35	2,465	5,000	3,192	1,508	800	6,000	19,000

Funding Source	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Afon Taf High School Remodelling	0	2,375	3,500	1,625	1,375	0	0	8,875
Ysgol Y Graig Primary School	0	0	0	0	0	625	0	625
Total Welsh Government	0	2,375	3,500	1,625	1,375	625	0	9,500
Afon Taf High School Remodelling	35	90	1,500	1,500	0	0	0	3,125
Ysgol Y Graig Primary School	0	0	0	67	133	175	6,000	6,375
Merthyr Tydfil County Borough Council	35	90	1,500	1,567	133	175	6,000	9,500
Total	35	2,465	5,000	3,192	1,508	800	6,000	19,000

21st Century Schools Band B

Description	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Total Expenditure	0	1,949	8,533	6,584	12,646	11,536	8,362	3,998	53,608
Funding Welsh Government	0	975	6,571	5,596	8,239	11,536	3,467	0	36,383
Funding Merthyr Tydfil CBC	0	975	1,962	988	4,407	0	4,895	3,999	17,225
Total	0	1,949	8,533	6,584	12,646	11,536	8,362	3,999	53,608

Indicative Capital Programme 2018/19 to 2021/22**Summary Regeneration Programme 2018/19 to 2021/22**

Project	MTCBC £'000	External Funding £'000	Total £'000
Town Centre Regeneration Programme	780	8,500	9,280
Cyfarthfa Heritage Area	1,320	15,000	16,320
Vibrant and Viable Places / City Deal Programme	1,300	5,000	6,300
Bus Station	650	10,000	10,650
Taff Bargoed Regeneration Programme	500	900	1,400
Total	4,550	39,400	43,950

Indicative Capital Programme 2017/18 to 2020/21**Summary Riverside Programme 2018/19 to 2021/22**

Expenditure Profile / Funding Source	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
MTCBC	36	3,376	437	709	412	1,037	1,000	0	7,007
Welsh Government	5,700	1,000	0	0	0	0	0	0	6,700
Total	5,736	4,376	437	709	412	1,037	1,000	0	13,707

Original Capital Scheme Proposals

- 1 School Feasibility Studies – relates to scoping works in respect of several schools particularly to assess the future capital programme requirement in relation to the 21st Century Band B Programme.
- 2 Highways Structural Maintenance – annual commitment to tackle the backlog of required highway asset investment.
- 3 Disabled Facilities Grants – a mandatory demand-led annual commitment provided for improvement works to disabled people's homes.
- 4 Corporate Maintenance – commitment for general capital maintenance and improvement projects including emergency projects and statutory compliance.
- 5 Costs of Supporting Capital Expenditure – relates to professional costs contributing to the implementation of capital projects.
- 6 Redundancy costs – The Council has the potential flexibility to utilise capital receipts for the period 2018/19 to finance the revenue costs of service reform. The value of revenue expenditure eligible for capitalisation in any given financial year is restricted to the amount of new capital receipts realised in that same financial year. Appendix 1 details an estimated amount of £600,000 new capital receipts available to finance redundancy costs.

New Capital Scheme Proposals

- 7 Abercanaid Insulation – Upgrading the insulation to the external fabric of the school building is required to reduce the excessive heating costs currently being incurred and to mitigate the risk of not achieving required heating standards.
- 8 Cyfarthfa Lighting Replacement – School classroom lighting is below the required lux levels and so detrimental to the teaching environment. Poor corridor lighting levels could also prove a health and safety hazard.
- 9 Dowlais Learning Resource Base – Provision requires the purchase of a portable building, upgrading of toilet facilities within the existing school building and either the full replacement or significant refurbishment of the existing roof structure.
- 10 Cyfarthfa High School Gym Roof – The roof has reached the end of its useful life and despite recent remedial works a condition survey has recommended a complete roof replacement. Also, the gutters are rusted which could prove a health and safety hazard.
- 11 Gwaunfarren Roof – The roof is approaching the end of its useful life and will shortly require replacing.

- 12 Pont Bren Bridge Replacement – The existing footbridge forms part of a designated safe walking route for children to school and access to the Taff trail. It is in a poor state of repair and currently being propped up as a temporary measure to prevent collapse. Failure to replace would likely result in bridge closure and restrict access to the trail.
- 13 Pont Cefn Road Bridge Concrete Repairs – The road bridge is Grade 2 listed and urgently requires concrete repairs to prevent further deterioration. It serves as the main access road to Cefn Coed and will be subject to increased traffic volumes following carriageway alterations as part of the duelling works on the Heads of the Valleys road.
- 14 Highways Congestion Improvement Schemes – An allocation to target Traffic congestion schemes.
- 15 Drainage Replacement Schemes – A number of culverts and watercourses within the borough are deteriorating and in need of urgent repair. Failure to do so could potentially result in flooding and increased future repair costs.
- 16 Land / Works – A budget allocation for work on land key to the Councils' future plans.
- 17 Brandy Bridge Abercanaid – Completion of repair works to correct and further prevent concrete from de-bonding from the steel reinforcement and breaking off in large sections, reducing the strength and loading capacity of the piers. This is the only road bridge into the village of Abercanaid.
- 18 Pontsticill Bridge – The capital allocation is required to allow the remaining strengthening works to be completed and for the bridge weight restriction to be removed.
- 19 Traffic Light Replacement – A number of traffic light systems within the borough have exceeded their useful life (more than 25 years old) and are at risk of failure. Due to their age ongoing maintenance difficulties are being encountered as spare parts are difficult and in some instances impossible to obtain. Traffic light systems replacement is recommended.
- 20 Highways Drainage Replacement Schemes – Sections of the highways drainage system have collapsed or are otherwise compromised increasing the likelihood of localised flooding.
- 21 Safety Fence Replacement – A number of fences have been identified which have either collapsed or are safety noncompliant exposing the authority to potential third party risk.
- 22 Disabled Access Schemes – The provision of disabled access (drop-kerbs) is not part of the Highways maintenance function. A number of requests have been received from the public for such provision which due to current budget constraints can only be accommodated through the allocation of additional capital funding.

- 23 Streetlight Column Replacement – There are a total of 421 concrete columns within the borough that are beyond their useful serviceable life, and many of which are showing serious signs of degradation. Their replacement with aluminium columns is recommended to mitigate potential risk.
- 24 Edwardsville Tramroad Bridge Repair – The bridge currently provides access to a number of properties and is part of the Trevithick trail. The spandrel walls above its masonry arch are bulging severely and in need of repair to prevent closure and subsequent loss of access.
- 25 Quakers Yard Road Bridge Expansion Joints – The expansion joints of the bridge - which serves the A4054 Cardiff Road, are approaching the end of their useful life and are currently failing. If not replaced, speed ramps will need to be installed and speed restrictions imposed.
- 26 Harveys Bridge Quakers Yard Junction Improvements – The current junction is unsafe to all traffic users as vehicles have no alternative but to reverse into the oncoming traffic on the A4054 Cardiff Road. Since 2011 there has been seven reported collisions as a result. Junction improvements are required to ensure the safe movement of traffic and to prevent further accidents.
- 27 Depot Review – Unit 3 & 4 Dilapidations – The units are currently leased to the Waste / Recycling department and in order to vacate and relocate operations to Unit 20, reinstatement of the buildings is required.
- 28 Household Waste Recycling Centre – The amenity is currently being operated by an external contractor. It is proposed that operations be brought in-house which will require the purchase of waste containers and sundry equipment to replace that owned by the current operator.
- 29 Cefn Cemetery – A new plot of land has been provided by the Welsh Government in exchange for that given up to adjacent road works. As the land value of the plot provided is greater than that lost, the Welsh Government will not provide any financial assistance towards the development of the land which is required before it is able to be brought into use.
- 30 Cyfarthfa Lake Dam Wall – The lake walls have suffered damage from a Crayfish infestation with the joints between the stonework becoming permeable. As a consequence, water leakage (approximately 50,000 gallons per day) from the lake is causing subsidence to the pedestrian pathway and surrounding grass areas. Failure of the dam wall would result in serious flooding to Brecon Road, Pandy Close and the nearby industrial estate - which has already experience minor cases of flooding.
- 31 Ty-Penderyn Reception Improvements – Currently, the reception area is open planned with no clear demarcation between public and non-public areas. Office reconfiguration to prevent access to non-public areas and enhance employee safety is required as highlighted by recent incidents in which members of staff were directly confronted by aggressive members of the public.

- 32 Pengarnddu – As site owner, MTCBC has an obligation to remove significant levels of contaminants left behind from operations conducted by the outgoing lessee. Removal is necessary prior to the disposal or alternative use of land.
- 33 Depot Review – Unit 20 Works – Works are required to accommodate the relocation of the Waste / Recycling department currently occupying units 3 & 4 together with the Parks and Street Cleaning departments.
- 34 Civic Centre Roof & Windows – Both roof and windows are approaching the end of their useful lifespan and issues of leakage a common occurrence. A four year rolling programme of replacement is recommended.

TREASURY MANAGEMENT POLICY STATEMENT and ANNUAL INVESTMENT STRATEGY 2018/19

1.0 INTRODUCTION

- 1.1 This strategy statement has been prepared in accordance with the Treasury Management Code of Practice 2017. It is a requirement of the Code that the Council formally adopts the Treasury Management Policy Statement (Appendix i) and the four clauses of the Treasury Management Code of Practice 2017 (Appendix ii).
- 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 2018/19

- 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 2018/19 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 2018/19 was approved by Council on 7th March 2018.

4.0 TREASURY LIMITS FOR 2018/19 – 2020/21

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 2018/19 – 2020/21

5.1 CIPFA issued a revised Prudential Code in 2017 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 2018 comprises:

Description	Principal £'000	Average Rate %
Fixed Rate Funding		
Public Works Loan Board Loans	52,135	7.35
Market Loans - Short Term	45,052	0.61
Total Debt	97,187	4.23
Total Investments	10,000	0.63

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 2017/18 is as follows.

Description	Projected 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
New Borrowing	8,397	8,893	11,880	4,253

8.0 **PROSPECTS FOR INTEREST RATES**

8.1 The Council employ's Treasury Management Consultants, part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Consultants view at February 2018.

Arlingclose interest rate forecast – February 2018

Annual Average	Bank Rate %
March 2018	0.50
June 2018	0.75
September 2018	0.75
December 2018	1.00
March 2019	1.00
June 2019	1.25
September 2019	1.25
December 2019	1.25
March 2020	1.25
June 2020	1.25
September 2020	1.25
December 2020	1.25

- 8.2 The bank rate is currently at 0.50% and is expected to rise twice in 2018 and once more in the first half of 2019.

9.0 ECONOMIC BACKGROUND

- 9.1 The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading agreements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighted on growth.

Consumer Price inflation reached 3.0% in September 2017. With inflation control in mind, the Bank of England's monetary Policy Committee (MPC) raised the official interest rate to 0.5% in November 2017.

10.0 FORWARD VIEW

- 10.1 The MPC has raised expectations for further rises in Bank Rate, both sooner and to a higher level than previously anticipated by markets.

The MPC has also shortened the forecast horizon over which inflation will be brought back to the CPI target.

The UK economy still faces a challenging outlook as the government continues to negotiate the country's exit from the European Union.

11.0 BORROWING STRATEGY

- 11.1 In view of the volatility within the interest rate forecasts in 8.1 the Council's borrowing strategy needs to be flexible by potentially embracing either or both of the following approaches:

- Temporary borrowing from the money markets or other local authorities
- Long term borrowing from PWLB to support spending plans in respect of the capital programme.

Against this background 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.

- 11.2 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 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

The Authority is currently exploring an opportunity to potentially repay its Lender Option Borrower Option Loans (LOBO) of £12 million as approved by Cabinet on the 7th February 2018.

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

13.0 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (2014/65/EU) (MiFID II)

- 13.1 From 3rd January 2018, under new rules derived from MiFID II, the Local Authority has elected to categorise itself as a “Professional Client”.

14.0 ANNUAL INVESTMENT STRATEGY

14.1 Investment Policy

14.1.1 The Council's investment policy has regard to the Welsh Assembly Government's Guidance on Local Government Investments ("the Guidance") and the 2017 CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

14.1.2 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.

14.1.3 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.

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

14.2 Specified Investments

14.2.1 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	Maximum Investment Period
Debt Management Agency Deposit Facility	High	In-house	365 days
Term deposits - UK Local Authorities	High although LA's not credit rated	In-house	365 days
Term Deposits - UK Banks and Rated Building Societies	All UK Banks and Rated UK Building Societies	In-house	3 months

14.2.2 Recommended Investment limits are as follows:

Institution	Maximum Loan £
UK Local Authorities	5,000,000
UK Bank or UK Rated Building Society	5,000,000
Barclays Bank (The Authorities Banker)	5,000,000
UK Government	As required

14.3 Non-Specified Investments

- 14.3.1 Any investment not meeting the definition of a specified investment is classed as non-specified. As disclosed within Appendix iv (Treasury Indicators) there are no proposals for the Council to invest for periods longer than 365 days, especially in the current economic climate.

14.4 Security of Capital

- 14.4.1 This Council currently relies on information supplied by investment brokers to determine the creditworthiness of counterparties. The Council's policy has been revised to deal only with UK banks and the rated UK building societies.
- 14.4.2 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 2018/19 to amend Investment Criteria to include the UK banks and the rated UK building societies, for a reduced three month term.
- 14.4.3 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.

14.5 Investment Strategy

- 14.5.1 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).

14.6 End of Year Investment Report

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

14.7 Policy on the use of external service providers

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

15.0 SCHEME OF DELEGATION

15.1 The Treasury Management scheme of delegation for 2018/19 is as follows, with appropriate related reporting arrangements disclosed in Appendix iii.

Council should

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

Council/Cabinet should

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

Scrutiny/Audit should

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

16.0 ROLE OF THE SECTION 151 OFFICER

16.1 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.

17.0 THE ROLE OF THE TREASURY MANAGER

17.1 The Treasury manager is responsible for:

- execution of transactions
- adherence to agreed policies and practices on a day to day basis
- maintaining relationships with counterparties and external service providers

- supervising treasury management staff
- monitoring performance on a day to day basis
- submitting management information reports to the responsible officer
- identifying and recommending opportunities for improved practices

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
“The management of the organisation’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, and any financial instruments entered into to manage these risks.
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 four clauses of the CIPFA Treasury Management Code of Practice 2017

Introduction

The CIPFA Code of Practice on Treasury Management in Local Authorities 2017 Edition requires that a report be submitted to the Council, Cabinet or other appropriate body, setting out four clauses which should be formally adopted.

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

Reporting Arrangements Required by the Revised Code

Description	Committee	Frequency
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 2018/19 to 2020/21 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 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Description				
Prudential Indicator	6.4%	6.0%	6.2%	6.6%

2. 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.

	Projected 31/03/2018 £'000	Projected 31/03/2019 £'000	Projected 31/03/2020 £'000	Projected 31/03/2021 £'000
Description				
Capital Financing Requirement	102,343	108,559	117,497	118,490
Gross Debt	98,850	104,558	114,228	117,258
Prudential Indicator	3,493	4,001	3,269	1,232

4. Capital Expenditure

The capital expenditure projected outturn for 2017/18 and the estimates of capital expenditure to be incurred for 2018/19 and the following two years are as follows.

	Projected 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Description				
Prudential Indicator	11,951	17,448	26,518	25,074

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 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Description				
Prudential Indicator	102,343	108,559	117,497	118,490

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.

	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Authorised Limit			
Borrowing	126,014	136,651	139,984
Other long term liabilities	2,653	1,550	1,550
Prudential Indicator	128,667	138,201	141,534

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 2018/18 will be the statutory limit determined under section 3(1) of the Local Government Act 2003 – “A local authority shall determine and keep under review how much money it can afford to borrow”.

7. Operational Boundary for External Debt

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

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

	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Operational Boundary			
Borrowing	114,558	136,651	139,984
Other long term liabilities	2,653	1,550	1,550
Prudential Indicator	117,211	138,201	141,534

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

8. Actual External Debt

The Council's projected actual external debt at 31st March 2018 is £101,803 million.

	Projected 2017/18 £'000
Authorised Limit	
Borrowing	98,850
Other long term liabilities	2,953
Prudential Indicator	101,803

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

* Subject to audit

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 2018/19, 2019/20 and 2020/21 of 100% 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 2018/19, 2019/20 and 2020/21 of 5% of its net interest payable on borrowing.

This means that the Chief Finance Officer will manage fixed interest rate exposures within the range 95% to 100% and variable interest rate exposures within the range 0% to 5%. The estimated net interest payable in respect of each range is shown in the following Table.

	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000
Interest Rate Exposures			
Fixed Rates			
95%	3,821	3,829	3,918
100%	4,022	4,031	4,124
Variable Rates			
0%	0	51	51
5%	201	609	609

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:

Maturity Structure of Borrowing - Fixed Debt	Upper Limit	Lower Limit
Under 12 Months	7%	0%
12 months and within 24 months	7%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	17%	0%
10 years and above	51%	0%
Maturity Structure of Borrowing - Variable Debt		
Under 12 Months	0%	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 %

12. Total Principal Sums Invested for Periods Longer than 365 Days

There are no proposals for the Council to invest sums for periods longer than 365 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 – 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 – Training and qualifications
- TMP 11 – Use of external service providers
- TMP 12 – Corporate governance