

Bridgend County Borough Council Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

MEDIUM TERM FINANCIAL STRATEGY

2024-25 to 2027-28



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SECTION 1. INTRODUCTION

1.1 Aims and Purpose of the Medium Term Financial Strategy

1.1.1 The Council's Medium Term Financial Strategy (MTFS) is set within the context of UK economic and public expenditure plans, together with Welsh Government's priorities and legislative programme. The MTFS articulates how the Council plans to use its resources to support the achievement of its well-being objectives and statutory duties, including the management of financial pressures and risks over the next four years. It helps the Council to work more effectively with partners in other sectors and provides a strategy for the use of balances to meet changes in resources or demands from year to year without impacting unduly on services or council tax payers.

1.1.2 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2024-25 and outline proposals for 2025-26 to 2027-28.
- The capital programme for 2023-24 to 2033-34, linked to priority areas for capital investment based upon the Council's Capital Strategy.
- The Corporate Risk Assessment.

1.1.3 Through the MTFS the Council aspires to improve understanding of its financial strategy, to clarify the link between its corporate well-being objectives and the financial planning processes, and to explain the Council's goal of delivering sustainable services in line with the overarching ambition of the Well-being of Future Generations (Wales) Act 2015. It also seeks to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.

1.2 MTFS Principles

1.2.1 As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which drive the budget and spending decisions over 2024-2028 and which Members and others can examine and judge the Council's financial performance against. The thirteen key principles are to ensure that:

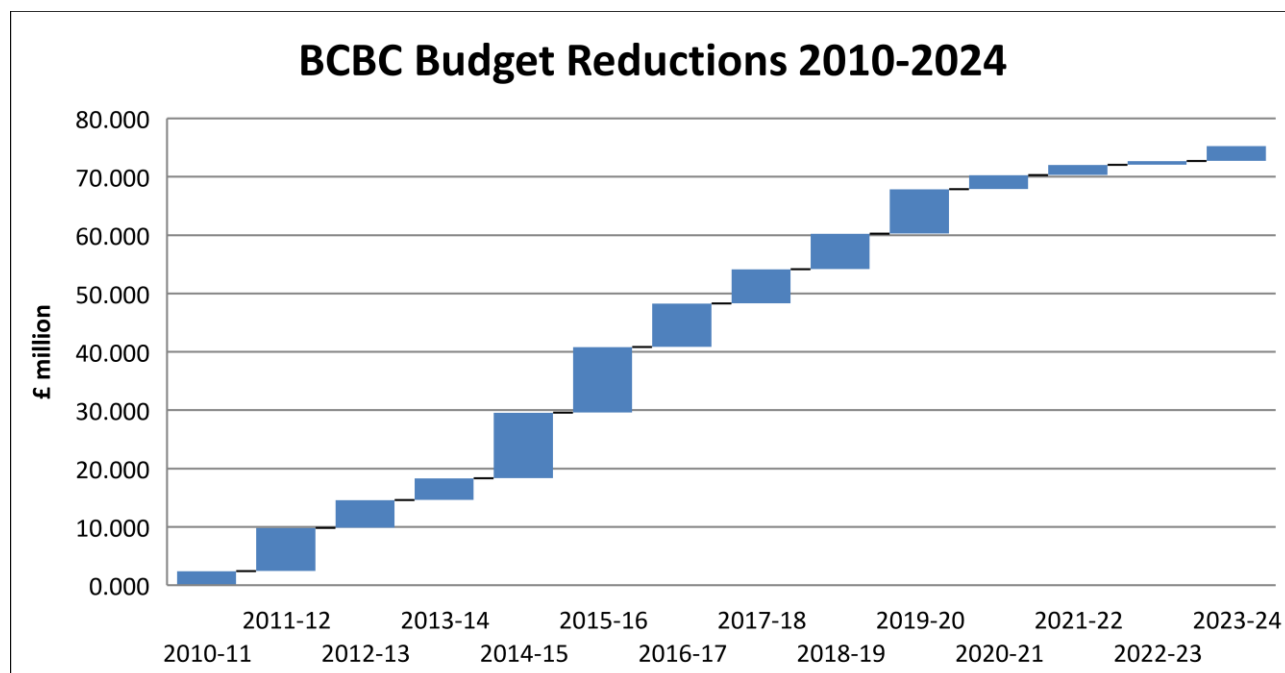
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on ensuring that the Council remains financially viable over the full period of the MTFS.
2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.

3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's well-being objectives. Other resource strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.
4. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities.
5. All services will seek to provide value for money and contribute to public value, and will continuously review budgets to identify efficiency savings.
6. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Fees and Charges Policy.
7. Savings proposals are developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays.
8. Balances are not used to fund recurrent budget pressures or to keep down Council Tax rises unless an equivalent budget reduction or increase in Council Tax is made in the following year in recognition that balances are a one-off resource.
9. The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.
10. Capital investment decisions are in alignment with the Council's Capital Strategy, and mitigate any statutory risks taking account of return on investment and sound option appraisals.
11. Prudential borrowing is only used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
12. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
13. Resources are allocated to deliver transformational projects based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS.

1.3 Corporate Financial Overview

1.3.1 Since austerity began in 2010 the Council has made almost £75.3 million of budget reductions, as shown below, towards which school delegated budgets have contributed £4.8 million. These reductions represent almost 21% of the Council's current net budget, however the percentage of savings and cuts has not been equal across all Council services, with relative protection given in past years to some areas, such as schools' budgets and social services, for example.

Chart 1: Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2024



While the Council's net revenue budget is planned at £359.725 million for 2024-25, its overall expenditure far exceeds this. Taking into account expenditure and services which are funded by specific grants or fees and charges, the Council's gross budget will be around £520 million in 2024-25. The local authority's annual revenue budget covers the day-to-day running costs of the local authority (including staff salaries, building maintenance, pensions, operational costs etc.). Around £230 million of the gross budget is spent on the Council's own staff including teachers and school support staff. Much of the cost of the services provided by external organisations is also wage related – these include for example waste collection operatives, social care workers, leisure staff and foster carers.

1.3.2 The Council gets the majority of its gross revenue funding (51%) from Welsh Government (WG) through the Revenue Support Grant and a share of non-domestic rates. It supplements this through council tax collection (19%), other grants (20%) and fees and charges (10%). Council tax is a charge that local authorities charge to help to pay for their services. The amount that council tax payers pay is made up of 3 elements:

- Bridgend County Borough Council charge
- Community Council charge

- Police and Crime Commissioner for South Wales charge

1.3.3 In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years and it currently funds around 27% of the net revenue budget. This means that for every £1 spent on services provided by the Council, only around 27 pence is funded by local council tax payers.

1.3.4 As well as having less real income to fund services, there are other pressures that squeeze resources. Amongst these are:

- Legislative changes e.g. the Welsh Government's commitment to eradicate homelessness, local authorities' responsibilities in respect of responding to climate change and meeting net zero carbon targets, the implications of the Local Government and Elections (Wales) Act 2021 and the Additional Learning Needs and Education Tribunal (Wales) Act 2018, and legislative changes in social care including new adult protection safeguarding requirements, changes to the Public Law Outline for children and the commitment to eliminate private profit from the care of children looked after. Many new legislative changes are not fully funded by Welsh Government, and for some the Council does not have the capacity to deliver them in a timely and efficient manner.
- An increase in need in children's social care – an ongoing exponential increase in contacts, assessments, historically high levels of child protection registration, high level of children being helped on a care and support basis and also high numbers of care experienced children. The last year has seen significant challenges around sufficiency of accommodation, care and support for care experienced children, an issue which all local authorities in Wales are facing. There has been an increase over the year in high-cost independent residential placements and 'operating without registration' placements for children and young people. First and foremost, this is a safeguarding issue, but in meeting the Council's corporate parenting obligations the budgetary position has significantly worsened as the number of high cost placements exceeds budget. The second area of pressure in children's social care is around workforce. To safeguard children from abuse and harm social workers need to have caseloads which enable meaningful work with children and families. Following detailed examination of evidence and best practice, Cabinet and Council approved a 3 year sustainability plan in September 2023 to rebalance children's social care which detailed service changes and financial requirements. The delivery of this plan is key to regulatory confidence in the ability of the Council to improve outcomes for children and families. There continues to be close monitoring of improvements in support for children and families following the 'serious concerns' expressed by Care Inspectorate Wales in 2022.
- Demographic changes – the population is increasing and also people are living longer which is obviously good news. However, this means the numbers of people living in Bridgend with health and social care needs is also increasing. An ageing population can bring a range of health and social care needs which require care and support. The Cwm Taf Morgannwg Population Needs Assessment (2022-27) identified poorer physical and mental health and well-being and greater need for support from all parts of the population with many people living with multiple health conditions and in complex health situations. The cost of living crisis also places more pressure on families and informal care arrangements. Needs have been exacerbated by the pandemic as there have

been delays in access to NHS treatment and an impact on physical and mental health from extended lockdown periods. At a time when there has been an increase in contacts within adult social care and increased complexity of issues, there has been less financial support from Welsh Government through targeted grants to address whole system pressures around the interface between hospital and community. In addition, the complexities and challenges for children and families are very evident.

- An increase in free school meals entitlement, separate from and additional to the Welsh Government's Universal Free School Meal entitlement, which brings additional funding pressures, as this increases the amount of funding that is needed to be provided to schools through their delegated budgets.
- More recently, a reduction in the council tax collection rate, due to the difficult economic circumstances that people find themselves in. This is coupled with a potential increase in council tax support as more people find themselves on low incomes or claiming benefits during the cost of living crisis.

1.3.5 The quarterly reports to Cabinet on the revenue position for 2023-24 have outlined in detail the increased difficulty in managing and monitoring the budget, in view of challenging and rapidly worsening 'in-year' pressures which include additional inflationary pressures arising as a result of the ongoing conflict in Ukraine, and the impact of the cost of living crisis on both pay and prices, particularly fuel and energy prices, in addition to increasing demand in some service areas. Whilst some provisions were made in the 2023-24 budget, and during the financial year, to mitigate some of these costs, there was not sufficient funding to meet all, and the demand has been relentless. There has been particular pressure on children's services, leading to the approval of a 3 year sustainability plan by Council on 20 September 2023, along with additional financial support. However, further investment is needed going forward to stabilise this and other services.

1.3.6 Budget planning for the financial year 2024-25 is therefore even more uncertain and challenging than usual, with even more cost pressures presenting themselves going forward than has been experienced in previous years. In addition, there are higher expectations on the Council to address homelessness more robustly, and on a longer term sustainable basis, and additionally to strengthen and support social care, which is experiencing increased demand and costs as well as more complex cases in both adult and children's services. The Council is having to reduce spend and services in a climate that requires more support for our older and more vulnerable members of society with substantial increased demand for many services.

1.3.7 The Council's Corporate Plan sets out the approaches that it will take to manage these pressures whilst continuing to ensure that, as far as possible, services can be provided that meet the needs of the citizens and communities in Bridgend. These approaches are:

- Though a large and complex organisation, the Council will make every effort to work as one single organisation. That means avoiding duplication and double handling of data through sharing of systems and processes. This is not always as easy as it sounds because often different rules or opportunities apply to different services. Nevertheless, acting as 'One Council working together to improve lives' is enshrined in the Council's vision.

- The Council will support communities and people to become more resilient by creating their own solutions and reducing dependency on the Council. This is because it is not sustainable for the Council to continue to aspire to meet each and every need that arises and because there is capacity, talent and ideas within the community that can be encouraged to play an active and effective role in sustaining and often enhancing local services. The Council has a role in encouraging, enabling and leading this approach and has adopted this as one of its underlying principles.
- The Council has agreed a principle of focusing diminishing resources on communities and individuals with the greatest need. Parts of our community have long standing problems of poverty and disadvantage. The solutions to this are not all in the direct control of the Council (for example the effects of changes to the welfare system) but where possible the Council has agreed that it wants to both alleviate problems in these areas and develop longer term sustainable solutions. The socio-economic duty on public bodies, which came into force on 31 March 2021, reflects these aims.
- The Council currently has seven well-being objectives that reflect these and other principles. After more than a decade of austerity, with more and more of our residents struggling, we will also continue to improve efficiency and make better use of the resources we have. This means we will ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives. The effective and efficient use of resources will continue to inform our principles and ways of working in the Corporate Plan, as well as being tested through the corporate self-assessment process.

1.3.8 In seeking to continue to meet the Council's identified priorities and protect its investment in education and early intervention, social services and well-being, and prioritise the most vulnerable in our society, as far as possible, we are proposing the following changes in the 2024-25 budget:

Additional Income

Whilst recognising the ongoing economic challenges that local people and businesses will face next year, the Council will seek to raise additional income. For all services, the Council has a policy to recover service costs and will seek to do this where possible from April 2024.

Alternative Delivery Models

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. Over recent years there has been a considerable acceleration in the Community Asset Transfer (CAT) Programme, which is releasing savings by transferring responsibility for the management of assets, predominantly outdoor sports related playing fields and pavilions, to town and community councils or community clubs and groups. In addition, the Council's response to the Covid-19 pandemic evidenced how Council services can be delivered differently and it is important that, where appropriate, this is something that endures, and that investment is made to ensure that services can be maintained and delivered safely. Specifically, it is anticipated that an acceleration of the Council's digital programme may allow staff efficiency savings. Wherever possible, staff restructuring will be done sympathetically

allowing those that wish to leave to do so, but also continuing to support home and agile working and digital technology to ensure the Council is fit for the future.

Efficiency Savings

The best kind of budget savings, of course, remain ones where there is little or no direct impact on staff or residents. After more than a decade of substantial budget savings, opportunities for large scale savings of this sort are now very scarce, but where they emerge, they remain an important component of the MTFS.

The Covid-19 pandemic reinforced the need for the Council to consider very closely the need for all of its portfolio of building assets. Over recent years savings have been made by rationalising the number of operational depots and releasing two of the Council's major staff offices at Sunnyside and Sunnyside House. For next year, additional savings are proposed from a further review and rationalisation of office accommodation following the implementation of the new service delivery model for office based staff. Specifically, it is intended to accelerate shared use of space with public sector partners, in particular South Wales Police, and to close under-used buildings such as Ravens Court and the Innovation Centre to release savings from associated running costs. The Council will continue to apply for grant funding to enable it to continue to invest in installing energy efficiency measures in the Council's buildings, including schools, especially where they can lead to revenue savings and greater sustainability of important services. Other potential savings are being considered in relation to the remodelling of social services provision.

Changes to Service Provision

Unfortunately, despite the settlement we will receive for 2024-25 being an increase overall, it is still less than inflation, and due to the number of unavoidable pressures we are facing it is for us to balance the budget without also making consequential changes to the level of services that we can provide and prioritising those services that are deemed most important in terms of meeting the Council's agreed priorities. In particular it is important that where the Council runs a service that also benefits other organisations and partners that appropriate contributions are made, where possible, to complement the Council's investment.

SECTION 2. CONTEXT

2.1 Well-being Objectives

2.1.1 The Council's vision is to act as:

“One Council working together to improve lives”

We will do this by delivering our well-being objectives. In setting our well-being objectives we set out what we aim to achieve and why they are important. Our well-being objectives for 2024-25 onwards are:

1. A county borough where we protect our most vulnerable
2. A county borough with fair work, skilled, high-quality jobs and thriving towns
3. A county borough with thriving valleys communities
4. A county borough where we help people meet their potential
5. A county borough that is responding to the climate and nature emergency
6. A county borough where people feel valued, heard and part of their community
7. A county borough where we support people to be healthy and happy

2.2 Key Statistics

2.2.1 Key Financial Statistics:

In order to consider the future direction of the Council, it is important to look back over recent years to understand how previous financial settlements have shaped the current financial position of the authority. **Table 1** below outlines the key budget changes over the last 10 years.

Table 1: BCBC Budget Statistics

	2013-14 £m	2023-24 £m	% increase
BCBC Council Budget	255.868	342.334	33.79%
WG Funding	199.014	250.182	25.71%
Council Tax Income	56.854	92.152	62.09%
% of Budget funded by Council Tax	22.22%	26.92%	21.15%

In real terms, Welsh Government (WG) funding is falling year on year and this has impacted on the proportion of funding that is required to be met from council tax, compared to external WG funding. The total collected from council tax has increased by over 60% during the last 10 years – this is as a result of a combination of the increase in the number of chargeable properties and increases in council tax charges which have been required to balance the budget.

Financial Performance

Current Year (2023-24) Financial Performance

The in-year financial position as at 31 December 2023 is shown in **Table 2** below.

Table 2 – Comparison of budget against projected outturn at 31 December 2023

Directorate/Budget Area	Original Budget 2023-24 £'000	Revised Budget 2023-24 £'000	Projected Year End spend at Q3 2023-24 £'000	Projected Over / (Under) Spend 2023-24 £'000	Projected Over / (Under) Spend at Qtr 2 2023-24 £'000
Directorate					
Education and Family Support	137,488	145,800	146,939	1,139	1,746
Social Services and Wellbeing	92,791	99,316	111,900	12,584	12,690
Communities	30,545	34,532	34,781	249	600
Chief Executive's	24,003	25,410	26,675	1,265	248
Total Directorate Budgets	284,827	305,058	320,295	15,237	15,284
Council Wide Budgets					
Capital Financing	7,203	7,142	4,233	(2,909)	(2,598)
Levies	9,189	9,189	9,180	(9)	(19)
Apprenticeship Levy	650	750	788	38	19
Council Tax Reduction Scheme	16,054	16,054	15,603	(451)	(213)
Insurance Premiums	1,363	1,363	1,238	(125)	(102)
Repairs & Maintenance	670	670	630	(40)	(40)
Pension Related Costs	430	430	457	27	0
Other Council Wide Budgets	21,948	1,678	197	(1,481)	(1,399)
Total Council Wide Budgets	57,507	37,276	32,326	(4,950)	(4,352)
Total	342,334	342,334	352,621	10,287	10,932

The overall projected position at 31 December 2023 is a net over spend of £10.287 million comprising £15.237 million net over spend on directorates and a net under spend of £4.950 million on Council wide budgets. The overall position has slightly improved since quarter 2, but it is still showing a considerable projected net over spend position for the Council at year end, which is unprecedented and which will need to be met from reserves, both earmarked and general, if it is not eradicated during the final quarter of the year. This will put the Council at serious risk of financial sustainability going forward, especially if the Council's reserves are significantly reduced. There are still a considerable number of directorate budget pressures, particularly in the Social Services and Wellbeing Directorate, which is currently showing an over spend of £12.6 million, and in respect of homelessness and home to school transport.

In October 2023, the Chief Executive wrote to all members of staff to indicate that new measures were being introduced, as modelling suggested that a total of £20 million of cuts may be required to address the 2023-24 over spend as well as to fund new budget pressures in 2024-25. These included a selective vacancy freeze, not entering into any new contracts or purchasing new equipment unless absolutely necessary, and maximisation of grant and fee income. This will be further

strengthened in quarter 4 with stricter recruitment freezes, and greater checks and balances in the use of purchasing cards and general spend.

The MTFS Budget Reduction Contingency Reserve referenced in Principle 7 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. No allocations have been made to date in 2023-24 from this reserve, but it is likely that this reserve will be needed going into 2024-25 due to the large number and value of budget reductions that will need to be made. The level of this reserve will be kept under review by the Section 151 officer in light of forecast difficulties in delivering specific future budget reduction proposals.

Historical Financial Performance

Table 3 outlines the historical outturn position over the previous three financial years. Up until 2021-22 it demonstrated a healthy outturn position with a net under spend overall on directorate and council wide budgets, which enabled the Council to establish a number of new earmarked reserves, and increase existing ones, to meet emerging pressures and commitments. However, from 2022-23 the significant pressures facing services and central budgets, due to increased demand and inflationary increases, have resulted in a more challenging financial position. Annually the Council continues to review its reserves and draws down in line with need before establishing new reserves for emerging pressures. For the 2022-23 financial year, due to limited funding at year end, the Council was not able to increase the value of the Council Fund and drew down a far greater amount of funding from earmarked reserves than in previous years, in order to prevent an overall over spend position.

In previous years the year end position of the Council has been masked by year-end grant allocations from Welsh Government for a number of areas, including schools and social services, generating under spends that were not budgeted for during the financial year. For example, the 2021-22 outturn position was impacted by unexpected grant funding from Welsh Government of around £8.7 million, which the Council would have been unaware of when setting and approving its 2021-22 budget. Given the favourable outturn position, the Council used a significant element of this funding to establish new earmarked reserves to support pressures continuing into 2022-23, particularly social care pressures, and to enable investment through the Council's capital programme. The same opportunity was not available in 2022-23 due to more limited grant funding being provided, and this has continued into 2023-24. It must be remembered that earmarked reserves are one-off and cannot be used to offset future budget savings or reduce council tax.

Table 3: Historical Financial Outturn Position 2020-2023

	2020-21 £'000	2021-22 £'000	2022-23 £'000
Council Budget	286,885	301,659	319,514
Outturn	269,180	269,543	318,231
(Under) Spend	(17,705)	(32,116)	(1,283)

Accrued Council Tax Income	(1,702)	(2,463)	(774)
Appropriations to Earmarked Reserves	18,975	34,241	2,057
Transfer to Council Fund	432	338	0
Draw Down from Reserves	8,299	4,104	18,910

Usable Reserves

In terms of financial reserves, the Council Fund balance steadily rose in the last ten years, as shown in **Table 4**, although it did not increase in 2022-23 and actually reduced in 2022-23 following a post-audit adjustment. This represents 2.87% of the net revenue budget for 2023-24 or 4.3% of the net revenue budget, excluding schools. This is in line with MTFs Principle 9 which states that:

The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.

However, given the current forecast over spend position for 2023-24 it is likely that this will need to be drawn against to balance the budget at year end for 2023-24. This will limit the ability to use this one-off reserve going forward.

Table 4: Usable Reserves 2020-2023

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000
2018-19	8,776	48,107	17,922	1,482	76,287
2019-20	9,340	55,222	18,608	317	83,487
2020-21	9,772	82,848	21,519	288	114,427
2021-22	10,110	106,733	21,773	6,047	144,663
2022-23	9,832	92,496	25,728	4,511	132,567

Usable reserves increased in 2021-22 but decreased again in 2022-23. In terms of the draw down on earmarked reserves in 2022-23, this is an indication that these reserves are being used for the purposes for which they were established. The capital receipts reserve increased in 2022-23 due to the receipt of the proceeds from the sale of the Salt Lake site in Porthcawl to Aldi, slippage of some capital schemes into 2023-24, plus the receipt of a number of capital grants from Welsh Government at year end, which displaced the Council's capital funding in the short term. It is important to note that within the earmarked reserves balance is a capital programme reserve which, similar to the capital receipts reserve, supports major capital schemes within the capital programme. As the potential to generate capital receipts from the sale of assets diminishes, this has become an important source of funding for the capital programme and enables major capital schemes to progress without the need for borrowing which would put additional pressure on the revenue budget. As at 31

January 2024 the balance was £48.946 million, which constituted 57% of the total Earmarked Reserves balance, leaving £36.920 million for other commitments, including:

- £1.269 million Insurance
- £3.285 million Building / Asset Management
- £3.741 million Equalisation Funds and Grants
- £11.552 million Specific Directorate Pressures
- £6.898 million School Balances

Earmarked reserves are reviewed regularly, drawn down when required and unwound when no longer necessary. Detailed reviews of earmarked reserves have been undertaken throughout 2023-24 and this enabled a number of reserves to be unwound and repurposed, ensuring that those remaining were committed to specific schemes over a specific timeframe.

Borrowing and Investments

The Council's Treasury Management Strategy sets out its approach with regard to borrowing and investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent when investment returns are low and counterparty risk is relatively high. However, with limited capital receipts likely to be available in future years and significant capital investment planned, including the Sustainable Communities for Learning Band B Programme, the Council is forecasting an increased capital financing requirement.

Capital interest costs as a percentage of the net revenue budget have historically averaged between 3% to 4%. However, this could increase if budgets are squeezed further and the Council's under-borrowed position diminishes.

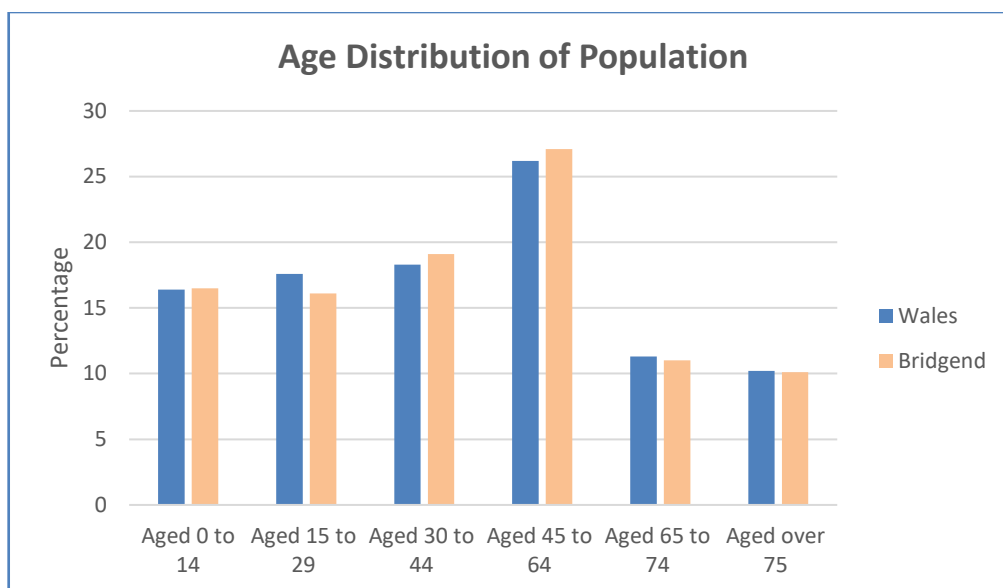
2.2.2 Non-Financial Statistics:

Population

Bridgend has a population of around 145,500 (Census 2021). Based on Welsh Government's mid-year estimates this is expected to continue to rise and reach around 151,600 by 2028, an increase of around 0.3% per annum.

The age distribution of the County Borough is broadly in line with the average for Wales, however there is a higher percentage of 30 to 64 year olds, and lower percentage of 15 to 29 and 65+ year olds. **Chart 2** shows the age distribution of the population based on Welsh Government's mid-year estimate for 2022.

Chart 2: Age Distribution of Population at mid-year 2022



A growth in population places greater demand on Council services including housing and homelessness, education, environment services and social care. The level of unemployment is also instrumental in determining the demand for Council funded benefits such as council tax reduction or concessions when paying for Council services.

Employment

In terms of employment, for the year ending December 2022, Bridgend's employment rate was reported to be 71.9% compared to an all-Wales level of 73.3% (Nomis), based on the working age population. Bridgend had a lower than average economic activity rate, and consequently a higher than average economic inactivity rate for the working age population. This covers those people who are out of work and not looking for a job but excludes persons of pensionable age who are generally retired and therefore economically inactive.

The long term impact of Covid-19, the impact of the cost of living crisis, and the closure of the Ford plant in September 2020, and more recent business closures, are likely to have impacted these figures. Any increase in the number of those unemployed or on low incomes will create a pressure on a number of service areas, including housing and social services, but also on benefit related services such as council tax support.

Pupil Numbers

The Council has a total of 59 schools (infant, junior, primary, secondary and special, Welsh medium and church schools), along with a pupil referral unit, with around 23,000 pupils. A number of these buildings are in poor condition with a backlog of repairs and maintenance issues. Pupil numbers overall and within and across schools do not remain static, and are currently rising, which impacts upon the need to provide the right number of school places in the right locations. The Council has already invested £21.6 million in providing new and refurbished schools under Band A of the Sustainable Communities for Learning programme and has also committed to

spending a further £19 million of capital funding under Band B of the current programme. The cost of financing these schemes, along with any future operating costs, will be reflected within future financial pressures.

Other statistics

Leisure and Well-being:

Life Centres	5
Swimming Pools	5
Sports Centres	8
Library services	11

We also develop, manage and maintain **280 hectares** of open spaces, including children's play areas, sports pitches, commons, highway verges, landscapes and horticultural features. All of these require regular maintenance and investment, in addition to the ongoing running costs required to keep them open for the public.

2.3 Scrutiny and Challenge

- 2.3.1 Cabinet and Corporate Management Board (CMB) continue to seek to embed a culture of medium term financial planning within the Council. Against that background further efforts have been made again this year to secure greater involvement of stakeholders in the development of the MTFS. Given the late notification of the provisional local government settlement from Welsh Government, the Council was only able to undertake a three week consultation 'Shaping Bridgend's Future 2024-25' between 15 January 2024 and 4 February 2024, the emphasis of which was to seek citizens' thoughts on how we should address the budget situation. It was recognised that budget planning for 2024-25 is more difficult and uncertain than ever before, and that the Council is facing even more cost pressures than experienced in previous years, as a result of the global economic circumstances arising from the cost of living crisis, high levels of inflation and the ongoing conflict in Ukraine. The results were collated and used to further inform final decisions on the MTFS.
- 2.3.2 Overall, the budget consultation received a total of 2,839 survey completions, both online and paper versions, and a combination of English language and Welsh language responses. In total there were 2,813 responses (1,079 last year) to the online survey, including English Language and Welsh language submissions, and via our standard, Citizen Panel, Easy read and large print versions.
- 2.3.3 A summary of the main headlines arising from the consultation is provided in **Table 5** below.

Table 5 – Headline Figures from Public Consultation

Headlines from the Public Consultation
<ul style="list-style-type: none">• 2,839 survey completions in total (Welsh and English, online and paper);• 81% agree with our principles;• Most people are in favour of reviewing the Net Zero pledge, leisure concessionary pricing, Adult Community Learning, library services, school attendance and Home to School Transport, in that they are happy to see cuts in these areas;• 60.2% agree to moving towards a full cost recovery model for services;• 80.5% agree to reviewing and remodelling services;• 95.5% agree to reviewing the use of assets/buildings;• 93.2% agree to reviewing contracts with external partners for leisure services;• 76.1% agree with reviewing agreements with external partners;• 64.4% supported to keep council tax as low as possible even though this would mean reducing or stopping more services;• 40.7% think we have been OK over the last 12 months.

2.3.4 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Panel (BREP) to facilitate the budget planning process. The draft budget report approved by Cabinet in January 2024 has also been scrutinised by the Council’s Overview and Scrutiny Committees, resulting in a report to Cabinet on 6 February 2024 from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of recommendations. Cabinet has considered COSC’s recommendations, which include recommendations from BREP, and a response to these is provided in **Appendix A**.

2.3.5 Cabinet and CMB have reflected on the responses received from the public consultation, and from discussions with, and recommendations from, BREP and the Scrutiny Committees, and have compiled the final budget based on the comments and responses received. This includes:

- safeguarding and protecting our most vulnerable citizens
- seeking to move to a full cost recovery model where we are able to do so
- reducing the level of cuts on school budgets
- continuing to provide support for homeless individuals
- reviewing the use of our assets and buildings

2.3.6 When the draft budget was published in January, it was stated that until more detailed information was made available from Welsh Government on some of the significant grants, it was prudent not to allocate all additional funding in the budget at that stage, mindful that some funding may be needed to sustain these core services. Following the consultation process a number of changes have been made to the final budget, as outlined later in the report.

2.4 Service Overview

2.4.1 This overview summarises the continued and significant investment in public services that the Council will make. It sets out how the Council aims to change particular areas of service delivery, and the financial consequences of this. Cabinet has requested that the following principles should underpin the development of the budget for the coming financial year:

- The Council will seek to safeguard and protect the most vulnerable people in our communities;
- The Council will encourage residents and communities to support themselves and provide advice to enable this to happen;
- The Council will seek to limit service growth in the coming financial year;
- All Directorates will be required to contribute to the overall savings required in the coming years;
- The Council must have an efficient “back office” service that supports service delivery and transformation;
- In setting the budget, the Council will be mindful of the predicted financial austerity across the public sector in the coming years and plan to ensure the financial viability of the Council, and;
- The Council will seek to recover the cost of services via fees and charges where it is able to do so.

2.4.2 Education

The Council is proposing to spend £143 million on services delivered by the Education and Family Support Directorate in 2024-25, prior to the allocation of additional funding for pay and price increases. The majority of this money will be spent directly by Bridgend’s 59 schools and one pupil referral unit.

In addition to the £113 million proposed budget to be initially delegated to schools in 2024-25, which mostly pays for the salaries of teaching and other school staff and the running costs of the facilities (ongoing revenue expenditure), the Council has already spent £21.6 million in building and refurbishing schools as part of our 21st Century School Modernisation Band A Programme and has provisionally committed to a further £19 million as part of the newly renamed Sustainable Communities for Learning Programme. This comprises one-off capital expenditure across several years, with substantial match funding from Welsh Government. Welsh Government has provided approval in principle in respect of the strategic outline programme, strategic outline cases, and outline business cases (that is, in respect of capital schemes) submitted by the Council around our aspirations for Band B funding. Full business case approval will be required for all schemes, and Welsh Government approval will be sought once tender prices have been received. However, we are aware that there are significant cost pressures on this programme due to the impact of high inflation on tender prices being submitted and this is affecting current costings for this programme.

The concepts proposed are based around forecast demand for primary school places, our support to promote the growth in Welsh-medium education and our desire to create additional capacity to meet the needs of children with additional learning needs in Heronsbridge School. It is likely that this will represent the biggest area of capital expenditure for the Council in future years.

The Council has a longer-term goal to make the overall schools' system more efficient (for example, through making sure we have the right number of school places available in the right parts of the county (including ensuring enough capacity for anticipated future increases in school age population)).

In the draft MTFs, presented to Council in January, schools were tasked with finding budget reductions of 5%. Cabinet has reflected on this during the consultation process and the overall reduction is now reduced to 3% in order to help balance the Council's budget. However, schools will also receive additional funding for a range of pay and price increases that will more than outweigh this budget reduction. School budgets make up one-third of the Council's overall net budget, so it is impossible to find the level of budget reductions that the Council has to meet without impacting on schools. For example, the current net budget for schools is £114.740 million, compared to an overall net budget of £342.334 million. If schools were not required to make a 3% budget reduction then this would fall on other services, requiring them to find a further 1.5% of budget reductions, a total reduction of around 6% of their budgets.

The forecast pressure on Council budgets for future years is such that further efficiency savings of 2% for 2025-26 and then 1% per annum thereafter may be unavoidable for schools, and so it will be necessary for headteachers and governing bodies to plan ahead.

The Council's well-being objectives prioritise supporting vulnerable people and helping them to be more self-sufficient. Early intervention is an important part of this – taking steps wherever possible to prevent people becoming reliant on Council services. As well as being of great social value to individuals and communities, this approach is more cost effective in the longer term. Successful intervention at an early age and at an early stage can prevent needs from escalating and requiring more costly and complex help later on.

In seeking to protect our investment in education and early intervention, and to provide as much support as possible to pupils following the disruption caused by the pandemic, the Council is making minimal changes to the services delivered at this time. However, we will continue to seek efficiencies in the application of the Council's Home-to-School/College Transport Policy.

2.4.3 Social Care and Wellbeing

After Education, the largest area of Council spend is on social care. This includes social work and social care for children and for adults with care and support needs. Within the Directorate there is a focus on strengthening practice, improving the 'whole system,' targeted preventative services and supporting our workforce. For many years it has been understood that working in this way will result in less dependency on commissioned social care services for many individuals and more effective and cost-effective use of statutory services. Also, it has been evidenced in budget monitoring and outturn reports in recent years that social services' financial performance has been highly dependent on short term grant funding which is offsetting deficits in core budgets to meet the needs of the vulnerable population. Whilst the Directorate continues to develop new approaches to service delivery, and this includes better support and outcomes through prevention, early intervention and

well-being services, this is more challenging than ever before with increasing need. The population of Bridgend is growing quickly, the third fastest growth of any Welsh Local Authority, and this means the number of people with care and support needs is also increasing. In addition, there is considerable challenge on the 'supply side' of social care in respect of both workforce (employed by the Council and providers with an increasing reliance on more agency workers) and social care provision, particularly children's residential, with some providers making business decisions to close particular provision, and adult care and support at home. The Council has undertaken a detailed analysis to understand the fair cost of care which has informed a care home fee setting strategy. This is important in stabilising the care market and providing more certainty to the Council's financial planning.

The Council approved a 3 year sustainability plan for children and families on 20 September 2023. Contacts to children's social care have continued to increase exponentially which analysis shows is to be expected for some years when high profile child deaths occur. It is critical that the 3 year sustainability plan is resourced and delivered in order to rebalance how families are supported over that period. Implementation of the plan is overseen by a Social Services Improvement Board (SSIB) chaired by the Leader of the Council, and which includes the Deputy Leader, Group Leaders, Cabinet Member for Resources and the Chair of the Corporate Overview and Scrutiny Committee, and which is advised by an independent expert in social services. In June 2023 there was a Joint Inspection of Child Protection Arrangements in Bridgend, led by Care Inspectorate Wales (CIW) who welcomed the development of the 3 year sustainability plan. The joint inspectorates acknowledged the resource impact on partners of the level of safeguarding activity. CIW continue to monitor progress with improvements closely and are clear in their analysis of the need for continued corporate support for children's social care. Meeting statutory duties requires significant investment of resources in the workforce and service provision which was endorsed by Council in their approval of the 3 year sustainability plan.

A further area of pressure is the volume and complexity of need for statutory social care services from the vulnerable population of the county borough. Practice continues to be strength based and eligibility criteria rigorously applied in adult services but the whole systems pressures are clearly evident with delays in people having their needs for care and support met. As with children's social care, there is a need for a sustainable service and financial plan which is being developed for consideration by Cabinet. This plan will have to be cognisant of the service and financial pressures within the service. Pressures are particularly evident in learning disability services, mental health services and services for older people. An opportunity assessment of learning disabilities has identified areas where practice and commissioning in a strength based, outcome focused, way will also mitigate budget overspends. A learning disability transformation plan has been developed and actions are being progressed through a programme to right-size and right-price care packages and transform day time occupation. Work is also progressing to reset reablement and significantly reduce the number of people who progress to a long term package of care and support at home without having the opportunity to maximise their independence and for the care package to be right-sized, prior to commencing a long term service.

The supply side costs for commissioned care providers (domiciliary, residential and nursing) linked to inflation (food and fuel are particularly impactful), the need to increase the pay of staff to compete with retail and hospitality and the increased reliance on agency staff (particularly registrant nurses), have meant that some

councils have reported having to look at applying across the board increases in their fees during the past year. Across the UK a small number of providers are facing financial difficulties and there is market exit probability in both adult and children's services which will place more pressure on Council budgets as the Council will always be a safety net provider in such circumstances.

The strategy for the next few years is to embed strength-based practice and support individuals and families to live their best lives, remodelling the way we work in order to deliver outcome focused services and approaches which enable people to maximise their independence and families to stay together with targeted support where needed, whilst progressing commissioning strategies and workforce plans which ensure the right person provides the right intervention and support in the most timely and preventative way. The Signs of Safety model of practice in children's social care, and strength based, outcome focused practice in adult social care, provide the basis for 'doing the right thing' which is invariably the most cost-effective course of action. The increases in need and complexity from both children and vulnerable adults needs to be understood and reflected in service transformation and aligned financial planning expressed through sustainability plans.

2.4.4 Housing and Homelessness

Housing as a determinant of physical and mental health is widely recognised and this link is reinforced by the range of activities and services provided by the Housing Team. The Housing (Wales) Act 2014 introduced the need to move to a more preventative approach to homelessness and this is a core principle of the work undertaken. The service has responded to the challenges of Covid-19 and new guidance introduced by Welsh Government in relation to homelessness presentations and has already recognised these as budget pressures for the Council, with the aim of providing temporary accommodation to people in need, in order to reduce the number of street homeless people. The Council does not have any housing stock of its own but retains a number of statutory functions relating to addressing housing need and combatting homelessness.

The service also administers the Housing Support Grant from Welsh Government (£7.8 million). The support activities funded via this funding are both broad and diverse. This is done through a range of corporate joint working and contract arrangements with third sector organisations, delivering specific projects for people who are vulnerable with complex needs. These projects include services for people suffering domestic abuse, mental health and substance misuse issues, learning disabilities, accommodation for young people, people with mental health support needs and other housing related support for people who need help to access or maintain accommodation successfully.

Housing will continue to adopt a strategic approach to homelessness prevention and provision by working with Welsh Government and partner organisations. Work with Registered Social Landlords is on-going to support new housing developments and housing will continue to use the Social Housing Grant effectively to increase the supply of social housing.

2.4.5 Public Realm

Most of the Council's net budget is spent on education and social care – these are very valued services but are naturally aimed at certain groups within our community.

However, the Council's work on the public realm has a direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, and collect and dispose of our waste.

In 2024-25 the Council is likely to receive around £4 million of direct Welsh Government grant for public realm services. This includes waste services, public transport, rights of way and road safety.

The overall net budget that the Council proposes to spend on public realm services is around £26 million. The fact that schools have had a high degree of financial protection in previous years has meant that the Council's other services have been under considerable pressure to make savings and, in many cases, we have had to reduce levels of service. However, the services in the Communities Directorate have also been subject to service changes that have resulted in alternative delivery models that have increased productivity, as well as collaborative approaches that have increased both efficiency and service resilience. Investment in this area is proposed to continue into 2024-25.

The seven year waste collection contract with Kier will cease in March 2024 and a new interim contract for a period of two years has been procured. This will use the existing fleet and collection methodology. The Council will then need to determine its future waste services model from 2026 onwards. Bridgend has consistently been in the top 2 or 3 of best performing waste authorities in Wales, and therefore has seen a significant reduction in the volume of our residual waste, which is expected to benefit the Council financially over time, subject to contractual conditions with our disposal arrangements. However, all Councils have seen higher overall domestic waste due to the impact of the pandemic and the high number of people continuing to work from home. New operating arrangements at a lower cost were negotiated at the Materials Recovery and Energy Centre (MREC) in 2019-20 and an agreement with Neath Port Talbot County Borough Council has been made for waste disposal going forward until 2030 or until a regional facility comes online. We expect to spend in the region of £11 million on the collection and disposal of waste in 2023-24.

A major challenge for the Council is how to continue to meet public expectations for many highly visible and tangible services when the reduction in the available overall Council budget inevitably means the Council will be less able to deliver these services to the same level and frequency. These services are often the ones the public identify with their council tax payments. Increasingly the Council will seek to enable and facilitate partnerships to help to deliver some services, including more meaningful engagement with local residents regarding the role they can play in working effectively with us.

The Council's strategy is to retain and maintain the most important public services in this area whilst driving ever greater efficiency, making some service reductions where we think it will have the least impact across Council services, recognising that this still may be considerable in some areas. We will also develop alternative ways of delivering and sustaining services including greater and more effective collaboration and encouraging others to work with us or assume direct responsibility for services in some cases. The most significant proposed change in this respect is the move of responsibility for the management and maintenance of sports fields and pavilions from the Council to user clubs and groups or local town and community councils. The Council has adopted a flexible approach to community asset transfer (CAT), utilising a streamlined CAT process, and ensuring that appropriate advice and both capital

investment (from the CAT fund in the capital programme) and revenue support (from the sports club support fund) are made available. The Council is well on its way to achieving savings of £300,000 between 2021-22 and 2024-25 from transferring these assets.

Reductions in spend in this area will allow us to protect our investment in the Council's priorities and in areas where we have far less ability to exercise control.

2.4.6 **Supporting the Economy**

Whilst this is a Council priority, services such as regeneration and economic development as a discretionary service have had to make considerable reductions to their budgets over recent years. The Council has delivered this by employing fewer but more highly skilled staff and focusing activity more narrowly on priority areas to maximise impact. Going forward, we will continue to collaborate on a regional basis with the nine other Councils that make up the Cardiff Capital Region (CCR) City Deal, as it transitions into a statutory Corporate Joint Committee (CJC) by April 2024. The CJC will have responsibility for regional development and in particular the areas of strategic transport, regional economic development and strategic planning. The Council will continue to work with colleagues regionally and the CJC to understand how responsibilities will be shared between the region and local authorities to ensure the most effective outcomes overall. The City Deal created a £1.2 billion fund for investment in the region for 20 years, and it is now the intention of the CJC to continue this work. This will include long-term investments focusing on raising economic prosperity, increasing job prospects and improving digital and transport connectivity. In order to play an effective part in the Corporate Joint Committee, the Council will maintain as far as possible existing investment in its transport planning, spatial planning and regeneration teams to reflect this direction of travel. The Council will be spending in the region of £2.8 million a year running these services. These teams will ensure successful delivery of high profile regeneration projects, including the numerous regeneration projects in Porthcawl and the redevelopment of Ewenny Road in Maesteg for both housing and employment uses, where the remediation of the site is being funded by a £3.5 million Housing Viability Grant from the CCR. In addition, through its Metro programme, the £3.8 million Porthcawl Metrolink bus facility will be completed and provide a strong signal of the Council's commitments to sustainable travel as part of the wider regeneration scheme. The completion of the £10 million redevelopment and refurbishment of the Maesteg Town Hall, in the spring of 2024, will bring state of the art community, music, performance and library facilities to the heart of the Llynfi valley, and will safeguard this 141 year old listed building for future generations.

We have also undertaken the Examination in Public (EIP) for the replacement Local Development Plan (LDP). This will be determined by Welsh Government's Planning and Environment Decisions Wales (PEDW) and, if recommended for approval could be adopted by the Council in late spring of 2024. An important part of our budget planning is making sure that it is resourced appropriately to ensure our plan is properly researched and evidenced and sets out the development planning proposals for the County Borough which will shape its future, including housing growth. There is some £116 million of Section 106 contributions that will be forthcoming from our new replacement LDP and these are essential for delivering high quality new infrastructure, such as roads, new schools, housing and play facilities in development areas within the Borough.

More specifically, the Council has made and continues to make good progress in pursuit of the development of our main towns. These include the regeneration of the waterfront at Porthcawl, including the Salt Lake site, the redevelopment of Maesteg Town Hall as stated above, and investment in initiatives to improve the town centre in Bridgend. This includes the development of a new £80 million Bridgend College Campus on the former police station site at Cheapside, in the town centre. The construction is due to commence in May 2024 with a completed college building anticipated by September 2026.

The Council will continue to operate a number of grant funded programmes of work to support our most vulnerable groups and those furthest away from employment, including training and skills and work support programmes under the Employability Bridgend programme. The Council has been awarded over £20 million from the Shared Prosperity Fund (SPF) to undertake various programmes with partners across the County over a three year period, including training and new business start-up grants. In addition, the £18 million funding bid to the UK Government's Levelling Up Fund (LUF) for the complete refurbishment and restoration of the Grand Pavilion in Porthcawl was successful. Design work is now underway and a planning application is being submitted. It is likely that a contractor for the works will be procured in spring 2024.

2.4.7 Regulatory and Corporate Services

The Council operates a number of other services which it recognises fulfil specific and important roles. In many cases these are statutory though the precise level of service to be provided is not defined in law. The main areas are as follows:

Regulatory Services

This is a combined service with the Vale of Glamorgan and Cardiff City Councils, for which Bridgend will contribute around £1.9 million towards a group of services that includes Trading Standards, Environmental Health, Animal Health and Licensing (Alcohol, Gambling, Safety at Sports Grounds, Taxis etc.). These services all ensure, in different ways, that the public is protected.

As well as allowing for financial savings, the collaboration delivers greater resilience in the service and stronger public protection across all three Council areas.

Registrars

The Council operates a Registrar service that deals primarily with the registration of Births, Deaths and Marriages. The service also undertakes Civil Partnership and Citizenship ceremonies and provides a replacement certificate facility.

Council Tax and Benefits

The taxation service collects over £112 million in council tax from over 66,000 households across the county borough, on behalf of the Council, South Wales Police and our Town and Community Councils. Our collection rates have been impacted in recent years, firstly by the Covid-19 pandemic, then by the cost of living crisis. We are determined to regain the pre-2020 high level of collection, but we are seizing the opportunity to reduce the cost of operating the service, by offering online services.

We now offer a range of secure council tax functions online, allowing residents to self-serve at a time and location convenient to them. This will allow us to reduce the cost of running the service.

In line with many other Welsh Local Authorities the Council has reviewed its position with regards to Council tax premiums. A Council Tax premium on empty properties has been introduced and took effect on 1 April 2023 whilst a Council Tax premium on second homes is being implemented from 1 April 2024.

Benefits are funded by the central UK government, but the administration of Housing Benefit and the Council Tax Reduction Scheme falls to the Council. The Benefits Service also administers applications for Disabled Facilities Grants, Free School Meals and Distinctive School Uniform Grants.

2.4.8 Other Council Wide Services

There are a number of things that the Council does that support the delivery of services but which themselves are not visible to the public. We need to maintain these services with sufficient capacity to support our services whilst making them as efficient and effective as possible. In many cases we operate such services by sharing with other organisations. Opportunities for further collaboration or sharing in these service areas has been and will continue to be explored. There are a number of proposed budget cuts against these services for 2024-25 onwards, all of which will seriously compromise their ability to support frontline services, and may be counter-productive in terms of enabling the collection of additional income, or increasing costs in other service areas, for example.

Property and building maintenance

The Council continues to review its commercial property portfolio, identifying asset management opportunities and the mechanisms required to deliver a sustainable increase in income. Alongside this, the Council is continuing to dispose of assets it no longer requires to deliver services, in order to provide further investment in our capital programme.

The Council has brought together its asset management and building maintenance functions, and has centralised all premises repairs, maintenance and energy budgets into a single 'corporate landlord' service within the Communities Directorate. This enables us to better manage compliance, embed 'whole life costing' approaches into decision-making, manage the quality of work undertaken by contractors, and thereby deliver efficiencies in the management of our estate. This focus on reducing our assets and energy efficiency will be essential if the Council is to meet Welsh Government targets of all public sector bodies being net carbon neutral by 2030. A decarbonisation strategy entitled "Bridgend 2030", was developed with the Carbon Trust and is supported with a detailed action plan, setting out how the Council will reach a net zero carbon position in Bridgend by 2030. This was approved by Cabinet in December 2022.

The service will continue to review its processes in 2024-25 including seeking further operational efficiencies and streamlined business processes, from IT investment, improved procurement and contract management.

Legal services

The Council needs to maintain effective legal support for all of its services. At a time when the Council is trying to transform services it is important to bring about these changes lawfully. The service also directly supports front line services such as Education and Social Services and is provided by a mix of permanent internal staff and external expertise when necessary. Almost half of our in-house legal team is specifically focused on child protection cases. These cases have increased in number and complexity over recent years.

The service is very lean and will have to prioritise caseloads on a risk assessed basis.

Finance

The Council has a central team that manages all of the financial management of the Council. This includes high level strategic advice, the Council's accounts, monitoring of financial performance and supporting the oversight and management of the Council's finances. The service fulfils certain legal requirements that ensures transparency and accountability in the way that public money is used – for example in producing accounts which are then audited and in delivering value for money in service delivery.

The Finance Section will be looking to further improve and enhance business processes to improve efficiency and also meet legislative changes. Considerable progress has been made in automating payments and the Council will continue to develop and extend this to a wider range of suppliers.

Human Resources (HR) and Organisational Development (OD)

With over 6,000 employees including schools, the Council needs a dedicated human resources service. The primary role of the service is to provide professional advice, guidance and support to managers and staff on a wide range of HR and OD issues as well as provide HR services for the payment of salaries, pension, contracts and absence administration. Other services include training and development, recruitment and retention, developing employee skills and 'growing our own,' through our Graduate and Apprenticeship schemes.

Working closely with our recognised trade unions, we maintain positive and transparent employee relations arrangements.

Overall the significant workforce issues the Council is facing have led to a considerable increase in demand for these services; this is likely to continue into the new financial year as teams are restructured and new ways of working are considered.

ICT

We are continuing to invest in the automation and digitisation of services in line with our approved Digital Strategy, and work is ongoing to identify priority areas through the Digital Transformation Programme. This will help achieve savings in future years, through the development and digitising of information-intensive processes, freeing up capacity and making efficiencies.

The ICT service is assisting the Digital Transformation Programme, supporting the changes across a range of services that in turn allow savings or improvements through more flexible working or new ways to access services. The Council spends around £5 million on its ICT services provision to support main Council activities and schools. The ICT service has focused on developing staff through the apprenticeship programme in conjunction with HR, developing skills and enabling in-house career progression.

Procurement

The Council has a central team that provides procurement support across the range of services that we provide. Effective procurement is essential to ensuring good value for money across the Council. The central team work with services to implement corporate wide efficiencies where appropriate. The Council has adopted a Corporate Procurement Strategy which supports a number of corporate priorities. There continues to be a sustained increase in the costs of goods and services due to inflationary pressures, rise in fuel costs and shortages in the supply chain. Many tenders are being returned over the approved budget leading to additional work to re-run the process.

Democratic Services

The Council is a democratic organisation with 51 elected members (Councillors) who make decisions, set policy direction and oversee the general performance of the Council. The number of elected members in each authority is set independently. Their remuneration is also determined by an independent panel. The Democratic Services team support all Members and ensure the appropriate arrangements are in place to comply with legislative requirements.

Internal Audit

Our Regional Internal Audit Service is provided by a joint service that we share with the Vale of Glamorgan, Rhondda Cynon Taf and Merthyr Councils. The service carries out routine checks and investigations to ensure that the Council maintains good governance – especially as it relates to the proper accountability of money and other resources. The service will also undertake specialist and one-off pieces of work if required. The level of service to be provided by the joint service in 2024-25 has been reviewed.

SECTION 3. THE FINANCIAL CLIMATE

3.1 Current Financial Situation

- 3.1.1 When Welsh Government announced the Final Local Government Settlement for 2023-24 in February 2023, they provided an indicative all-Wales uplift to AEF for 2024-25 of 3.1%, but stated that this was dependent on current estimates of non-domestic rates income and any 2024-25 UK budgets. No information was provided for future years.
- 3.1.2 The Chancellor of the Exchequer presented the Autumn Statement 2023 to Parliament on 22 November 2023. The Office for Budget Responsibility (OBR) were commissioned to prepare an economic and fiscal forecast to be presented to Parliament alongside his Autumn Statement.
- 3.1.3 In his Autumn Statement the Chancellor said that this was an “Autumn Statement for a country that has turned a corner. An Autumn Statement for growth.” He stated that the government had delivered significant economic progress “in the face of global challenges” and that the Autumn Statement had delivered “the biggest business tax cut in modern British history” and will return tens of thousands more people into work. Announcements included reductions in employee national insurance contributions, increases in the national living wage, support for businesses, including the extension of business rates discount and a freeze on the small business multiplier in England, and inflationary increases to benefits. According to the Office for Budget Responsibility, growth is better than expected this year but inflation has taken longer than expected to reduce, meaning interest rates have had to rise further. As a result, the OBR has downgraded its forecasts for growth for the next couple of years – 0.7% next year instead of the 1.8% previously forecast, and 1.4% in 2025, down from 1.8%.
- 3.1.4 In response to the Autumn Statement the Welsh Government Minister for Finance and Local Government said “*The Chancellor has failed to recognise the increasing pressures on public services both here in Wales and across the UK, which means there will be more incredibly difficult decisions ahead. The NHS and local authorities are facing acute challenges around social care, education, and homelessness. The continuing pressures on their budgets will have a significant impact on the future sustainability of our schools, hospitals and other vital public services.*” She summed up saying “*Today’s Autumn Statement will make a difficult process even harder, as it does nothing to ease the immense pressure on our budget and on public services in Wales.*”
- 3.1.5 Welsh Government announced their draft budget on 19 December 2023, and the provisional local government settlement on 20 December 2023. The final local government settlement is not due to be announced until the end of February 2024, so the Medium Term Financial Strategy and the budget for 2024-25 are proposed on the basis of the provisional settlement.
- 3.1.6 The Welsh Government draft budget sets out updated revenue and general capital spending plans for 2024-25, which is the final year in the three-year Spending Review period. The Minister indicated that this was a final year in which there was less funding available to meet all of their statutory commitments, let alone their priorities and

ambitious Programme for Government. She also stated that following the UK Autumn Statement, their budget is now worth £1.3 billion less in real terms than when it was set in 2021. She stated that they had radically reshaped their budget so that they can focus funding on the services which matter most to people – to invest more in the NHS and to protect the core local government settlement, which in turn funds schools, social care and other vital everyday services that people rely on. Guiding principles included protecting core, frontline public services as far as possible, delivering the greatest benefit to households which are hardest hit, to prioritise jobs, wherever possible and to work in partnership with other public sector bodies to face this financial storm together. This included investing an additional £450 million in the NHS, which is on top of the additional £425 million they made available in October, for 2023-24. It also maintains the provisional Local Government settlement at 3.1%, with £1.3 million provided through the Revenue Support Grant to ensure that no authority has an increase in settlement of below 2%. The Minister did indicate that because of continued high inflation, pay pressures, high energy costs and rising demand for services, local councils will need to take difficult decisions, which may have an impact on the services they provide. She said that, in making decisions, local authorities will need to consider the impacts of their choices under the statutory requirement relating to local government.

- 3.1.7 There is a consolidation of pre-16 grant funding streams to enable local authorities to have more flexibility to react and deliver in changing circumstances, and this is at the same level of funding against similar grants provided to local authorities in 2023-24. They are also protecting the Pupil Development Grant funding that funds schools to support learners from low-income households, under their overarching equity in education objectives.
- 3.1.8 The Minister also outlined a package of additional support for Non-Domestic Rates, which included capping the increase to the Non-Domestic Rates (NDR) multiplier to 5% for 2024-25, lower than the 6.7% September CPI increase (the default inflation increase), and extending support for retail, leisure and hospitality businesses with Non-Domestic Rates bills by providing 40% relief, a reduction from the 75% relief provided in 2023-24. In addition, following revaluation of Non-Domestic Rates in 2023-24, WG is providing funding for the second year of transitional relief in 2024-25.
- 3.1.9 In terms of capital investment the Minister indicated that there were minimal changes to the multi-year allocations provided in the 2022-23 to 2024-25 budgets and that the majority of allocations for general capital would remain static.

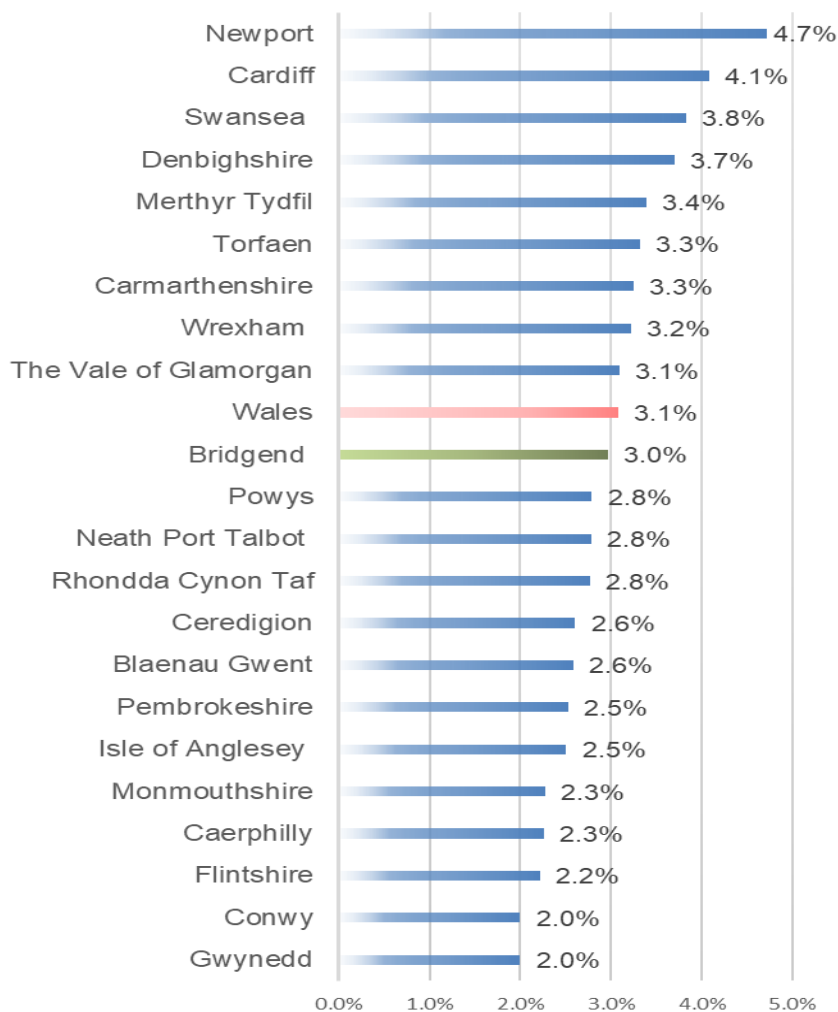
3.2 Welsh Government Local Government Settlement

- 3.2.1 Bridgend's draft MTFs was presented to Cabinet on 16 January 2024, based on the provisional settlement, before being submitted for scrutiny. Councils are not expected to receive their final settlements from Welsh Government until the end of February 2024, so the final MTFs is based upon the provisional settlement. The headline figure is an overall increase of 3.1% across Wales and, for Bridgend, a reported increase of 3.0% in Aggregate External Finance (AEF), which is a £7.796 million cash increase on the 2023-24 allocation. No local authority received less than a 2% increase in funding. Welsh Government has already indicated that there will be some additional funding (£14.4 million across Wales) in the final settlement which is to support pressures in social care and education, including teachers' pay. The actual

allocations will not be known until 27 February 2024. There may also be some grant transfers into the final settlement, following work to reduce the number of separate grants paid to local authorities.

This increase for Bridgend was the tenth highest increase across all Welsh Local Authorities as illustrated in **Chart 3** below.

Chart 3: Revenue Funding for Welsh Councils (Provisional Settlement)



Source: WG Provisional LGF Settlement 2024-25

3.2.2 In announcing the provisional settlement the Minister for Finance and Local Government, stated ‘As we have developed the draft Budget 2024-25, which was published yesterday, we have prioritised protecting core frontline public services as far as possible; supporting the hardest hit households and prioritising jobs, where we can. We have therefore protected the indicative rise of 3.1% in the local government settlement, and in line with our focus on supporting households, this also continues to protect vulnerable and low-income households from any reduction in support through the Council Tax Reduction Scheme (CTRS).’

Transfers into and out of the 2024-25 Revenue Settlement

3.2.3 As mentioned in the draft MTFs report to Cabinet in January 2024, the provisional settlement does not include any transfers of funding from Welsh Government into the

Revenue Support Grant (RSG). However, Welsh Government has indicated that this may change for the final settlement as they continue to review and rationalise the number of grants that the local authority has to administer. If there are any transfers of grants into the final local government settlement this will be reported to Council in due course.

Specific Grants

- 3.2.4 As part of the Welsh Government's Programme for Government, the Welsh Ministers have committed to reducing the administrative burden on local authorities, to allow them to focus on their vitally important work delivering services. At the heart of this work is their desire to ensure that local authorities are not hampered by unnecessary bureaucracy, consequently there is an amalgamation of pre-16 education grants, and work is ongoing to identify the best approach to grants in different policy areas, in collaboration with Local Government. WG expect to outline agreed changes as part of the Final Budget.
- 3.2.5 The picture on changes to specific grants is available at an all-Wales level for most grants, but not yet at an individual authority level. The biggest change is the rationalisation and refocusing of education specific grants, with the amalgamation of several pre-16 education grants into the Local Authority Education Grant. Many of the grants remain unchanged from 2023-24 figures, such as the Housing Support Grant and Concessionary Fares Grant, and some are yet to be finalised, including the Sustainable Waste Management Grant. There is an allocation of £93.5 million in 2024-25 to support the increased entitlement to free school meals for all primary aged pupils as agreed as part of the Plaid Cooperation agreement.
- 3.2.6 Welsh Government had originally stated in their draft budget that they had reprioritised £11 million from the Social Care Workforce Grant, but in an announcement on 7 February 2024 they announced that they would be restoring this to the 2023-24 level from consequential funding received as a result of changes by UK government to the Local Government Settlement in England. With the original £11 million top-sliced Welsh Government has said that to ensure continued delivery of existing activity, including protecting spend on eliminating profit within the care of children looked after, they are reviewing planned activity and exploring efficiencies and rescoping activity until 2025-26. With regard to other grants, there is a reduction in the Communities for Work+ grant from £27 million to £17 million, and a reduction in the Bus Emergency Scheme from £42 million to £39 million.
- 3.2.7 Until more detailed information is made available from Welsh Government on some of these significant grants, which fund a range of important and key services within the Council, it is prudent to retain some funding in the budget, mindful that some of it may be needed to sustain these core services.

3.3 Forecast Financial Position

- 3.3.1 This section of the report sets out the proposed MTFs for the Council for the next four financial years, based on the latest information available from the Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFs is reviewed regularly and amended as additional information becomes

available, with the detail for future years being developed over the period of the strategy.

- 3.3.2 The development of the MTFS 2024-25 to 2027-28 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel, the public consultation, scrutiny by Corporate Overview and Scrutiny Committee and other scrutiny committees, and issues arising during 2023-24, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 3.3.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).
- 3.3.4 The published provisional 2024-25 Aggregate External Finance (AEF) figure is an increase of 3.0% for Bridgend. In the MTFS 2023-24 to 2026-27, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2024-25 of an annual 2% change in AEF and an assumed increase in council tax of 4.5% for 2024-25, with anticipated 0% changes to AEF for future years, recognising the ongoing uncertainty around our funding in future years. However, given the unprecedented challenges and demands facing the Council currently and over the coming year, it is proposed to increase council tax by 9.5% for 2024-25. If council tax did not increase the Council would need to make further budget reductions of around £9.6 million to balance the budget, in addition to the £13 million already proposed.
- 3.3.5 The MTFS is regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. This is particularly important given the current economic uncertainties, particularly in respect of fluctuating levels of inflation, in the coming months and years. In view of these uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios based on percentage changes in AEF shown in **Table 6**.
- 3.3.6 Going forward, this is the final year in the three-year Spending Review period, so no indications on funding have been provided for future years. However, indications are that the financial position will be no less challenging, potentially with a 0% change to AEF for 2025-26, and that Councils should plan accordingly. Therefore, for 2025-26 onwards, given the level of funding uncertainty in future years, as well as unknown pay and price increases, we will continue to assume 0% change to AEF and an estimated council tax increase of 4.5%. However, they will continue to be monitored and will be amended as further fiscal and economic information is made known.

Table 6 – MTFS Scenarios: % Change in AEF

	2024-25	2025-26	2026-27	2027-28
Best Scenario	+3.0%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+3.0%	0%	0%	0%
Worst Scenario	+3.0%	-1.0%	-1.0%	-1.0%

3.3.7 Due to the impact of current year and anticipated future pressures, the amount of budget reductions required for 2024-25 is substantial. Over the period of the MTFS the financial forecast for 2024-2028 is currently predicated on £44.9 million of budget reductions being met from Directorate and Corporate budgets. This has increased from the draft budget, following a fresh review of provisions for pay, prices and budget pressures based on latest information. However the assumptions beneath them can change quickly and with an uncertain, but probably more challenging, financial settlement likely going forward, this level of reductions could change. They are predicated on a number of spending assumptions, including:

- Projections for demographic changes, including an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care.
- Inflationary uplifts to support specific contractual commitments, which is difficult to predict going forward following the higher levels of inflation over the past year. The consumer price index (CPI) rate was 4% for the 12 months to December 2023, which was much lower than the 10.1% reported in March 2023, but it was an increase on the 3.9% November 2023 rate. Whilst inflation is slowing down, the Bank of England do not expect it to be at normal levels of around 2% until the end of 2025.
- The future impact of national policies and new legislation which may not be accompanied by commensurate funding, such as the Welsh Government's commitment to eradicate homelessness, local authorities' responsibilities in respect of responding to climate change and meeting net zero carbon targets, potential additional responsibilities arising from UK government's draft Terrorism (Protection of Premises) Bill, and the ongoing implications of the Local Government and Elections (Wales) Act 2021.
- Complying with this year's budget principle of full cost recovery, where possible. Consequently fees and charges will increase by the statutory minimum or at least CPI (as at December 2023), unless determined otherwise.
- Increases in staffing costs, including a confirmed 10.1% increase in the Real Living Wage (from £10.90 to £12.00 per hour), a 9.8% increase in the national living wage from April 2024 (from £10.42 to £11.44) and its extension to 21 and 22 year olds, along with the impact of staff pay increases in both 2023-24 and 2024-25. These include the full year effect of the teachers' pay increase of September 2023 (5% increase), the unknown teachers' pay increase in September 2024 and increases for non-teachers for 2024-25, which are still to be determined.

3.3.8 **Table 7** below shows the Council's potential net budget reduction requirement based on the forecast resource envelope, assumed council tax increases and inescapable spending assumptions outlined above.

Table 7 – Budget reduction scenarios

	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Total £'000
Best Scenario	13,045	8,242	8,010	7,768	37,065
Most Likely Scenario	13,045	10,822	10,615	10,400	44,882
Worst Scenario	13,045	13,402	13,169	12,928	52,544

3.3.9 Cabinet and CMB are working together to develop plans to meet the most likely scenario above for the four year period. In the event of the worst case materialising in any year, the budget shortfall may have to be met from the Council Fund and / or a further increase in Council Tax while additional budget reduction plans could be developed, however using reserves to support recurrent expenditure is not prudent financial management, and will be avoided where possible. Should the best case scenario arise then Cabinet and CMB would look to reduce the impact on services as well as Council Tax.

3.3.10 **Table 8** shows current progress on identifying budget reduction proposals. It is clear that, based on the proposed budget reduction requirements for future years, and the shortfall in meeting the budget reductions targets currently, the Council must have clear plans and proposals drawn up over the next year to meet these large funding gaps.

Table 8 – Risk Status of Budget Reduction Proposals 2024-25 to 2027-28

Year	GREEN:	AMBER:	RED:	Budget reductions Identified so far	Budget reductions not yet developed	Total Required
	Proposal developed and deliverable	Proposal in development but includes delivery risk	Proposals not fully developed and include high delivery risk			
	£'000	£'000	£'000	£'000	£'000	£'000
2024-25	6,415	2,243	4,387	13,045	0	13,045
2025-26	443	2	4,750	5,195	5,627	10,822
2026-27	0	0	2,304	2,304	8,311	10,615
2027-28	0	0	1,357	1,357	9,043	10,400
Total	6,858	2,245	12,798	21,901	22,981	44,882
Percentage of total required	15%	5%	29%	49%	51%	100%

3.4 Corporate Risk Assessment

3.4.1 The Council's Corporate Risk Assessment identifies the key corporate risks facing the Council, along with mitigating actions. The latest version, presented to the Governance and Audit Committee in January 2024, is attached as **Appendix B**. The Corporate Risk Assessment has been regularly reviewed during the financial year, to

take into account new and emerging risks, and has been scrutinised during the financial year by the Governance and Audit Committee. These risks have been taken into account in the preparation of the MTFS and where there are identifiable financial implications these have been provided for either within the budget or earmarked reserves. Where the financial risks are not clear, the risk is covered by the Council Fund.

SECTION 4. BUDGET 2024-25

4.1 Revenue Budget 2024-25

4.1.1 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and specific transfers into the settlement from Welsh Government, and subtracting any budget reduction proposals.

4.1.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. **Table 9** summarises the 2024-25 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2024-25 £'000
2023-24 Net Budget (Table 2)	342,334
Transfers and New Responsibilities (para 3.2.3)	0
Budget Pressures (para 4.1.3)	30,436
Budget Reductions (para 4.1.17)	-13,045
2024-25 Net Budget Requirement	359,725
<i>Financed by:</i>	
2023-24 Net Budget (Table 2)	342,334
Net Cash Increase in AEF (para 3.2.1)	7,796
Council tax increase (9.5%) (para 3.3.4) plus increase in tax base	9,595
2024-25 Net Funding Total	359,725

2024-25 Revenue Budget

4.1.3 **Table 10** presents the detailed net revenue budget for 2024-25, which includes an additional £18.5 million for the pay and price pressures outlined above. It also includes an amount of funding to be held to mitigate the risk of the full £13.045 million of budget reductions not being achieved in full in-year, and any budget over spends arising during 2024-25.

In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £11.3 million of inescapable pressures have emerged during 2023-24 and are explained in more detail in the paragraphs below. Conscious that more pressures may emerge in-year, a small amount of funding has also been retained within this budget to meet these as they arise.

In total, the Council has identified pay, price and other pressures of £30.4 million for 2024-25.

Table 10 – Net Revenue Budget 2024-25

	Revised Budget 2023-24	Inter-Directorate Transfers	Pay / Prices / Other pressures	Budget Pressures (Appendix C)	Budget Reduction Proposals (Appendix D)	Opening Revenue Budget 2024-25	Potential In-Year Allocations for Pay and Prices *	Potential Final Budget 2024-25
	£000	£000	£000	£000	£000	£000	£000	£000
Service Directorate Budgets:								
Central Education & Family Support	29,400	0	177	2,200	-1,560	30,217	1,423	31,640
Schools	114,740	0	1,969	0	-3,441	113,268	5,070	118,338
Education and Family Support	144,140	0	2,146	2,200	-5,001	143,485	6,493	149,978
Social Services & Wellbeing	98,436	0	17	8,330	-2,248	104,535	4,188	108,723
Communities	32,283	300	324	0	-2,460	30,447	2,760	33,207
Chief Executives	25,338	0	3	330	-3,246	22,425	1,249	23,674
Total Directorate Budgets	300,197	300	2,490	10,860	-12,955	300,892	14,690	315,582
Council Wide Budgets:								
Capital Financing	7,142				-90	7,052		7,052
Levies	9,189			446		9,635		9,635
Repairs and Maintenance	670					670		670
Council Tax Reduction Scheme	16,054					16,054		16,054
Apprenticeship Levy	750					750		750
Pension Related Costs	430					430		430
Insurance Premiums	1,363					1,363		1,363
Other Council Wide Budgets	6,539	-300	16,090	550		22,879	-14,690	8,189
Total Council Wide Budgets	42,137	-300	16,090	996	-90	58,833	-14,690	44,143
Net Budget Requirement	342,334	0	18,580	11,856	-13,045	359,725	0	359,725

* Actual amounts will depend upon final agreed pay awards and inflationary increases / contractual increases

4.1.4 The net budget for 2024-25 will be funded by:

Table 11 – Net Budget Funding

	£	%
Revenue Support Grant	205,006,429	56.99
Non-domestic Rates	52,971,909	14.73
Council Tax Income	101,746,816	28.28
Total	359,725,154	100%

Inter-Directorate Transfers

4.1.5 There is only one inter-directorate transfer included in the budget, for £300,000, and that relates to additional funding to support the interim waste collection contract, for the period 2024 to 2026, as agreed by Cabinet at their meeting on 19 September 2023. The funding was transferred from the budget set aside for emerging pressures in the MTFS 2023-2027.

Pay, Prices, Pensions and Demographics

4.1.6 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2023-24 have been agreed. They included an increase of 5% on all teachers' pay scales and allowances, an increase of £1,925 or 3.88% (whichever is higher) on all NJC pay points, and an increase of 3.5% for JNC Chief Officers and Chief Executive pay points. In terms of NJC workers the £1,925 equated to a 9.42% increase for those on the lowest scale. The NJC Committee met in November 2023 and unions are aiming to lodge the NJC pay claim at the end of February. No other information is available at this time. With so much uncertainty it is difficult to determine what the pay pressure will be in 2024-25, but with a staff budget

of around £230 million, every additional 1% increase will add at least a further £2.3 million pressure to the Council's pay budget.

- 4.1.7 In March 2022 Bridgend County Borough Council was officially recognised as a Real Living Wage accredited employer by the Living Wage Foundation, and all BCBC-employed staff, including social care staff, were paid at the level of the Real Living Wage. In October 2023 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 10.1%, from £10.90 to £12.00 per hour. The rate was to be implemented as soon as possible, but by 1 May 2024 at the latest. For in-house staff this will be paid from 1 April 2024.
- 4.1.8 Funding for price inflation in 2024-25 has been mostly retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown, especially given current fluctuating inflation rates. The only allocations at this time are:
- £204,000 towards the interim waste collection contract for 2024 to 2026 as outlined in the report to Cabinet on 19 September 2023. This is in addition to the virement from the unallocated funding for budget pressures from 2023-24 (shown as an inter-directorate transfer in Table 10).
 - Welsh Government has already announced that there is a proposed 5% increase in the business rates multiplier for next year, as outlined in paragraph 3.1.8, from £0.535 to £0.562, which will impact on the Council's buildings, and inflationary funding has been allocated to directorates for this.

The remaining inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed.

- 4.1.9 In addition to increases in pupil numbers in schools in recent years, which puts pressure on school delegated budgets, there is also evidence of an increase in the older persons' population. Wales, as a whole, has an ageing population. In Bridgend, between the 2011 census and the 2021 census there has been an increase of 21.5% in people aged 65 years and over, resulting in increased pressure on a number of service areas, including residential care, home care and the assessment and care management teams.

Teachers' Pensions

- 4.1.10 In October 2023 the UK Government Department for Education published the outcome of the valuation of the Teachers' Pension Scheme based upon 2020 data. The outcome confirmed a need to increase the employer contribution rate by 5% from 1 April 2024 to ensure that the Scheme continues to meet present and future obligations. This means an increase in rate from 23.68% to 28.68%. The impact of this for Bridgend is an increased cost in employer's contributions of £3.270 million per annum. Welsh Government has stated that funding for this is expected to be provided by UK Government but not until 2024-2025. The Minister has said that she would be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. As a consequence, no provision has been made in this final budget to meet the cost of teachers' pension increases. However, this is a risk, and should the funding not be forthcoming from WG then the Council will need to find recurrent funding to meet this pressure in-year in 2024-25 and on a recurrent basis going forward into 2025-26.

School Delegated Budgets

- 4.1.11 Given the difficult financial position that the Council found itself in, a 2% efficiency in school budgets (£2.118 million) was included in the MTFS for 2023-24, given that school budgets account for around a third of net revenue expenditure. For 2024-25 the overall financial position of the Council has deteriorated, and it is impossible to set a balanced budget without requiring schools also to make cuts, given they make up significant percentage (one third) of the Council's net budget. Therefore it is proposed to ask schools to find further savings of 3% in 2024-25. This is a reduction from the original 5% proposed budget reduction outlined in the draft MTFS report to Cabinet in January, following the budget consultation process.
- 4.1.12 There are a significant number of pressures on school delegated budgets for 2024-25 and beyond, not least the full year cost of the September 2023 teachers' pay award for April to August 2024 (5% increase), new pay award for teachers from September 2024, non-teachers' pay award from April 2024 and continuing high inflation. Whilst schools will need to identify ways to meet the 3% budget reduction, to contribute towards the corporate budget reduction target, this will be more than offset in terms of a cash increase by the additional funding that will be provided to them during 2024-25 to offset these additional pay and price pressures, which could reach £5 million based on current estimates.
- 4.1.13 It should be noted that the original 1% efficiency target for schools outlined in the draft MTFS report to Cabinet in January for 2025-26 and beyond has been increased to 2% for 2025-26, but retained at 1% for 2026-28 onwards, in recognition of the pressures stated above, potentially lower future budget settlements and mounting external pressures across Council services.

Budget Pressures

- 4.1.14 The final schedule of budget pressures is attached at **Appendix C** and presents a number of recurrent pressures for 2024-25, totalling £11.306 million, with a further £550,000 available to support any new emerging pressures, which will be allocated out during the financial year once the full details are known. All in-year allocations will be reported as part of the quarterly revenue monitoring reports. This total covers those pressures deemed to be unavoidable or statutory, and tries to mitigate some of the more significant budget pressures arising in 2023-24, which will continue into 2024-25 and beyond. The funding allocated is partly to enable time for transformation of services to take place and will be subject to robust ongoing financial monitoring during 2024-25.
- 4.1.15 The January draft MTFS report to Cabinet explained that services had not been asked to submit general budget pressure bids due to the challenging financial situation, so there are likely to be additional emerging pressures arising during the year for which no provision has currently been made. Going forward into 2025-26 onwards there will be additional budget pressures arising but it is too early to anticipate what the value of these will be at this time.
- 4.1.16 Some of the more significant pressures facing the Authority include:

- Costs associated with supporting and protecting our most vulnerable residents, especially children.
- Support for children with additional learning needs.
- Funding to meet contractual price increases, especially home to school transport.
- Increased costs of commissioned services in the social care sector following the 10.1% increase in the Real Living Wage, and in general following the 9.8% increase in the National Living Wage announced by the UK government.
- An increase in the Fire and Rescue Authority's levy on the Council to meet pay and price increases.

Budget Reductions

4.1.17 Budget reduction proposals totalling £13.045 million for 2024-25 have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in **Appendix D**. Since the draft MTFS was presented to Cabinet in January 2024, and following the outcome of the public consultation and recommendations from Corporate Overview and Scrutiny Committee, a number of budget reduction proposals for 2024-25 totalling £2.994 million have been removed or amended. These proposals are set out in **Table 12** below. In addition, COM8 - the closure of Bridgend Bus Station and associated Public Toilets – has been removed from the proposals for 2025-26 and 2026-27.

Table 12 – Amendments to Draft Budget Reduction Proposals

Draft MTFS Ref	Proposal	Amended / Removed	Reduction £000
SCH1	Reduction to Schools' Delegated Budgets	Reduced from 5% reduction to 3% reduction	2,294
SSW12	Grants to Community Centres	Remove	10
SSW16	Support for children with add. Needs	Remove	30
SSW20	Third sector hospital discharge	Remove	35
COM13	Climate Emergency Response	Reduce by £200k to £55k	200
COM16	Play Equipment Maintenance	Remove	40
COM20	Street Cleaning	Remove	99
COM21	Legionella Post	Remove	45
COM25	Community Recycling Centres	Remove	60
CEX13	Restructure of Legal Services *	Reduce by £181k to £154k	181
TOTAL BUDGET REDUCTION AMENDMENTS			2,994

* Prior to these amendments CEX13 'Restructure of Legal Services' and CEX18 'Restructure of Procurement Team' had been reduced by £44,000 and £14,000 respectively, and a new proposal CEX29 'Reduction to the Shared Regulatory Service budget' of £58,000 had been included, following approval by the Joint Committee for the service.

4.1.18 As outlined in the January Cabinet report, this year has been extremely challenging in identifying the necessary reductions in service budgets in order to balance the budget. The process has required difficult decisions to be made, resulting in the proposed cuts to many of the Council's services. This level of budget reductions is

unprecedented, and will have a wide ranging impact on the level of services that the Council can provide. They are not achievable easily, which is reflected in the RAG [Red/Amber/Green] status of the proposals, and will impact greatly on staff and residents alike, but are necessary in order to set a balanced budget, or council tax would have to increase by an even higher rate. A number of proposals may not be achieved in full during the financial year, resulting in possible over spends against budget. In order to mitigate against this, a provision of £1 million has been set aside as a contingency against non-deliverability of budget reduction proposals. As mentioned previously, Welsh Government has already indicated on 7 February 2024 that an additional £14.4 million will be included in the Final Local Government Settlement to support pressures in both social care and education, including teachers' pay, so it is proposed to retain any additional funding in the final settlement for this purpose in the central provisions for pay and prices to support those areas during the financial year.

4.1.19 Partnership Working

As part of the MTFs process this year, and in view of the particularly challenging financial circumstances the Council faces, a commitment was also made to review each of our main strategic partnerships to identify any potential cost savings. A summary of the main findings is set out below:

- The Shared Regulatory Service (SRS), which is operated in partnership with Cardiff and the Vale of Glamorgan Councils, was asked by the partner organisations to model the service impacts of budget reductions of between 3% and 10%. Those proposals were considered by the SRS Joint Committee in January with reductions of 4% being agreed for Bridgend.
- The partnerships with Halo Leisure and Awen Cultural Trust to run our leisure facilities and library and cultural facilities respectively, were also thoroughly reviewed. These key partners are delivering services at considerably less cost than when the Council provided leisure, culture and library services internally and have added considerable social value to communities in Bridgend. In recent years both partners have increasingly focused on supporting the most vulnerable and provide a highly effective preventative offer. There will be a need with reducing Council budgets to ensure that the partnership arrangements continue to represent best value.
- The Central South School Consortium is responsible for school improvement services across Bridgend, Cardiff, Merthyr, Rhondda Cynon Taf and Vale of Glamorgan Councils. Welsh Government is currently undertaking a review of school improvement arrangements across Wales. It is unlikely that the outcome of this review will be known until summer 2024. The local authority will consider the findings of this review in due course. We do not anticipate that any significant savings will be made during the 2024-25 financial year as a result of this review. In December 2023 the Central South Consortium Joint Education Service Joint Committee agreed a revenue budget for 2024-25, which included an aggregate 6.6% decrease in constituent local authority contribution levels, which equates to £35,000 for Bridgend.
- It was agreed with the Cardiff Capital Region City Deal (CCRC) that the first year's overhead and operating costs of the Corporate Joint Committee, which

is now legally required to be established, would be covered from the CCRCDC reserve. This had the net effect of avoiding costs for Bridgend in 2023-24 of just over £24,000. For 2024-25 the local authority contribution will remain at the same overall level as 2023-24 but will be used to fund both the CCRCDC and the Corporate Joint Committee.

Council Wide Budgets

- 4.1.20 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and centrally held building related costs. A number of these budgets are fixed and unavoidable, and therefore cannot be reduced without putting the Council at risk. The higher than anticipated pay awards in recent years, soaring inflation, and unprecedented amount of budget pressures has put also additional pressure on these budgets.
- 4.1.21 The South Wales Fire and Rescue Authority (SWFRA) covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. The SWFRA published its Revenue and Capital Budget Determination for 2024-25, for consideration at its meeting on 12 February 2024. For 2024-25 the levy on Bridgend, and consequently its council tax payers, is proposed to be £9,088,632. This is £120,056 higher than the figure provided to the Council at the SWFRA draft budget stage, which was £8,968,576, an increase of £445,886 or 5.23% from 2023-24. This original increase was as a result of unavoidable pay and price increases and equated to an additional 0.48% increase on the council tax. The additional increase of £120,056 is as a result of the revaluation of the Firefighters' Pension Fund by the Government Actuary, taking into account the costs of a change in a technical rate used in the valuation (the SCAPE rate) and settlement costs relating to a legal claim. The SWFRA are indicating that local authorities should receive this additional £120,056 of funding via Welsh Government, either in the final settlement or through a specific grant, so it will be cost neutral to local authorities. No communication has yet been received from Welsh Government in this regard.

Fees and Charges

- 4.1.22 Generally, fees and charges are increased by CPI (as at December 2023), subject to rounding, or in line with statutory or service requirements, except where a clear decision is taken not to do so. A full schedule of fees and charges will be published on the Council's website at the start of the financial year. New charges or charges that have been included in the 2024-25 budget and are above the general increase are shown in **Appendix E**.
- 4.1.23 The Fees and Charges Policy aims to set a consistent approach across Council services and outline key principles to be applied. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with Council priorities, recognising that the service would then be subsidised by council tax payers. Going forward, it is proposed to review fees and charges on a more rolling basis.
- 4.1.24 In line with the Fees and Charges Policy, if it is proposed not to increase fees and charges for a service in a particular year, this needs approval from the relevant

Director and Section 151 Officer. This would be limited in number and would usually be where it does not make commercial sense to increase charges for a service.

2024-25 Budget

4.1.25 **Appendix F** details the Directorate Base Budgets for 2024-25. As mentioned earlier in the report, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2024-25. This resulted in the reduction or removal of a number of proposed budget reductions which were stated to be important to the citizens of Bridgend. Going forward, given the continuing challenging financial outlook, the Council will need to think more strategically about how it will look, and what services it will provide if it is operating on a much smaller scale, potentially 20% smaller in the coming years. This will determine what areas of the Council continue to be funded in future years, and what is needed to enable this to happen, and could include:

- Digital transformation of wider Council services
- Income generation opportunities
- Working with partners to asset transfer and protect community facilities;

4.1.26 All of the proposals have implications for the Council workforce given that around two thirds of the Council's net revenue budget relates to pay costs. It follows that annual real terms' reductions in Council budgets over the next four years will lead to a reduced workforce over the MTFs period. The intention is to manage such a reduction through the continuation of strong vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be considered and could be necessary.

4.2 Capital Programme and Capital Financing

4.2.1 This section of the report deals with the proposed Capital Programme for 2023-24 to 2033-34, which forms part of, but extends beyond the MTFs. It has been developed in line with the MTFs principles and the Council's Capital Strategy and reflects the Welsh Government capital settlement for 2024-25. The Programme has been revised during the financial year to bring it up to date and take into account new capital schemes either funded from external resources, or from internal resources following a review of the Council's capital investment requirements.

4.2.2 The Welsh Government provisional capital settlement for 2024-25 provides General Capital Funding (GCF) for 2024-25 of £180 million across Wales and of £7.980 million for the Council for 2024-25, of which £3.937 million is un-hypothecated supported borrowing, with the remaining £4.043 million provided through general capital grant. This is £15,000 more than reported in the draft MTFs, following notification from WG of an anomaly in the original figures provided in December, and is £28,000 less than the amount received in 2023-24. In announcing this funding the Minister for Finance and Local Government said "*With soaring inflationary costs in the construction sector, I know this will mean that your authorities will have to look carefully at and prioritise your capital programmes to continue to invest to best effect in the provision of public services*".

4.2.3 The original budget approved by Council on 1 March 2023 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2022-23, slippage into 2024-25 and any new schemes and grant approvals. A review has also been undertaken of the capital resources available to the Council, along with the capital pressures that it faces. The Council only receives around £8 million per year from Welsh Government and has limited opportunities now to generate additional capital receipts or increase capital earmarked reserves. Due to the very limited capital resource available, following a number of years of significant investment in the Council’s infrastructure, service managers have not been asked to submit capital bids for funding at this stage, although it is accepted that there are a number of capital pressures that will need financing going forward. Given limited capital resources and increasing costs of contracts, the Council will need to make difficult decisions about which capital schemes it can afford to progress, which will involve prioritising existing and future schemes, as not all will be affordable. The programme will require constant review, of not just new, but also existing approved schemes, since the figures included for schemes may change following tender processes.

4.2.4 In addition to limited levels of funding, there are also other financial pressures arising as a result of the ongoing impact of the war in Ukraine and cost of living crisis, which are being seen in existing tender prices, and will continue to do so for some time going forward, placing pressure on the capital programme overall, including:

- Increased prices of materials, as a result of higher inflation rates, sometimes up to 25% higher than previously estimated;
- Supply chain difficulties leading to higher prices and delays in schemes being completed;
- Inability to recruit to key posts, both within the Council and companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government’s Net Zero commitments, which includes an aim of collectively achieving net zero across the Welsh public sector by 2030. This will lead to changes in the way we design and manage our assets, which will likely result in increased costs.

These pressures mean that the Council has limited resources available to fund capital projects in the coming few years therefore all decisions regarding changes to the programme will have to be carefully considered.

4.2.5 The Capital Programme contains a number of annual allocations that are met from the total general capital funding for the Council. These have been reviewed for 2024-25 and no changes are proposed at this time. The proposed allocations are shown in **Table 13** below.

Table 13 – 2024-25 Proposed Annual Allocations of Capital Funding

	Proposed 2024-25 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grant	1,950

	Proposed 2024-25 £'000
Housing Renewal / Empty Property Schemes	100
Minor Works	1,130
Community Projects	50
Corporate Capital Fund (Renewals / Match Funding)	200
Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	400
Total	5,220

4.2.6 The latest capital programme was approved by Council on 7 February 2024. There is only one amendment to this, the draw down and inclusion of £600,000 of Section 106 (S106) funding from developers to be used for affordable housing. This funding will supplement the £844,000 budget already within the capital programme and be used to support the delivery of affordable housing options through the purchase of Houses of Multiple Occupation (HMOs) to provide accommodation options for citizens and reduce the cost of the temporary accommodation budget in support of the Council's MTFS strategy.

4.2.7 Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2024-25 to 2033-34, and the limited resources available, and will be brought back to Council for approval at a later date. The Capital Programme Board will continue to review and monitor capital schemes, trying to ensure that projects are completed on time, within approved budget and to the agreed quality.

4.2.8 The proposed capital programme includes a number of existing projects which will help to support, and provide much needed investment in, the economy including:

- Investment in housing and homelessness schemes, to address, and help to reduce, the revenue pressures that the Council is facing.
- investment in ensuring that the highways and footways are of a good standard to encourage the use of local services by the public and avoid the need to travel to out of town developments.
- investment in all of our town centres, with works progressing on the Porthcawl Waterfront Regeneration Scheme for example.

These supplement those existing schemes, such as the Cardiff Capital Region City Deal (CCRCD) investment which will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity.

4.2.9 There is also significant investment in Disabled Facilities Grants and other Housing Schemes, to enable people to live as independently as possible in their own homes. This is supplemented by the analogue to digital telecare transition, which will provide a more reliable and integrated service that better supports our more vulnerable adults.

- 4.2.10 A key component of the Council's capital programme going forward is the Schools' Modernisation Programme under the Welsh Government's Sustainable Communities for Learning Programme. Work is accelerating on Band B options, which will result in further capital investment of around £70 million in the Council's schools' estate, funded from a combination of BCBC capital, Welsh Government capital grant, and revenue funding from both BCBC and Welsh Government through the Mutual Investment Model.
- 4.2.11 In addition, Council has previously approved significant investment in upgrading existing buildings through the capital minor works programme to reduce running costs, including maintenance, and improving energy efficiency across its assets. This is in addition to a range of energy efficiency schemes across Council buildings, such as the Refit programme, which has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems, designed to improve energy performance, reduce energy bills and carbon emissions, and which will be repaid from recurrent revenue savings generated, along with investment in new electric fleet.
- 4.2.12 The revised capital programme is attached as **Appendix G**. This includes the amendments outlined above.

Capital Receipts

- 4.2.13 The disposals strategy for the period to 2030 is currently being formulated and it is anticipated that the majority of the receipts will emanate from the sale of sites within the Porthcawl Waterfront Regeneration Area. Whilst this will be the main focus of the disposal programme in the immediate future, there are two other large sites at Ewenny Road, Maesteg and at Parc Afon Ewenni, Waterton, Bridgend that will be brought forward for sale within this period. These, together with a number of smaller sites that are likely to be declared surplus to Council use, will make up the disposal programme.
- 4.2.14 Capital receipts from property disposals are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

Prudential (Unsupported) Borrowing

- 4.2.15 Total Prudential Borrowing taken out as at 1 April 2023 was £46.063 million, of which £32.2 million was outstanding. It is estimated that the total borrowed will increase to £51.844 million by the end of 2023-24.
- 4.2.16 Future prudential borrowing could include an estimated £1.822 million towards the Bridgend Smart System and Heat Programme, £0.5 million towards the cost of fleet vehicles replacement, £0.5 million towards the refurbishment of Community Children's Play Areas and £0.5 million towards Highways' Refurbishments.

4.3 Council Reserves

- 4.3.1 The Council's Reserves and Balances Protocol attached at **Appendix H** sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. Principle 9 of the Council's MTFs Principles states:

14. The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.

For the last three years, the Council has maintained its Council Fund at a minimum of £9.7 million and at 31 March 2023 it was £9.832 million, which is 3.95% of the 2024-25 net budget excluding school delegated budgets. The challenging financial situation over the current and previous financial years have meant that we have been unable to add to this Fund, and this is likely to be the position in the forthcoming years. Indeed, we may need to draw down from it to meet any year-end over spend for 2023-24 onwards. To meet the Council's 5% guideline level, the Council Fund would need to be £12.446 million, which is £2.614 million more than the current balance. This will be monitored and will depend upon financial performance during future periods and the need to cover against specific risks as they arise through the earmarked reserves process.

- 4.3.2 In accordance with the Protocol, a review of the Council's reserves is undertaken at regular intervals. **Appendix H** sets out the movement in the Council's earmarked reserves as at 31 January 2024. It is anticipated that there will be drawdown of a number of reserves during the final two months of 2023-24 including:

- The estimated draw down of £12.807 million from the Capital Programme reserve, which does rely on additional capital spend being incurred during the final months of the year. This includes the estimated draw down of £3.489 million Schools Capital Maintenance Grant, expenditure towards maintenance schemes within schools, £2.457 million of Universal Primary Free School Meals funding towards kitchen refurbishments, and £0.764 million for the coastal risk management programme.
- Draw down of £0.553 million of funding for feasibility studies.
- Draw down of £5.501 million from directorate earmarked reserves and a further £1.906 million from equalisation and grant earmarked reserves.

In addition, any year-end over spend for 2023-24 will need to be funded from earmarked reserves or the Council Fund. The current projection, as at quarter 3, is that this could be £10.2 million, which will significantly reduce the level of reserves available going forward into 2024-25.

- 4.3.3 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers may be made at this point taking account of the overall financial position of the Council, including the final outturn, actual accrued council tax income, earmarked reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. At present it is anticipated that there will be insufficient funding available to set aside reserves, however, this will be reviewed at the year end and, if funds are available, Directors will be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2024-25 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole.

Table 14 – Summary of Earmarked Reserves

Opening Balance 01 Apr 2023 £'000	Reserve	Net Additions/Reclassification £'000	Draw-down £'000	Unwound £'000	Closing Balance 31 Jan 2024 £'000
(92,495)	Total Usable Reserves	(8,660)	5,799	9,490	(85,866)

4.4 Council Tax

- 4.4.1 Based on the proposed budget of £359.725 million, there will be a 9.5% increase in council tax for 2024-25. This level of increase is required to enable the Council to meet the significant and unprecedented budget pressures that it is facing, to enable it to set a balanced budget, including higher than anticipated pay, price and service pressures. It takes into account the current budget position, the already significant levels of service reductions that will be required and ongoing budget pressures, along with the challenging financial forecast going forward.
- 4.4.2 As mentioned above, in 2024-25 council tax will only provide around 28% of the Council's funding. The majority of funding comes from Welsh Government, via the Revenue Support Grant and the Council's share of non-domestic rates. An increase in council tax of 1% therefore only provides around £929,000 of additional funding.
- 4.4.3 The implications in terms of the Council Tax increase for 2024-25 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in **Table 15**.

Table 15 – Council Tax Increase 2024-25

2023-24 Band D	£1,675.26
2024-25 Band D	£1,834.41
% Increase	9.50%
Weekly Increase	£3.06

SECTION 5. LONGER TERM OUTLOOK

5.1 Longer Term Financial Outlook Considerations

- 5.1.1 The assumptions included in this Medium Term Financial Strategy are based upon the best available information at the time, although given one year budget settlements and constantly changing economic situations, there is clearly a degree of estimation in this, and the assumptions will change over time. This section of the report is to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.
- 5.1.2 The longer term outlook is not intended to be a 10 year budget strategy tool in the same way that the Medium Term Financial Strategy is for the next 4 years; there are so many political, financial, social and economic variables that it is not possible to forecast the level of funding that will be available to the Council in ten years' time, and expenditure levels will be determined by political decisions that are not yet made. It provides a financial framework (the business rules) to reference against when preparing both annual and longer term financial plans.
- 5.1.3 However, the value of it comes from being able to understand the broad direction of financial travel that the organisation is currently on, and the impact that current decision making will have on the long term financial health of the Council. This will be driven by the financial and non-financial projections outlined in Section 5.2.
- 5.1.4 This section will focus on the longer term financial outlook, cost pressures, potential risks, major timelines for key contracts and economic factors that will affect the financial health of the organisation for the next 10 years up to 2032 if the current direction of travel continues, and to present possible alternative scenarios. The main areas it will cover are:
- Future sources of funding – the best estimate of future Welsh Government grant levels and Council Tax income;
 - Future cost pressures – this includes general inflation, potential pay awards, pension and national insurance increases, financing future capital investment, and the impact that forecast demographic changes are likely to have on future council budgets;
 - The Council's strategy to meet the challenges.

5.2 Sources of Funding

The Council has 3 main sources of funding:

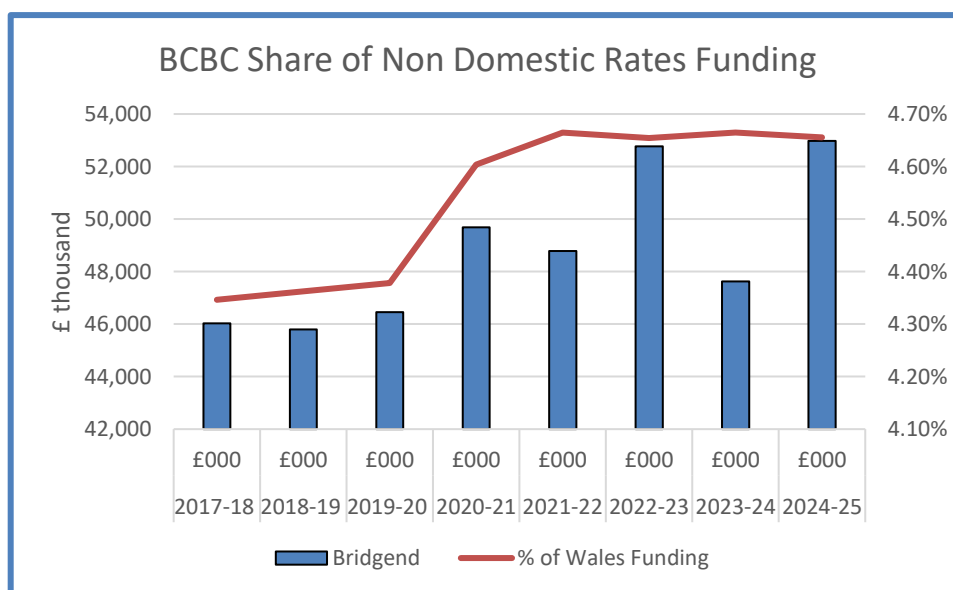
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

5.2.1 This funding is then supplemented by any income received as a result of charging for services, and any specific external grants to come to the total of what the Council can afford to spend each year.

The **Revenue Support Grant** is by far the most significant element of the Council's funding, so the Council will remain susceptible to external economic factors that drive the size of the core grant. In real terms this funding has reduced significantly over the last few years, and this is often masked by transfers of grant funding into the settlement, along with funding for new responsibilities that the Council is required to take on.

Welsh Government distribute the **non-domestic rates** funding to local authorities based upon its pro rata share of adult population. Bridgend's percentage share of non-domestic rates over the last 10 years is shown in **Chart 4**. The decrease in quantum for 2023-24 was as a consequence of the increase in business rates relief from 50% to 75% for retail, leisure and hospitality businesses, which led to an overall reduction in the amount of business rates collected. For 2024-25 this relief has reduced from 75% to 40%. Bridgend's percentage share of non-domestic rates funding has remained at around 4.66% in recent years.

Chart 4: Bridgend's Share of Non-Domestic Rates



The proportion of **council tax** required to balance the Council's budget has steadily increased over recent years and it currently funds around 27%-28% of the budget. Going forward, the MTFS includes an assumption that council tax will increase annually by 4.5%. Bridgend's population has increased in recent years, impacting on the council tax base, which in itself generates additional council tax income. Since 2013-14 the council tax base has increased by around 0.75% to 1.0% on an annual basis, taking into account any changes to assumed collection rate. It is reasonable to assume this rate of growth could continue with a growing population, but collection itself may be difficult due to the removal of the penalty of imprisonment for non-payment and the economic hardship a large number of people are finding themselves in as a result of the cost of living crisis. Where our council tax base increases as a result of the Local Development Plan, and new housing sites, the Welsh Government will adjust the amount of Revenue Support Grant down accordingly, as the assumption is that this reduced funding will be offset by increased council tax income.

5.2.2 In line with the Medium Term Financial Strategy, and based on no more up-to-date information, the longer term strategy will be based on the most likely scenario of:

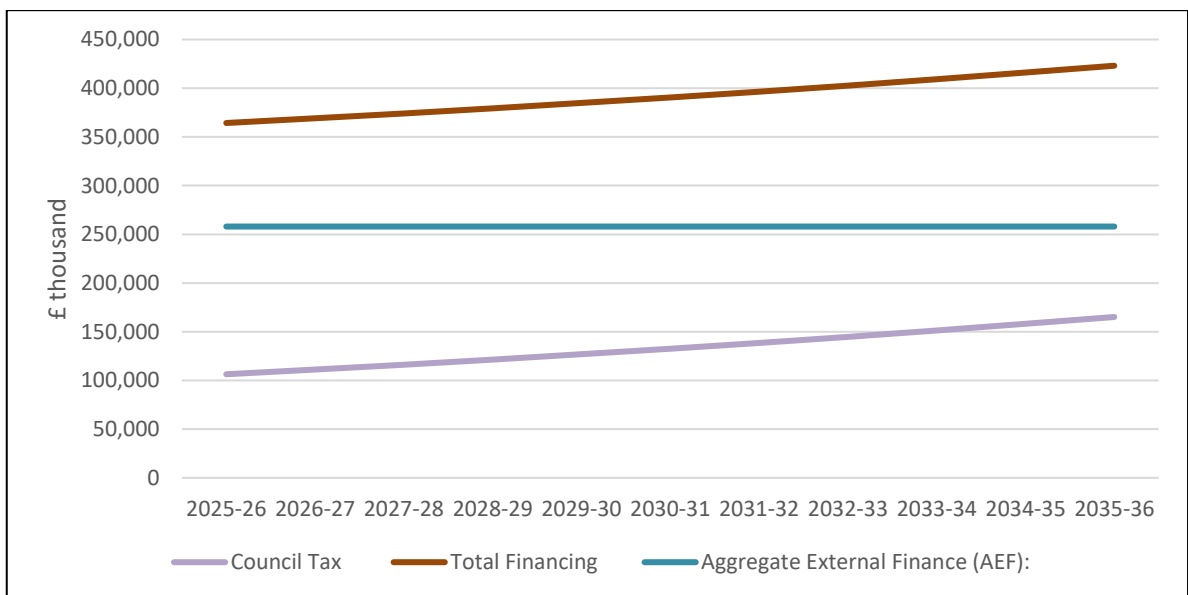
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 **Chart 4** showed that Bridgend’s amount and percentage share of Welsh Government’s distributable amount of non-domestic rates has remained steady in recent years at 4.66%. The share of non-domestic rates is projected to continue at this level going forward, but this will depend largely on the amount collected by Welsh Government across Wales which will be impacted by the economic climate, and any reliefs offered, especially as a result of the ongoing cost of living crisis, and the actual population change compared to the rest of Wales. However, any potential increase in non-domestic rates is likely to be alongside a freeze in revenue support grant.

5.2.4 Based on the funding scenarios outlined above, over the 10 year period the estimated freeze in Revenue Support Grant is anticipated to be offset by additional income from council tax and potentially non-domestic rates.

5.2.5 **Chart 5**, below shows the potential changes in Aggregate External Funding over the 10 year period, offset in the main from the increase in council tax over that period. There would be a 62% increase in council tax income between 2025-26 and 2035-36 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from its current 28% to 39%.

Chart 5: Estimated Funding over life of Longer Term Financial Strategy

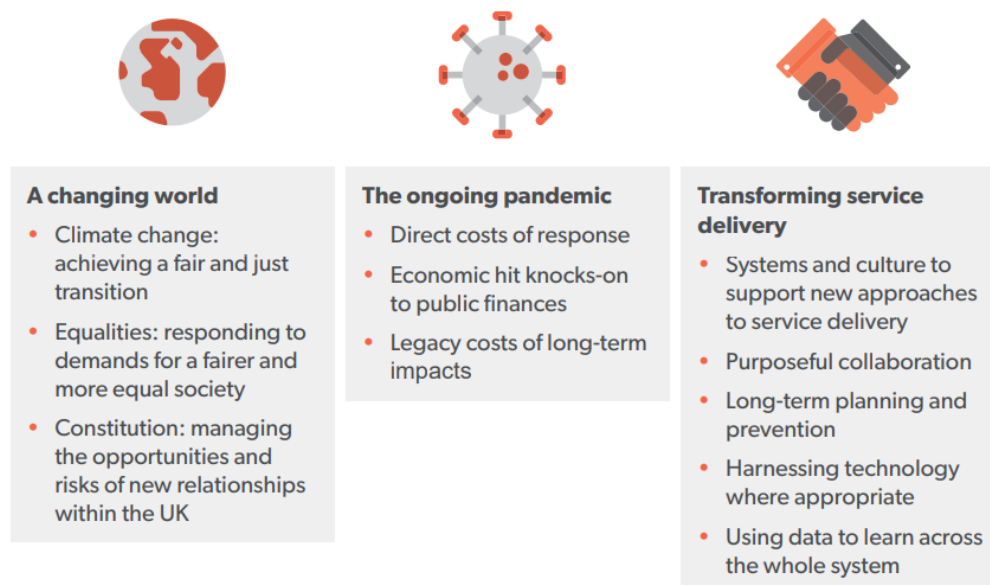


However, even with this level of funding, it is unlikely to be sufficient to meet the various pressures that the Council will face, which will be outlined in the next section, and this will result in substantial budget reduction requirements going forward.

5.3 Future Cost Pressures and Risks

5.3.1 The Auditor General for Wales has previously identified some key long-term issues

that Welsh public bodies need to take into account as they shift their planning horizons to the longer term. In the Auditor General’s ‘Picture of Public Services 2021’ report (September 2021) they were encapsulated these into three main categories –



© 2021 Auditor General for Wales – Picture of Public Services 2021

However, since late 2021 the UK has been faced with a cost of living crisis, following a number of significant global events, not least:

- The ongoing impact of the Covid-19 pandemic, which had a negative effect on many people’s physical and mental well-being, as well as causing significant disruption to the economy.
- Supply chain issues, particularly following lockdowns, when consumers spent more as the economy kickstarted, and post Brexit with new import and export rules.
- The Russia-Ukraine war – this is continuing to impact on supply availability and therefore prices for goods and services.

In May 2021 the Senedd issued a research article considering how local government services were changing following a decade of austerity and then the pandemic. Some of the key messages included in the article were:

- *Overall local authority spending has decreased by around 7% since 2013-14 (in real terms), in contrast expenditure on social services has increased by over 10%. Spending in most other service areas has been cut, including in education. Planning and economic development services have been hit particularly hard, as have libraries, culture, heritage, sport and recreation services. But while social services have been protected from the most severe spending reductions, this won’t be enough to ensure its sustainability for the future.*

- *The Office of National Statistics estimates that between 2021 and 2031, the population of Wales will grow by just over 60,000 (1.9%). Within that population growth, there's a projected increase in the proportion of older people. The population of over 65s is due to increase by around 119,000 (17.5%).*
- *Where local authorities get the money to spend on services has also started to shift. There was a reduction in grant funding to local authorities over the period 2013-14 to 2019-20, some of which was mitigated by local taxes. While grant funding still makes up the majority of local authority income, the amount to be collected from council tax payers (excluding council tax benefit/reduction scheme funding) was up by almost 30% over the same period.*
- *Local government has in the last few years embarked on a journey to transform how it delivers services. Local authorities are thinking differently about how to improve services for users, while reducing the cost of running them. One of the most significant aspects of the transformation programme is to make better use of technology and digital tools.*

Further detail on some of these key opportunities and challenges is provided below:

Climate change	The Environment (Wales) Act 2016 placed a duty on the Welsh Ministers to ensure that in 2050 net emissions are at least 80% lower than the baseline set in legislation. The Environment (Wales) Act 2016 (Amendment of 2050 Emissions Target) Regulations 2021 increased the minimum percentage from 80% to 100%, ie. net zero emissions. Welsh Government has an aspiration for a net zero public sector by 2030.
Austerity	Following the UK Budget 2021, Wales Fiscal Analysis notes that, “the UK government’s medium-term spending plans make for a more austere outlook for the Welsh budget and Welsh public services” and outline the possibility of a return to austerity for parts of the Welsh budget.
Poverty	Audit Wales issued a report - ‘Time for Change’ Poverty in Wales – in November 2022. Key messages from the report were that poverty is multidimensional, complex, growing and impacting more people in Wales. The impact of poverty is far reaching and increasingly more difficult for people to deal with. People in all parts of Wales continue to live in poverty and the number is estimated to be rising, with the cost-of-living crisis pushing more people into poverty The analysis shows that poverty is the single major challenge facing all tiers of government.
Technological developments	Public bodies need to balance the opportunities that technological changes provide with a need to ensure

that they do not exclude those who are less comfortable and able to use digital technologies.

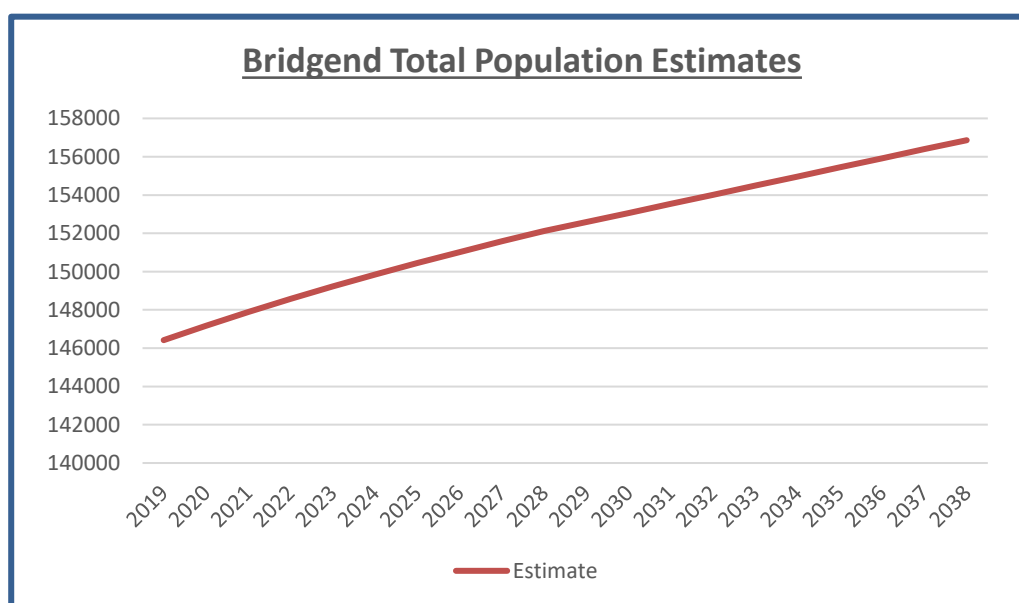
© 2022 Auditor General for Wales – Time for Change – Poverty in Wales

These are in addition to specific challenges known to the Council at present, including:

Population increases

- 5.3.2 Indications are that the population will continue to increase over the next 10 to 15 years, from 147,000 in 2021 to 156,000 in 2039, as outlined in Welsh Government population projections in **Chart 6** below. This will place increased pressure on the Council's budget if no additional funding is provided, particularly in terms of school places, adult social care, infrastructure and transportation. However, whether or not this will attract additional funding will depend on population growth across Wales as a whole.

Chart 6: Bridgend Population Estimates



Pupil numbers

- 5.3.3 An increase in pupil numbers in schools places significant pressure on both the capital and revenue budgets, in terms of ensuring there are sufficient school places in the right location for pupils. This can result in capital investment in new schools, adaptations to schools or re-balancing the mix of schools, primary, secondary and special, but also Welsh medium and English medium. **Table 16** below shows that there has been a significant increase in secondary and special school pupils over the period, with a recent corresponding reduction in primary pupils. Overall pupil numbers are lower now than they have been for the past five years. The funding per pupil in special schools, in particular, is significantly higher due to the additional staffing resource required to provide for these pupils, which places additional demands on a limited budget.

Table 16 - Bridgend Pupil Numbers

	Primary	Secondary	Special	Totals
September 2018	13,127	9,289	376	22,792
September 2019	13,101	9,425	407	22,933
September 2020	13,012	9,631	399	23,042
September 2021	12,844	9,795	390	23,029
September 2022	12,566	9,901	422	22,889
September 2023	12,289	9,773	435	22,497

Pay awards

5.3.4 Since 2018 pay increases have been generally higher than inflation, particularly for those on lower grades and for teachers at the bottom of the pay scales. This is evidenced in recent pay increases for National Joint Council workers, whereby those on the lowest scale points received an overall higher percentage increase than those on the higher scales (9.42% compared to 3.88%). This is in addition to rises in the National Living Wage which is currently at £10.42 (rising to £11.44 in April 2024). When this was announced the Chancellor stated that the target to "end low pay", by lifting the living wage to two-thirds of a measure of average earnings, had now been met. The announcement in October 2023 of an increase from £10.90 to £12.00 per hour means a 10.1% increase in pay provision for the Council's in-house and commissioned services.

Contracts

5.3.5 The Council has a number of major multi-year contracts for the provision of its services, some of which are due to expire over the coming 10 years, and could create unavoidable significant financial pressures upon re-tender. These include:

Table 17 – Main Multi-Year Contracts

Contract	Contractor	Contract Length	Expiry Date	Current Annual Cost
Waste Collection	Plan B	2 years (plus optional 2 years)	31/03/26	£7.854 million
Home to School Transport	various	Varies (taxis 1 year plus optional 1 year, buses 4 years plus optional 2 years)	Varies (taxis 2024, buses 2028)	£9.5 million
Cultural Trust	Awen Cultural Trust	20 years	2035	£3.612 million
Leisure Contract	HALO Leisure	15 years	April 2027	£1.658 million

As with all re-tender exercises there are a number of risks, including:

- the risk of not securing a suitable partner;
- the risk of increased costs of running the contract going forward;
- the risk of the company remaining viable in the long term;
- start-up and transition problems, especially where there are changes in contractor;
- potential reductions in quality with a new contractor.

When considering the future models of service delivery for these services consideration will have to be given as to how the Council can ensure service quality, economies of scale and economic efficiency is achieved.

In addition, over the medium to longer term there are contracts due to end, with no requirement to renew, and contracts due to start for new service provision, including:

Maesteg School Private Finance Initiative (PFI) – due to end in 2034 with potential revenue savings of £2.5 million, although this is likely to be offset in part by a reduction in the amount of funding from WG via the Revenue Support Grant. Welsh Government funding through the settlement has been reducing incrementally over the period of the contract but there is likely to be a final reduction in RSG of around £1 million when the contract ends in 2034.

Bridgend Primary Schools (Mutual Investment Model) – 25 year contract to design, build and maintain 2 new primary schools, one Welsh medium, one English Medium with an annual revenue commitment currently projected at £820,000.

5.4 Longer Term Strategy

- 5.4.1 The Covid-19 pandemic has reinforced how challenging it is to predict the economic climate in the short term in some instances, let alone in the longer term, with the usual single year budgets, local and national elections and other external forces at play.
- 5.4.2 However, the Council must take a view on what strategies it can adopt to try to mitigate any negative impacts on its finances, and some of these are highlighted below.

Digitalisation

Cabinet has approved a Digital Strategy for the Council which has been divided into three key areas – Digital Citizen, Digital Council and Digital Place. The aim is to provide digital services that:

- are designed around the people who are going to use them, across the whole sphere of service delivery,
- are integrated to deliver seamless connectivity, and are simple and intuitive,
- are designed to safely and usefully share information, to better support the vulnerable in communities,
- demonstrate digital leadership, creating conditions for genuine channel shift,
- challenge the status quo to ensure the Council is working smarter.

A revised Strategy will be adopted in 2024 which will build on the changes already achieved and outline the Council's aspiration with regard to service delivery support by digital innovation.

Commercialisation

The Council has considered, and will continue to seek, opportunities to become more commercially minded in its business, including maximising income from the sale of its goods and services or other cost reducing opportunities such as community asset transfer. The aim will be to continue to provide as wide a range of services as possible, at minimum cost. However, the recently published Prudential Code for Capital Finance in Local Authorities (2021 edition) has been strengthened to include a statement that "local authorities must not borrow to fund primary yield generating investments". The rationale for this is that it does not constitute the primary purpose of investment and represents unnecessary risk to public funds. It is also to ensure that any commercial investment is consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice. This could restrict any commercial ambitions that the Council may have.

Charging policy

The Council's Fees and Charges Policy clarifies the important role that charging and income generation has in supporting the Medium Term Financial Strategy. It provides a clear and consistent approach to charging across the Council. The Council will charge for services, except where a clear decision is taken not to do so.

In particular, charges should be levied to support Council well-being objectives and to encourage behaviour change of our customers. In certain circumstances the Council may target groups (e.g. those in receipt of means-tested benefits) who would be disadvantaged or would not be able to access the service without a concession. Without certain concessions the Council may not be able to achieve its well-being objectives. Going forward the policy will be reviewed and updated in line with other Council strategies and policies.

Community Asset Transfer

The Council recognises that the current level of subsidy provided to manage and maintain a number of its assets is financially unsustainable and will lead to the inevitable closure of facilities over time unless there is a significant shift to self-management. The status quo position is not sustainable and will lead to significant detriment to future generations. The Council has insufficient funding to consistently invest in them and the condition of many others is critical unless the operating model is changed. The transfer of assets or services to Town and Community Councils, sports clubs or community groups offers opportunities to maintain and preserve valuable community services which may otherwise be under threat; or alternatively improve the provision that is already available.

Climate Emergency Response

Bridgend County Borough Council declared its own climate emergency in June 2020 and set up its Climate Emergency Response programme. This has a commitment to achieve Net Zero carbon emissions by 2030 across its operations, to respond to the climate emergency declared by Welsh Government in April 2019. A Net Zero Carbon

Strategy has been developed, and was approved by Cabinet in December 2022, as an initial strategic step in achieving this commitment.

Statutory versus non-Statutory Services

The Council provides a wide range of statutory services across all of its directorates, in addition to non-statutory services. For some services there is a very grey line between statutory or non-statutory, and it comes down to either scope or amount of provision.

Whilst the Council will focus attention and funding on its statutory services, there are also a wide range of non-statutory services that can be provided which serve as preventative services, reducing longer term costs in line with the principles of the Well-being of Future Generations (Wales) Act 2015. The Council will look to invest to save in these services, investing in the short term for longer term savings.

In addition, the Council will seek to secure the best provider of services to meet the needs of its citizens, whether that be through its own staff or through partnerships with external providers or the Third Sector.

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