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



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

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Rhowch wybod i ni os mai Cymraeg yw eich
dewis iaith.*

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let us know if your language choice is Welsh.*



**Cyfarwyddiaeth y Prif Weithredwr / Chief
Executive's Directorate**

Deialu uniongyrchol / Direct line /: 01656 643148 /
643147 / 643694

Gofynnwch am / Ask for: Democratic Services

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Wednesday, 25 January 2023

Dear Councillor,

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

A meeting of the Corporate Overview and Scrutiny Committee will be held Hybrid in the Council Chamber Civic Offices, Angel Street, Bridgend, CF31 4WB / remotely via Microsoft Teams on **Tuesday, 31 January 2023 at 10:00.**

AGENDA

1. Apologies for Absence
To receive apologies for absence from Members.
2. Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members Code of Conduct adopted by Council from 1 September 2008 (including whipping declarations)
3. Budget Monitoring 2022-23 - Quarter 3 Revenue Forecast 3 - 32
Invitees:

Councillor Huw David – Leader of Council

Councillor Jane Gebbie - Deputy Leader of Council and Cabinet Member for Social Services and Early Help

Councillor Hywel Williams - Cabinet Member for Resources

Councillor John Spanswick – Cabinet Member for Communities

Councillor Jon-Paul Blundell - Cabinet Member for Education

Councillor Neelo Farr - Cabinet Member for Regeneration

Councillor Rhys Goode - Cabinet Member for Future Generations and Wellbeing

Mark Shephard - Chief Executive

Carys Lord - Chief Officer Finance, Performance and Change

Kelly Watson - Chief Officer Legal and Regulatory Services, HR & Corporate Policy

Lindsay Harvey - Corporate Director - Education and Family Support

Claire Marchant - Corporate Director - Social Services and Wellbeing

Janine Nightingale - Corporate Director – Communities

4. Corporate Plan 2023-28 33 - 48
Invitees:
 As above in Item 3 and
 Alex Rawlin - Corporate Policy and Public Affairs Manager
5. Capital Strategy 2023-24 to 2032-33 49 - 90
Invitees:
 Councillor Huw David – Leader of Council
 Councillor Hywel Williams - Cabinet Member for Resources
 Carys Lord - Chief Officer Finance, Performance and Change
 Nigel Smith - Group Manager – Chief Accountant
6. Medium Term Financial Strategy 2023-24 to 2026-27 and Draft Budget Consultation Process 91 - 110
Invitees:
 Councillor Hywel Williams - Cabinet Member for Resources
 Carys Lord - Chief Officer Finance, Performance and Change
7. Conclusions/Recommendations
8. Urgent Items
 To consider any item(s) of business in respect of which notice has been given in accordance with Part 4 (paragraph 4) of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Note: This will be a Hybrid meeting and Members and Officers will be attending in the Council Chamber, Civic Offices, Angel Street Bridgend / Remotely via Microsoft Teams. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available as soon as practicable after the meeting. If you have any queries regarding this, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643147 / 643148.

Yours faithfully

K Watson

Chief Officer, Legal and Regulatory Services, HR and Corporate Policy

Councillors:

H T Bennett
 F D Bletsoe
 P Davies
 RM Granville

Councillors

S J Griffiths
 M L Hughes
 M Jones
 RL Penhale-Thomas

Councillors

T Thomas
 G Walter
 A Williams
 AJ Williams

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

31 JANUARY 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

BUDGET MONITORING 2022-23 – QUARTER 3 REVENUE FORECAST

1. Purpose of report

- 1.1 The purpose of this report is to provide the Corporate Overview and Scrutiny Committee with an update on the Council's revenue financial position at 31 December 2022.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-
1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county borough.
 2. **Helping people and communities to be more healthy and resilient** – taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
 3. **Smarter use of resources** – ensuring 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.
- 2.2 The allocation of budget determines the extent to which the Council's well-being objectives can be delivered.
- #### 3. Background
- 3.1 On 23 February 2022, Council approved a net revenue budget of £319.510 million for 2022-23 based on the provisional local government settlement received from Welsh Government (WG) on 21 December 2021. The Welsh Government announced its final settlement on 1 March 2022 and, as a result of a technical adjustment, there was an increase in the Revenue Support Grant (RSG) for the Council of £4,336, increasing the net revenue budget for 2022-23 to £319.514 million. As part of the Performance Management Framework, budget projections are reviewed regularly and reported to Cabinet on a quarterly basis. The delivery of agreed budget reductions is also kept under review and reported to Cabinet as part of this process.

4. Current situation/proposal

4.1 Summary financial position at 31 December 2022

4.1.1 The Council's net revenue budget and projected year end spend for 2022-23 is shown in Table 1 below.

Table 1- Comparison of budget against projected year end spend at 31 December 2022

Directorate/Budget Area	Original Budget 2022-23 £'000	Revised Budget 2022-23 £'000	Projected Year end spend Q3 2022-23 £'000	Projected Over / (Under) Spend 2022-23 £'000	Projected Over / (Under) Spend Qtr 2 2022-23 £'000
Directorate					
Education and Family Support	131,430	138,068	138,863	795	(217)
Social Services and Wellbeing	78,434	85,076	94,497	9,421	7,499
Communities	28,995	31,013	30,680	(333)	(526)
Chief Executive's	21,895	23,498	22,326	(1,172)	(658)
Total Directorate Budgets	260,754	277,655	286,366	8,711	6,098
Council Wide Budgets					
Capital Financing	7,329	7,203	6,481	(722)	(438)
Levies	8,177	8,210	8,226	16	0
Apprenticeship Levy	650	650	650	0	0
Council Tax Reduction Scheme	16,054	16,054	14,885	(1,169)	(900)
Insurance Premiums	1,363	1,363	1,236	(127)	(138)
Repairs & Maintenance	670	670	470	(200)	(200)
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	24,087	7,279	1,501	(5,778)	(989)
Total Council Wide Budgets	58,760	41,859	33,879	(7,980)	(2,665)
Total	319,514	319,514	320,245	731	3,433

4.1.2 The overall projected position at 31 December 2022 is a net over spend of £731,000 comprising £8.711 million net over spend on directorates and a net under spend of £7.980 million on Council wide budgets. As the projected position is currently an overall over spend position, there have been no appropriations to earmarked reserves. A detailed analysis of the more significant projected under and over spends is set out in section 4.3.

4.1.3 It is still too early in the financial year to provide a realistic indication of projected council tax for this financial year, and whether the Council is likely to see a reduction in council tax income over the 2022-23 financial year as more people are facing financial hardship as a result of the current cost of living crisis. A 1% reduction in the council tax income collection rate could result in an additional pressure to the Council of around £1 million. Council tax collection rates will continue to be monitored throughout the remainder of the financial year and reported in the outturn report.

Covid-19

- 4.1.4 Following the UK going into lockdown in March 2020, to limit the spread of coronavirus, the Welsh Government established a Covid-19 Hardship Fund to enable the Council to draw on for financial support. Some additional funding has been made available to support the Council in 2022-23, including for homelessness (£1.479 million) and to cover free school meals during holiday periods. With the WG Hardship Fund ending on 31 March 2022, a budget pressure of £1 million was approved by Council for 2022-23 as part of the Medium Term Financial Strategy (MTFS) to meet ongoing budget pressures, both in respect of additional cost pressures and ongoing loss of income. Updates have been provided to Cabinet through the quarterly revenue budget monitoring reports throughout 2022-23 on this budget.
- 4.1.5 Cabinet and Corporate Management Board (CCMB) agreed to establish a one-off £1 million Covid-19 Recovery Fund in 2020-21 to provide funding for conscious and proactive decisions aimed at boosting recovery that were unlikely to be paid for by WG through the Hardship Fund. The balance on this fund has been carried into 2022-23 and CCMB have approved the use of this fund to support the free car parking offer for town centres to the end of 2022-23.
- 4.1.6 Whilst the WG Hardship Fund ended on 31 March 2022, local authorities continued to administer four schemes on behalf of WG – self isolation payments (scheme ended June 2022), statutory sick pay enhancement scheme (scheme ended August 2022), free school meal payments (scheme due to end February half term 2023) and the winter fuel support scheme. Table 2 summarises the amounts claimed to date in 2022-23. The £228,000 reflects claims that are pending review by WG with no issues anticipated in the settlement of these claims.

Table 2 – Covid related claims to Welsh Government - Quarter 3 2022-23

Specific Hardship fund	Claimed £'000	Pending review £'000
Self Isolation Payments (SIP)	635	0
Statutory Sick Pay Enhancements (SSP)	119	0
Free School Meals	1,346	55
Winter Fuel	2,944	173
TOTAL	5,044	228

Budget virements/technical adjustments

4.1.7 There have been a large number of budget virements and technical adjustments between budgets since the quarter 2 revenue forecast was presented to Cabinet in October. The main virements and technical adjustments in quarter 3 are outlined below:

Budget Virements

Service vired from / to	Amount
Transfer of funding from Capital Financing budget to Communities Directorate to cover the cost of prudential borrowing for highways maintenance schemes	£88,706

Technical Adjustments

Service vired from / to	Amount
Transfer of inflationary uplifts not confirmed when the Medium Term Financial Strategy was agreed that are held centrally until evidence of the uplift is provided by the service areas	£648,111
Allocation of funding retained centrally in respect of National Joint Council (NJC) pay award 2022-23 – confirmed in November	£7,615,710
Allocation of funding retained centrally in respect of Joint Negotiating Committee (JNC) pay award for Chief Officers – confirmed in November	£53,330
Allocation of funding retained centrally in respect of teachers' pay award 2022-23 (covering September 2022 to March 2023), net of additional grant received from WG	£2,313,640
Transfer of National Insurance uplift budget from Directorate and School budgets back to central pay budgets. This covers the period November to March 2023 following the reversal of the Health and Social Care Levy.	£463,672

Pay/Price Inflation

4.1.8 When the budget for 2022-23 was set, very little funding was allocated to directorates for pay and price inflation, as most had not been determined for the forthcoming year. The majority of the provision was retained centrally within Council wide budgets, to be allocated as further information was known about specific contractual price increases. The technical adjustments table above outlines the amount released from these budgets during the last quarter, based upon confirmed pay awards and evidenced inflationary uplifts.

4.1.9 Inflationary pressures released in quarter 3 reflect the agreement on pay claims for Teachers' pay, National Joint Council and Joint Negotiating Committee for Chief Officers.

4.1.10 In addition, in recent months the Council has experienced additional costs not only as a result of the pandemic, but also rising costs resulting from Brexit, the

impact of the war in the Ukraine, and increases in inflation not seen for over a decade.

- 4.1.11 There is a risk that there may not be sufficient funding available within these budgets for any further unexpected major price inflation increases. Inflation rates have also fluctuated since the budget was set - CPI was 6.2% in February 2022 and had increased to 10.7% in November 2022. In comparison it was 5.1% in November 2021. With these uncertainties the budget will need to be monitored closely during the remainder of the year and going into 2023-24.

Budget Reduction Proposals

- 4.1.12 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget, which amount to £631,000. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with identifying alternative proposals to meet their requirements such as vacancy management or bringing forward alternative budget reduction proposals.
- 4.1.13 In February 2022 Council approved the Medium Term Financial Strategy for 2022-23 to 2025-26. This identified the need to develop recurrent budget reduction proposals, based on the most likely scenario, amounting to £21.029 million over the next four years. Against that background it is essential that expenditure is kept within the overall approved budget and that longer term proposals continue to be developed so that the Council has as much flexibility as possible to meet the challenges which lie ahead.
- 4.1.14 At year end consideration will be given to requests from directors to carry forward any planned directorate under spends for specific purposes into the following year, in line with the Council's Reserves and Balances Protocol, as long as these can be met from within the Council's cash limited budget for 2022-23. This is in line with the reports to Cabinet and Council on the MTFS, and the Council's Financial Procedure Rules. Similarly, consideration will be given to any budget over spends to determine whether these should be carried forward as a first call on the directorate budget for the following year. If over spends are due to budget reduction proposals not being achieved, Directors will be asked to identify if any of these proposals are still not likely to be achieved in full during the 2023-24 financial year, and to identify mitigating actions that will be undertaken to achieve them. However, a decision will not be made until towards the end of the financial year when the overall year end position is more definite.

4.2 Monitoring of Budget Reduction Proposals

Prior Year Budget Reductions

- 4.2.1 A report was presented to Cabinet on 14 June 2022 on the Revenue Budget Outturn 2021-22. In the report it was highlighted that, for 2017-18 to 2020-21, there were £2.376 million of budget reduction proposals that were not met in full, with a total outstanding balance to be met of £100,000. In addition, of the 2021-22 budget reduction proposals of £1.760 million, it was reported that there was a total outstanding balance to be met of £65,000. Directors have been asked to identify if any of these proposals are still not likely to be achieved in full during the 2022-23 financial year, and to identify mitigating actions that will be undertaken to achieve

them. All remaining outstanding prior year budget reductions are summarised in **Appendix 1** with a summary per directorate provided in Table 3.

Table 3 – Outstanding Prior Year Budget Reductions

	Total Budget Reductions Required	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000
Communities	179	119	60

Note: The total budget reductions required in Table 3 represents the original budget reduction target of £179,000 - £14,000 of the proposal was achieved in 2021-22 leaving £165,000 to be achieved in 2022-23.

4.2.2 Table 3 shows that of the £179,000 outstanding reductions, £119,000 is likely to be achieved in 2022-23 leaving a shortfall of £60,000. The proposal still not likely to be achieved is COM 2 – Re-location of community recycling centre from Tythegston to Pyle. The new site in Pyle is anticipated to open in 2022-23, with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2023-24. The saving will therefore have to be met through alternative one-off efficiencies in 2022-23 in order to deliver a balanced budget position.

4.2.3 As outlined in the MTFS reports to Cabinet and Council, MTFS Principle 7 states that “Savings proposals are fully 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”. An MTFS Budget Reduction Contingency reserve was established in 2016-17. This reserve has been used to meet specific budget reduction proposals in previous years on a one-off basis pending alternative measures. During the financial year, the Section 151 Officer will consider applications from Directorates to the MTFS Budget Reduction Contingency reserve to mitigate some of the shortfalls.

Budget Reductions 2022-23

4.2.4 The budget approved for 2022-23 included budget reduction proposals totalling £631,000, which is broken down in **Appendix 2** and summarised in Table 4 below. The current position is that £455,000 has been achieved to date, with an overall projected shortfall on the savings target by year end of £176,000, or 27.9% of the overall reduction target.

Table 4 – Monitoring of Budget Reductions 2022-23

	Total Budget Reductions Required	Total Budget Reductions Achieved to date	Total Budget Reductions Likely to be Achieved	Shortfall
DIRECTORATE /BUDGET REDUCTION AREA	£'000	£'000	£'000	£'000
Education and Family Support	68	68	68	0
Social Services and Wellbeing	365	284	284	81
Communities	150	45	55	95
Chief Executive's	48	48	48	0
TOTAL	631	445	455	176

4.2.5 The most significant budget reduction proposals unlikely to be achieved in full are:-

- SSWB 2 – remodelling of day service provision for older people and learning disability services (£81,000 shortfall). Efficiencies have been identified, however work is ongoing to further develop the remodelling to meet the savings target in full.
- COM 3 – change the composition of household food waste bags (£35,000 shortfall). Budget reduction proposal has been delayed due to ongoing national research and debate surrounding composition of household food waste bags, to ensure any potential changes in legislation do not impact on the proposal.
- COM5 – commercially let a wing of Ravens Court to a partner organisation or business (£50,000 shortfall) – delay in progressing budget reduction proposal whilst the future service delivery model is being developed.

4.2.6 At quarter 2 it was reported that EFS 1 – rationalisation of adult community learning (ACL) service (£68,000) was unlikely to be achieved as Welsh Government have changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of the proposal. A review of the budgets within the Education and Family Support Directorate took place during quarter 3 with replacement savings identified from supplies and services budgets.

4.2.7 **Appendix 2** identifies the value of the savings target that has been achieved to 31 December 2022, along with the projected amount of saving likely to be achieved against these proposals by year end in detail and action to be taken by the directorate to mitigate the shortfall. Directors continue to work with their staff to deliver their proposals or alternatives and this is reflected in the forecast year end spend.

4.2.8 In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position. These will continue to be closely monitored and draw down from the MTFS Budget Reduction Contingency reserve will be made as part of the overall review of earmarked reserves during quarter 4 if required.

4.3 Commentary on the financial position at 31st December 2022

Financial position at 31st December 2022

A summary of the financial position for each main service area is attached as **Appendix 3** to this report and comments on the most significant variances are provided below.

4.3.1 Education and Family Support Directorate

The net budget for the Education and Family Support Directorate, including school delegated budgets, for 2022-23 is £138.068 million. Current projections indicate an over spend of £795,000 at year end. The main variances are:

EDUCATION & FAMILY SUPPORT DIRECTORATE	Net Budget	Projected Year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Adult Community Learning	125	168	43	34.4%
Family Support	3,074	2,758	(316)	-10.3%
Home-to-school transport	8,192	9,389	1,196	14.61%
Catering Services	1,494	1,578	84	5.6%
Corporate health and safety	403	326	(77)	-19.1%

Schools' delegated budgets

Total funding delegated to schools in 2022-23 is £110.420 million.

The schools' delegated budget is reported as balanced as any under spend or over spend is automatically carried forward into the new financial year before being considered by the Corporate Director - Education and Family Support in line with the 'Guidance and Procedures on Managing Surplus School Balances'.

At the start of 2022-23, projections indicated an overall surplus balance for school delegated budgets of £3.473 million at year end. At quarter 2 this reduced slightly to a £3.123 million projected surplus. At quarter 3 this has reduced to a projected surplus of £2.92 million. There are 7 primary schools and 1 secondary school (14% of all schools) projecting a deficit balance at year end.

Central Education and Family Support Directorate budgets

Adult Community Learning

- The adult community learning budget had a £68,000 MTFS budget reduction proposal for 2022-23 which related to the removal of the council subsidised support to adult learners. Subsequent to this proposal, Welsh Government changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of this proposal. The Education and Family Support Directorate has identified alternative budget reduction proposals to replace this

saving through a review of supplies and services budgets across the directorate, therefore reducing the projected over spend to £43,000 at quarter 3.

Family Support

- The projected under spend of £316,000 primarily relates to staff vacancy management and maximisation of grant funding. The service area are actively looking to recruit to the vacant posts in 2022-23, therefore the saving should not be recurring in 2023-24.

Home-to-school transport (HtST)

- A MTFS budget pressure of £2.472 million was approved by Council in February 2022 to support the increased costs of HtST reported in 2021-22. These included the increased provision of taxis and minibuses for pupils with additional learning needs attending our special schools requiring dedicated transport as bespoke packages of support. There have also been significant increased costs associated with the transportation of the current cohort of nursery pupils in dedicated minibuses and taxis. Several retendering exercises on home-to-school transport contracts have been required over the last year for vehicles of all types in line with contracts naturally ending and to ensure the local authority follows both procurement and Contract Procedure Rules. Market conditions are not favourable, and these procurement exercises have resulted in generally higher costs across many contracts in line with difficulties associated with the aftermath of the pandemic, namely the shortage of drivers and escorts and increased fuel costs internationally. These costs could not have been predicted at the time of the original budget pressure growth bid in February 2022 and will be highlighted as part of the MTFS 2023-24 budget setting process.
- The HtST budget is currently projecting a £1.38m overspend primarily as a result of these retendering exercises with the increases linked to market conditions.
- The HtST budget will require close monitoring for the remainder of 2022-23 given the pressures continuing to be faced by the local authority.

Catering Services

- The projected over spend of £84,000 in catering services is comparable with the £88,000 reported at quarter 2 but had reduced from the projected over spend at quarter 1 of £154,000. This is due to support provided from the central price inflation budget towards the increase in the cost of food during quarter 2. This budget area will continue to be closely monitored in 2022-23 with the potential for further support from the central price inflation budget if inflationary pressures continue in this service area.

Corporate Health and Safety Unit

- The projected under spend of £77,000 within the corporate health and safety unit primarily relates to staff vacancy management. The service area are actively looking to recruit to the vacant posts therefore this saving should not be recurring in 2023-24.

4.3.2 Social Services and Wellbeing Directorate

The Directorate's net budget for 2022-23 is £85.076 million. Current projections indicate an over spend of £9.421 million at year end. This is a significant shift compared to the 2021-22 outturn position of a £5.931 million under spend and has increased since the projected over spend of £7.499 million reported at quarter 2.

The first reason for this is the significant grant income received in 2021-22, including one-off grants such as the Social Care Recovery Fund (£2.916 million), Social Care Pressures Grant (£2.221 million), and recurring grants such as the Social Care Workforce Grant (£2.221 million). Without these grants, the outturn position would have been an over spend of £1.427 million.

The second contributory factor is the exponential increase in need for children's social care as evidenced through increasing contacts, increasing numbers of assessments and high numbers of children on the child protection. To keep the children safe and for the Council to meet statutory duties in respect of safeguarding children, there has been significant engagement of agency workforce over the budgeted establishment– in particular this has placed pressure in Assessment and Care Management, Fostering, the Care Experienced Children's Team and the Children's Social Work Team in children's social care. A business case is being developed to inform the level of workforce required to sustainably deliver safe services.

In addition to an increasing quantum of need, there is also increasing complexity of need in adults and children's services with service over spends for key population groups, particularly care experienced children with more requiring residential placements, learning disability services with significant overspends in commissioned supported living and day opportunities, and equipment and direct payment budgets. Some increased complexity can be attributed to the impact of extended covid lockdowns on physical and mental health, but they also reflect cost pressures experienced by providers.

The main variances are :

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Adult Social Care	57,773	62,195	4,422	7.7%
Prevention and Wellbeing	5,704	5,580	(124)	-2.2%
Childrens Social Care	21,599	26,722	5,123	23.7%

Adult Social Care

There is a projected net over spend of £4.422 million on the Adult Social Care budget. The most significant variances contributing to this projected over spend are:-

ADULT SOCIAL CARE	Projected Variance Over/(under) budget £'000
Learning Disabilities Home Care	2,216
Learning Disabilities Residential Care	584
Learning Disabilities Day Opportunities	478
Equipment & Adaptions	419
Mental Health Home Care	360
Learning Disabilities Direct Payments	340
Older People Home Care	216
Older People Residential Care	132
Assessment and Care Management	60
Mental Health Supported Accommodation	(245)
Administrative and Central Services	(192)

The most significant projected over spends are:-

- Learning Disabilities Home Care – the projected over spend of £2.216 million has increased by £668,000 since quarter 2 with the service seeing unprecedented demand. Firstly, the number of hours of care covered by home care services has increased as people have either opted to not return, or are having a reduced service, within internal day services provision following a review of their assessed need. Secondly, there has been an increase in the complexity of people's needs – e.g. waking nights required rather than sleep-in nights which increases the cost of service delivery considerably. Thirdly, the service is experiencing an increase in agency costs in internal homecare due to difficulty in recruiting.
- Learning Disabilities Residential and Respite Care – there is a projected over spend of £584,000, increasing from the over spend of £265,000 projected at quarter 2. This is primarily due to an increase in costs for 6 existing placements within the residential and nursing service due to changing needs. In addition, the Breakaway Respite service have successfully recruited to vacant posts, and have appointed additional agency staff, increasing the projected over spend in this service area by £102,000.
- Learning Disabilities Day Opportunities – the projected over spend of £478,000 mainly relates to placement numbers exceeding the available budget for externally commissioned day services (£409,000). Placement numbers are similar to those in 2021-22, however the pressure was offset in the prior year by one-off grant income of £302,000. Secondly, whilst the learning disabilities home care budget is projecting an over spend, as people have not returned to internal day services, new people are taking up the vacant day services placements. Finally, whilst efficiencies have been identified in relation to the £115,000 MTFs saving relating to re-modelling of Day Services, work is ongoing to further develop the remodelling to

meet the savings target and therefore it will not be met in full in 2022-23 as reported in section 4.2.5.

- Equipment & Adaptions – the projected over spend of £419,000 is because of continuing demand for equipment due to the need to support individuals in line with Welsh Government's rehabilitation and recovery model. The outturn for 2021-22 saw an underlying pressure in this service area of £401,000. This is an ongoing pressure, and one which will continue into 2023-24.
- Mental Health Home Care – this includes supported living, short breaks and domiciliary care. The projected over spend of £360,000 is mainly due to supported living packages of care exceeding the available budget based on needs of people using the service. There are currently 35 placements and, whilst supported living packages of care have decreased slightly since the 40 reported in 2021-22, the Social Care Pressures Grant funding was utilised to offset a considerable element of the prior year over spend of £454,000.
- Learning Disabilities Direct Payments – there is a projected over spend of £340,000 as the service area has seen a shift to people choosing to opt for direct payments in line with the legal requirement for choice. This shift does not necessarily result in under spends in other service area budgets as there is currently significant demand for social services support across the directorate.
- Older People Home Care – the projected over spend of £216,000 has increased by £180,000 since quarter 2. This is primarily due to increases in Independent Domiciliary Care/Short breaks placements, with an additional 60 packages of care since quarter 2. In addition, there are a significant number of people waiting for packages of care and if hours become available then the projected over spend will become greater by year end.
- Older People Residential Care – the projected over spend of £132,000 has improved by £294,000 from the quarter 2 projected over spend of £426,000. This is mainly due to a reduction in projected staffing costs of £190,000 due to difficulties in recruiting and an increase in projected client contributions of £186,000. All contributions are financially assessed in accordance with the Social Services and Well-being (Wales) Act 2014 but the average income received each year will vary in total depending on the financial position of the persons needing care during the financial year – e.g. if there are a small number of people who have savings or assets, and are paying their contribution in full or have a high contribution then this will increase the overall average
- Assessment and Care Management – there is a projected over spend of £60,000 which is primarily due to the increased costs of having to rely on agency staffing in the Community Network teams. Various recruitment activities and initiatives have been actioned in order to fill vacant posts, but appointments have been affected by the acute lack of availability of staff and increasing demands across the Care sector.

These are partially offset by the projected under spends in the following areas:-

- Mental Health Supported Accommodation – the projected £245,000 under spend primarily relates to maximisation of Innovation grant funding.
- Administrative & Central Services – there is a projected under spend of £192,000 which is primarily due to staffing vacancies as the service is currently going through a restructure. The structure is anticipated to have been populated by the final quarter of 2022-23.

Prevention and Wellbeing

- The projected under spend of £124,000 is primarily due to the maximisation of grant funding opportunities (Transformation, Summer of Fun, Local Authority Partnership Agreement, Disability Sports) The projection does not include an estimate for any contribution to the Council's leisure provider for any residual impact of running the leisure services in 2022-23 due to Covid-19. Close monitoring of the impact of Covid-19 on leisure services has been required and an update will be provided to Cabinet in the outturn report.

Children's Social Care

There is projected net over spend of £5.123 million on the Childrens Social Care budget compared with a projected net over spend of £4.296 million at quarter 2. The most significant variances contributing to this projected over spend are:-

CHILDREN'S SOCIAL CARE	Projected Variance Over/(under) budget £'000
Care Experienced Children	2,307
Commissioning & Social Work	2,491
Management & Administration	302

- The projected over spend of £2.307 million for care experienced children is due to a combination of factors:-
 - Children's Residential Services are projecting an over spend of £380,000 mainly due to one-off increases in running costs (£67,000) and additional agency costs of £30,000 as a result of the challenging recruitment market.
 - The independent residential care budget (previously known as out of county) has a projected over spend of £1.633 million, an increase of £716,000 since quarter 2. There are currently 22 children in independent residential care placements, an increase of 6 from the 16 placements reported at quarter 2. This is due to a number of factors, including placement breakdowns, insufficient foster carers (in-house and independent) and children requiring specialist provision sometimes with high staffing ratios. The average weekly costs for these new placements equates to £4,350. It should be noted that this budget area can be volatile and small changes in demand/complexity can result in relatively high costs being incurred. The budget is being closely monitored to ensure that the projected spend is effectively managed.
 - There is a projected under spend on independent fostering agency placements (£241,000) and fostering placements (£205,000). This is due to alternative placement options being utilised, including in-house residential provision (£380,000 as noted above) and special guardianship orders, which are projecting an over spend of £285,000. These budgets will continue to be monitored closely in 2022-23 and budgets vired as appropriate.
 - The fostering team (who manage all the Fostering placements) are projecting an over spend of £160,000, which has reduced considerably from the quarter 2

projected over spend of £371,000. This is due to reduced use of agency staffing as management are actively trying to recruit permanent staff where possible, however this is proving to be a considerable challenge given the current recruitment market.

- The placements team are projecting an over spend of £120,000 primarily as they are having to rely on agency staff. However, this has again reduced from the quarter 2 projections by £98,000 due to reduced use of agency staff. Various recruitment activities and initiatives have been actioned in order to fill vacant posts, but appointments have been affected by the acute lack of availability of staff and increasing demands across the care sector.
- Commissioning & Social Work – the projected over spend of £2.491 million is mainly due to having to continue to rely on agency staffing across all the children’s social work teams due to the ongoing recruitment challenges, acute lack of availability of staff and increasing demands across the care sector. The projections reflect the ongoing permanent staff recruitment issues and reliance on agency staff for the foreseeable future. Agency staff are being utilised where possible to limit the impact on service delivery and ensure that statutory duties are met.
- Management & Administration – the projected over spend of £302,000 relates primarily to an increase in staffing costs (mostly agency staff - £285,000) who are supporting key roles in Children’s Services. There has been a significant increase in children and young people referred for care and support and/or due to safeguarding concerns. In addition to the impact this has on the social work teams being required to discharge their statutory duties, there is also the impact on business support due to the pivotal role they play in ensuring statutory timescales and recording requirements are met.

4.3.3 Communities Directorate

The net budget for the Directorate for 2022-23 is £31.013 million. The current projection is an anticipated under spend of £333,000. The main variances are:

COMMUNITIES DIRECTORATE	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Planning and Development	691	1,013	322	46.6%
Economy, Natural Resources & Sustainability	1,665	1,432	(233)	-14.0%
Waste Disposal & Collection	9,836	9,650	(186)	-1.9%
Fleet Services	177	392	215	121.5%
Highways Services (DSO)	3,245	2,945	(300)	-9.2%
Street Lighting	1,527	1,632	105	6.9%
Engineering Services	101	(49)	(150)	-148.5%

Planning and Development

- The projected over spend in planning and development of £322,000 is primarily due to a forecast downturn in planning application income based on income to date and comparison with the 2021-22 outturn. Fee income is subject to considerable fluctuations between years, depending on number of types of

applications and will require close monitoring for the remainder of the 2022-23 financial year.

Economy, Natural Resources and Sustainability

- The projected under spend of £233,000 is due to a combination of maximising grant funding and staff vacancy management. The decarbonisation, energy management and sustainability teams in particular are experiencing difficulties in recruiting. The service area are actively seeking to recruit to these vacancies therefore it is not a recurring saving.

Waste Disposal and Collection

- There is a projected under spend of £186,000 on the waste disposal and collection budget. This is primarily due to a reduction in the disposal fee of residual waste at the Material Recovery and Energy Centre (MREC) and a slight reduction in the tonnage figures since April, as people started to shift away from home-working. Close monitoring of this budget will continue in 2022-23 to see if the downward trend continues.

Fleet Services

- There is a projected over spend on Fleet services of £215,000. The fleet services team operate on a break-even basis with re-charges for work undertaken on directorate, South Wales Police (SWP) and the general public's vehicles generating income to support staffing and overhead costs. Productivity continues to be impacted by long term sickness as well as recruitment and retention difficulties. A review of the service is currently being undertaken which is looking at the productivity and maximising the provision provided by SWP and the Council and to review any overlap provided, to maximise productivity, and to identify any possible efficiencies.

Highways Services

- There is a projected under spend within highways services of £300,000 which is due primarily to staff vacancy management (£265,000) as a result of recruitment difficulties. The following teams in particular are experiencing difficulties in recruiting – hazzarding (£85,000), construction (£152,000) and stores (£28,000). The balance of the projected under spend is due to core funded staff being utilised to support work on capital schemes – e.g. replacement of street lighting works (£40,000). In these cases, the salary costs can be capitalised, thus generating one-off income for the service area.

Street Lighting

- At quarter 1 a £225,000 projected under spend was reported against the street lighting energy budget as a result of savings generated by the LED replacement programme due to reduced energy consumption. This had reduced to a projected under spend of £29,000 at quarter 2 as £100,000 of the saving generated from the energy savings has been utilised to replace the historic MTFs Permitting Scheme saving proposal. At quarter 3 a £105,000 over spend is projected due to additional essential street lighting maintenance works being undertaken.

Engineering Services

- There is a projected under spend on engineering services of £150,000. This is primarily due to an increase in the level of fee earning jobs (grant funded/non

grant funded projects) and the differing chargeable rates allowed on the schemes.

4.3.4 **Chief Executive's**

The net budget for the Directorate for 2022-23 is £23.498 million. Current projections anticipate an under spend against this budget of £1.172 million. The main variances are:

CHIEF EXECUTIVE'S	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Legal, Democratic & Regulatory	5,495	5,572	77	1.4%
ICT	4,052	4,162	110	2.7%
Housing & Homelessness	3,431	2,153	(1,278)	-37.2%
Partnerships	2,256	2,157	(99)	-4.4%

Legal, Democratic & Regulatory

- There is a projected over spend of £77,000 across Legal, Democratic and Regulatory services. This is primarily due to challenges in recruiting to permanent vacancies in key qualified roles and the increased costs of having to rely on agency staffing. This has been partially offset by Registration services seeing an increase in both the number of registered births and deaths in 2022-23 with a projected increase in income of £77,000.
- Legal fees continue to be a budget pressure as reported in the previous budget monitoring reports. The current projected over spend for legal fees for 2022-23 is £240,000 however this is supported by an earmarked reserve created at the end of 2021-22 to cover the continuing pressure in this service area.

ICT

- There is a projected net over spend of £110,000 across ICT budgets. As highlighted in 2021-22, due to reduced printing activity ICT have been unable to cover the fixed costs of printers and photocopiers through the re-charge to service departments. Consequently, reduced spend will have been incurred on printing budgets across the service departments and included in the projections for individual service areas. The projected over spend has improved since the £225,000 reported at quarter 2 as the implementation of the future service delivery model has seen additional staff return to office based working. This improvement will continue to be monitored as to whether any future budget virements will need to be actioned in 2023-24.

Housing & Homelessness

- There is a projected under spend of £1.278m on Housing & Homelessness.
- Budget growth of £2.192 million was approved by Council as part of the MTFs Budget setting process in February 2021 to continue the commitment to focus support for homeless individuals providing them with accommodation. The budget was approved prior to confirmation from WG that the Covid Hardship Fund was to be extended through 2021-22.

- Despite the Hardship fund not being in place for 2022-23, WG recognised the need for homelessness accommodation to be secured in advance to continue the commitment to focus on support for homeless individuals and approved £1.479 million to cover these costs for the first six months of 2022-23. In addition, the accommodation element of the Hardship Fund was replaced in 2022-23 by a WG 'Homelessness – No One Left Out' grant of £1.046 million.
- Spend on Homelessness accommodation in 2022-23 is projected to be in the region of £3.433 million. This has reduced from the £3.703 million reported at quarter 2. As reported to Corporate Overview and Scrutiny Committee on 27 October, temporary accommodation arrangements were due to terminate on 30 September 2022 and providers were contacted to enter into further Service Level Agreements to continue to meet the Council's ongoing statutory duty. As part of this exercise, the Council's partner organisations, such as the Wallich, Pobl and Registered Social Landlords supported the service to free up spaces within current projects and some households made their own arrangements with family and friends.
- The projected accommodation costs are offset against the combined WG funding of £2.525 million referred to above. The shortfall of £908,000 is covered by the budget growth of £2.192 million, and the under spend against the core budget has enabled the service to fund a revenue contribution to capital of £530,000 for a refurbishment programme working with Valleys to Coast (V2C). V2C have confirmed that the properties will be available to the Council for nomination rights and to support those individuals and families in temporary accommodation. This capital budget was approved by Council on 20 July 2022.
- The projected accommodation spend is based on increased numbers of households and individuals supported, from 191 households and 322 individuals (109 of these children) in November 2021 to 233 households and 432 individuals (154 of these children) in November 2022. The remaining projected under spend from the budget growth of £754,000 will be closely monitored in line with any further changes in support required for homelessness accommodation.
- Other accommodation income is projected to exceed budget by £383,000 which is mainly due to additional housing benefit received from clients in homelessness accommodation, and small increases in deposits, hire charges and other fees.

Partnerships

- This service areas includes Transformation, Partnerships and Customer Services & Engagement. The projected under spend of £99,000 is primarily due to staff vacancies in the Customer Care section. Various recruitment activities have been actioned in order to fill vacant posts, but the recruitment market remains challenging.

4.3.5 Council Wide budgets

This section includes budgets, provisions and services which are council wide, and not managed by an individual directorate. The net budget for 2022-23 is £41.859 million. Current projections anticipate an under spend against this budget of £7.980 million. The main variances are:-

COUNCIL WIDE BUDGETS	Net Budget	Projected year end spend	Projected Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing Costs	7,203	6,481	(722)	-10.0%
Council Tax Reduction Scheme	16,054	14,885	(1,169)	-7.3%
Other Corporate Budgets	7,279	1,501	(5,778)	-79.4%

Capital Financing Costs

- The projected under spend of £722,000 mainly relates to interest paid and received due to a combination of lower borrowing than anticipated as the Council uses its own internal resources to finance schemes, and additional interest from current investments. The projection has improved by £284,000 since quarter 2 due to the improved interest rates achieved on the Council's current investments. This projection might further improve as the Bank of England increased bank rates up to 3.5% in December, the highest it has been since 2008.

Council Tax Reduction Scheme

- There is a projected under spend of £1.169 million on the Council Tax Reduction Scheme. This is a demand led budget and take-up is difficult to predict with an increase of £400,000 included within the budget for 2022-23 in anticipation of increased demand. Take up is slightly lower than 2021-22 when the gross spend in this budget area was £15.239 million. However, the final cost of this is difficult to predict as we have yet to see the full impact of the cost of living crisis on personal financial circumstances with the potential for an increase in the number of benefit claimants.

Other Corporate Budgets

- At quarter 2, discussions were ongoing regarding pay claims and any remaining inflationary uplifts not confirmed when the Medium Term Financial Strategy was agreed. 4.1.7 sets out what has been transferred to Directorate and school budgets in quarter 3 from funding that had been retained centrally until these discussions were concluded.
- Part of the under spend within Corporate budgets relates to the balance of the provision for pay and price inflation in 2022-23. However, given the uncertainty over inflationary levels which have increased from 6.2% when the budget was set in February 2022 to 10.7% in November 2022 this will require close monitoring for the remainder of the financial year.

- It is also anticipated that there will be a reduction in corporate support required to fund potential redundancy costs as, following the better than anticipated WG settlement for 2022-23, fewer budget reduction proposals had to be made. In addition, there is currently a lower than anticipated requirement against the £1m MTFs Covid-19 pressure approved by Council in February 2022.

4.4 Review of Earmarked Reserves

4.4.1 The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The MTFs includes the Council's Reserves and Balances Protocol which sets out how the Council will determine and review the level of its Council Fund balance and earmarked reserves. At quarter 3 a review of the particular pressures that were to be covered by earmarked reserves was undertaken and Directorates have drawn down funding.

4.4.2 Given the overall projected over spend at quarter 3 as set out in 4.1.2, there have been no additions to earmarked reserves. The cumulative draw down by directorates is £5.209 million as shown in Table 5 below. The majority of draw down from earmarked reserves takes place in the later stages of the financial year, especially on capital and grant funded schemes. In addition, school balances are not adjusted until the year end – an overall reduction in year of £11.308 million on school balances is currently projected.

Table 5 – Usable Earmarked Reserves (Excluding Council Fund) – Quarter 3

Opening Balance 01 Apr 22	Reserve	Movement as at Quarter 3			Closing Balance 31 Dec 22
		Net Additions/ Reclassification	Draw-down	Unwound	
£'000		£'000	£'000	£'000	£'000
	Corporate Reserves:				
45,994	Capital Programme Contribution	1,115	-	-	47,109
4,725	Asset Management Reserves	105	(563)	(34)	4,233
6,310	Major Claims & Insurance Reserves	(576)	-	-	5,734
3,593	Service Reconfiguration	-	-	-	3,593
2,543	Change Management/Digital Transformation	-	(209)	(30)	2,304
2,000	Economic and Future Resilience Fund	-	-	-	2,000
65,165	Total Corporate Reserves	644	(772)	(64)	64,973
	Directorate Reserves:				
841	Education & Family Support	-	-	-	841
8,870	Social Services & Wellbeing	-	(1,681)	-	7,189
4,244	Communities	(644)	(58)	(68)	3,474
4,139	Chief Executives	-	(605)	(13)	3,521
18,094	Total Directorate Reserves	(644)	(2,344)	(81)	15,025
	Equalisation & Grant Reserves:				
3,283	Education & Family Support	-	(1,465)	-	1,818
350	Social Services & Wellbeing	-	-	-	350
3,800	Communities	-	(500)	-	3,300

1,812	Chief Executives	-	(128)	-	1,684
-	Cross Directorate	-	-	-	-
9,245	Equalisation & Grant Reserves:	-	(2,093)	-	7,152
14,228	School Balances	-	-	-	14,228
106,732	TOTAL RESERVES	-	(5,209)	(145)	101,378

4.4.3 The capital programme contribution reserve supplements the funding we receive from WG and via capital receipts to fund our capital programme. Currently we have a balance of £47.109 million of funding in this reserve which constitutes 46.5% of our overall earmarked reserves balance. This is funding a wide range of schemes in the capital programme.

4.4.4 The School balances reserve increased significantly to £14.228 million at the end of 2021-22 due to additional school grant funding announced late in the financial year. As noted in paragraph 4.3.1 the quarter 3 projections indicate a projected overall surplus balance for school delegated budgets of £2.92 million at year end as this grant funding gets utilised in-year. This will reduce this reserve accordingly by year end.

5. Effect upon policy framework and procedure rules

5.1 As required by section 3 (budgetary control) of the Financial Procedure Rules; Chief Officers in consultation with the appropriate Cabinet Member are expected to manage their services within the approved cash limited budget and to provide the Chief Finance Officer with such information as is required to facilitate and monitor budgetary control.

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act 2010, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

8. Financial implications

8.1 These are reflected in the body of the report.

9. Recommendation

9.1 The Committee is requested to consider the projected revenue position for 2022-23.

Carys Lord
Chief Officer – Finance, Performance and Change
25 January 2023

Contact Officer: Joanne Norman
Group Manager – Financial Planning and Budget Management

Telephone: 01656 643645

Email: joanne.norman@bridgend.gov.uk

Postal Address : Raven's Court
Brewery Lane
Bridgend
CF31 4AP

Background documents: Individual Directorate Monitoring Reports
MTFS Report to Council – 23 February 2022

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PRIOR YEAR BUDGET REDUCTIONS CARRIED FORWARD INTO 2022-23

Ref.	Budget Reduction Proposal		Original Reduction and RAG £000	Revised RAG £000	Total amount of saving likely to be achieved by 22-23 £000	Reason why not achievable	Proposed Action in 2022-23 to achieve
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RAG STATUS KEY

RED	Not likely to be achieved at all in this financial year or less than 25%.
AMBER	Reduction not likely to be achieved in full in financial year but greater than 25%
GREEN	Reduction likely to be achieved in full

COMMUNITIES

COM19 (2017-18)	Permitting Scheme road works net of existing income of £95,000		100		100	A response from Welsh Government is still outstanding in consideration of the business case for the Permitting Scheme. Attempts continue to be made to make contact with the appropriate officers to gain a formal response on the submission. However, an alternative saving has been identified from with the Communities Directorate.	A review of the budgets within the Communities Directorate was undertaken during quarter 2 to identify a replacement saving for the original budget reduction proposal. A recurring saving on the Street Lighting Budget of £100,000 was identified as the LED replacement programme has generated savings due to reduced energy consumption.
COM 2 (2021-22)	Re-location of Community Recycling Centre from Tythegston to Pyle resulting in cessation of lease payments at existing site		60		0	The new site in Pyle is anticipated to open in 2022-23, with both sites being maintained until the new site is fully operational, therefore the saving will not be achieved in full until 2023-24.	The saving will be met through alternative one off efficiencies in 2022-23 to deliver a balanced budget position.
COM 7 (2021-22)	WG National AHP Waste Programme - capital contribution from WG towards 7.5 tonne vehicle to collect AHP recycling		19		19	New vehicle purchased part-way through 2021-22 therefore only partial saving achieved in prior year.	No action required - saving will be made in full in 2022-23.
Total Communities Directorate			179		119		
GRAND TOTAL OUTSTANDING REDUCTIONS			179		119		
REDUCTIONS SHORTFALL					60		

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MONITORING OF 2022-23 BUDGET REDUCTIONS

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Wellbeing of Future Generations Act	Proposed 2022-23 £'000	Value achieved to date 2022-23 £'000	Value Likely to be Achieved 2022-23 £'000	Reason why not likely to be achievable
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EDUCATION & FAMILY SUPPORT

CENTRAL EDUCATION & FAMILY SUPPORT

EFS1	Rationalisation of Adult Community Learning Service	Remove the council subsidised support to adult learners although there are other providers - e.g. College. Less opportunity for adults to gain new skills.	68	68	68	Welsh Government have changed the terms and conditions of the grant for this service area which has impacted on the core budget and deliverability of this proposal. The Education and Family Support Directorate has identified alternative budget reduction proposals to replace this saving through a review of supplies and services budgets across the directorate.
Total Education and Family Support			68	68	68	

SOCIAL SERVICES & WELLBEING

SSW1	Across Adults and Children's services embed and consolidate outcome focussed practice and commissioning for all services areas.	This will support people to live their lives and will require our systems to be adapted to support the changes in practice. There will be a shift to embed outcome focussed practice which will have a focus on targeted prevention initiatives and by developing collaborative, long term relationships with providers as well as maximising the opportunities of the use of technology. This will be underpinned by planning accommodation, care and support together and listening to people who are experts in their own lives and acting upon what will make a difference.	200	200	200	Full saving achieved in 2022-23
SSW2	Remodelling day service provision for older people and learning disability services	The recent experience of the pandemic has enabled the service to find new ways of working and the service are proposing to review and refine the operating model for day time opportunities.	115	34	34	Some efficiencies have been identified, however external factors are preventing the achievement of the full savings targets. The Directorate continue to explore alternative options to provide the required savings in this particularly challenging financial climate.

MONITORING OF 2022-23 BUDGET REDUCTIONS

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Wellbeing of Future Generations Act	Proposed 2022-23 £'000	Value achieved to date 2022-23 £'000	Value Likely to be Achieved 2022-23 £'000	Reason why not likely to be achievable
SSW3	Remodelling Supported Living Services	A review of the service provision and alternative delivery models based on the current and predicted needs of individuals	50	50	50	Full saving achieved in 2022-23
Total Social Services & Wellbeing Directorate			365	284	284	

COMMUNITIES

COM1	Strategic Regeneration Fund - reduction to annual allocation	The reduction to the Strategic Regeneration Fund will directly impact on the Council's ability to provide match-funding, through which to lever other external funding. There will be no funding for feasibility or development work, on which to prepare bids for funding. Also potential for a loss of private sector investment as a result of inability to engage productively with developers and present Bridgend County in a positive light.	20	20	20	Full saving achieved in 2022-23
COM2	Cessation of Tourism contract with AMA Associates an external Public Relations Company who promote Bridgend with a range of publishers.	News coverage about Bridgend County will reduce and this potentially would have implications for visitor numbers and the local economy.	25	25	25	Full saving achieved in 2022-23
COM3	Change the composition of Household Food Waste bags	The current bags cause issues with bio-degrading due to the speed of the food waste digestion process. Change the supply of bags to remove this issue.	35	0	0	Ongoing national research and debate surrounding composition of Household Food Waste Bags. Budget reduction proposal delayed until outcome of review known to ensure any potential changes in legislation do not impact on the proposal.
COM4	Remove Business in Focus from running Enterprise Centres in Bridgend	This would be dependent on Corporate Landlord picking up the responsibilities and ensuring a higher rate of occupancy of the units to remove voids.	20	0	10	Staffing vacancies have delayed the implementation of this saving proposal, however the appointment of a Senior Portfolio Surveyor will make this a priority as we move forward.

MONITORING OF 2022-23 BUDGET REDUCTIONS

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Wellbeing of Future Generations Act	Proposed 2022-23 £'000	Value achieved to date 2022-23 £'000	Value Likely to be Achieved 2022-23 £'000	Reason why not likely to be achievable
COM5	Commercially let a wing of Ravens Court to a partner organisation or business.	Savings would be predicated on reduction in utilities from not occupying the space and rental income	50	0	0	Delay in progressing budget reduction proposal whilst the Future Service Delivery model is being developed.
	Total Communities Directorate		150	45	55	

CHIEF EXECUTIVES

CEX2	Efficiency saving targeting supplies and services budgets across the Chief Executive's Directorate	Limited impact as review has identified small historic underspends against this budget category	48	48	48	Full saving should be achieved in 2022-23
	Total Chief Executive's Directorate		48	48	48	

GRAND TOTAL REDUCTIONS		631	445	455
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REDUCTION SHORTFALL				176
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93	411	411
88	115	135
450	105	85
631	631	631

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BRIDGEND COUNTY BOROUGH COUNCIL	Budget 2022-23			Projected Year end spend £'000	Projected Variance Over/(under) budget £'000	% Variance
	Expenditure Budget	Income Budget	Net Budget			
	£'000	£'000	£'000			
EDUCATION AND FAMILY SUPPORT						
School Delegated Budgets	131,722	(21,302)	110,420	110,420	-	0.0%
Learner Support	7,886	(1,207)	6,679	6,764	85	1.3%
Family Support	8,575	(5,501)	3,074	2,758	(316)	-10.3%
Business Support	15,370	(4,447)	10,923	11,986	1,063	9.7%
Schools Support	1,506	(837)	669	625	(44)	-6.6%
School Modernisation	3,988	(214)	3,774	3,853	79	2.1%
Vulnerable Groups Support	737	(96)	641	605	(36)	-5.6%
Other Education and Family Support	1,997	(110)	1,888	1,852	(36)	-1.9%
TOTAL EDUCATION AND FAMILY SUPPORT	171,781	(33,714)	138,068	138,863	795	0.6%
SOCIAL SERVICES AND WELLBEING						
Adult Social Care	79,521	(21,748)	57,773	62,195	4,422	7.7%
Prevention and Wellbeing	6,534	(830)	5,704	5,580	(124)	-2.2%
Childrens Social Care	22,765	(1,166)	21,599	26,722	5,123	23.7%
TOTAL SOCIAL SERVICES AND WELLBEING	108,820	(23,744)	85,076	94,497	9,421	11.1%
COMMUNITIES DIRECTORATE						
Planning & Development Services	2,336	(1,645)	691	1,013	322	46.6%
Strategic Regeneration	3,106	(1,413)	1,693	1,693	-	0.0%
Economy, Natural Resources and Sustainability	6,804	(5,139)	1,665	1,432	(233)	-14.0%
Cleaner Streets and Waste Management	13,489	(1,502)	11,987	11,747	(240)	-2.0%
Highways and Green Spaces	23,681	(12,056)	11,625	11,483	(142)	-1.2%
Strategic Management	283	-	283	283	-	0.0%
Corporate Landlord	14,037	(10,968)	3,069	3,029	(40)	-1.3%
TOTAL COMMUNITIES	63,736	(32,723)	31,013	30,680	(333)	-1.1%
CHIEF EXECUTIVE'S						
Chief Executive Unit	483	-	483	500	17	3.5%
Finance	47,127	(42,994)	4,133	4,084	(49)	-1.2%
HR/OD	2,514	(398)	2,116	2,110	(6)	-0.3%
Partnerships	3,483	(1,227)	2,256	2,157	(99)	-4.4%
Legal, Democratic & Regulatory	6,445	(950)	5,495	5,572	77	1.4%
Elections	163	(49)	114	212	98	86.0%
ICT	5,340	(1,288)	4,052	4,162	110	2.7%
Housing & Homelessness	11,289	(7,858)	3,431	2,153	(1,278)	-37.2%
Business Support	1,529	(111)	1,418	1,376	(42)	-3.0%
TOTAL CHIEF EXECUTIVE'S	78,373	(54,875)	23,498	22,326	(1,172)	-5.0%
TOTAL DIRECTORATE BUDGETS	422,710	(145,056)	277,655	286,366	8,711	3.1%
Council Wide Budgets	42,829	(970)	41,859	33,879	(7,980)	-19.1%
NET BRIDGEND CBC	465,539	(146,026)	319,514	320,245	731	0.2%

NB: Differences due to rounding of £000's

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

31 JANUARY 2023

REPORT OF THE CHIEF EXECUTIVE

CORPORATE PLAN 2023 - 28

1. Purpose of report

- 1.1 The purpose of this report is to present the Corporate Overview and Scrutiny Committee with the draft Corporate Plan 2023-28, which sets out the policy context, ways of working and well-being objectives for the Council.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report proposes replacements for the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:-

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – 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.

3. Background

- 3.1 The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the coming years. The Council's current Corporate Plan will come to an end in March 2023. An approach to the development of a replacement plan was proposed in a briefing for all members on 8 November 2022.
- 3.2 The Well-being of Future Generation (Wales) Act 2015 ("the Act") states that public bodies, including local authorities, must work to improve the economic, social, environmental and cultural well-being of Wales. The actions we must take include:

- a. setting and publishing well-being objectives that are designed to maximise our contribution to achieving each of the well-being goals; and
 - b. taking all reasonable steps (in exercising its functions) to meet those objectives.
- 3.3 There are 7 wellbeing goals for Wales, set out in the Act. We must demonstrate our contribution to each of these goals, which are –
- A prosperous Wales
 - A resilient Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A Wales of vibrant culture and thriving Welsh language
 - A globally responsible Wales
- 3.4 The Council must also consider the 5 ways of working as it develops the new Corporate Plan. These are –
- Long term - balancing short-term needs with the need to safeguard the ability to also meet long-term needs
 - Prevention - acting to prevent problems occurring or getting worse to help the Council meet its objectives
 - Integration – thinking about how its wellbeing goals will contribute to the 7 national goals, on its other objectives and on partners objectives.
 - Collaboration – working across different parts of the Council and partners to achieve its objectives
 - Involvement - involving people with an interest in achieving the well-being goals, and ensuring those people reflect the diversity of its area.
- 3.5 The Corporate Plan is the Council's main vehicle for demonstrating and communicating the priorities to local people and businesses. It is also an important part of the assurance framework for its regulators. Audit Wales intend to test approaches to developing the Corporate Plan (especially the well-being objectives) across Wales over the next 6 months. They will be testing:
- **Planning** – Was the process the body put in place to set its well-being objectives underpinned by the sustainable development principle? Their Key Lines of Enquiry (KLoEs) focus on the Council's use of information, involving others and focusing on long and short term activities.
 - **Resourcing and delivery** - Has the body considered how it will make sure it can deliver its well-being objectives in line with the sustainable development principle? KLoEs focus on the Council's resource allocation and work with partners.
 - **Monitor and review**: Has the body put in place arrangements to monitor progress and improve how it applies the sustainable development principle

when setting its well-being objectives? KLoEs focus on measurement and monitoring, self-awareness and reflection on the past.

- 3.6 Welsh Government are also taking a keen interest in the development of well-being objectives, in line with the evolution of the Social Partnership Bill and guidance. They are keen to see evidence of the Council working with staff and Trade Unions on the development of its approach, well-being objectives and plan.

Use of research, data and information to inform the Corporate Plan

- 3.7 A series of desktop reviews were completed by the Policy, Performance and Public Affairs Team, presented as a think piece to Corporate Management Board (CMB) on 7 December 2022. The research focused on:
- Existing, agreed priorities that the Council should consider in developing its Corporate Plan e.g. Public Services Board (PSB plan, Regional Partnership Board (RPB) plan, Health board, police and Housing associations' plans, national plans, including the Future Generations Commissioner's plan and Welsh Government's Programme for Government.
 - Views on the Council's existing plans, performance, services and areas for particular improvement in the coming year e.g. self-assessment judgements, budget consultation / other consultations, staff survey, regulator inspections.
 - Local, regional or national data, intelligence and evidence we should use to inform our plan and objectives e.g. PSB wellbeing assessment, RPB population assessment, regulators' national studies, poverty data, wellbeing tool, net zero comparison tool, National Resources Wales (NRW) State of Natural Resources Report (Sonarr) and area plans.
 - Other Councils' corporate plan priorities and measures.
- 3.8 Further research has been completed to look at the use of performance information across Wales, performance indicators included in corporate plans, presentation of performance information, and benchmarking across Wales. This was presented to CMB on 11 January 2023.

Use of engagement, involvement and consultation to inform the corporate plan

- 3.9 Phase 1 of engagement and involvement focused on the approach to the development of the Corporate Plan and wellbeing objectives.
- 3.10 Phase 2 engagement focused on the draft principles and well-being objectives. Engagement has included –
- A session with Bridgend PSB to discuss how the Corporate Plan fits alongside the PSB plan and other partner plans
 - Questions in the staff survey and discussions with CMB and Heads of Service
 - Monthly discussion and updates with Trade Unions
 - Questions in the budget consultation
 - A discussion and engagement session with the Youth Council

- Discussion sessions with political groups

3.11 The Council's engagement demonstrated that those involved were largely satisfied with the proposed approach and contributed numerous useful suggestions, including –

- Focus and audience for the report – putting residents first, focusing on responsiveness and communications
- Content of the report – focusing on core behaviours and principles as well as well-being objectives, clarifying the financial situation in simple terms, introducing the idea of a new operating model with fewer services and additional roles / responsibilities for residents and the third sector, work with specific communities or geographical areas, looking at the long term rather than being reactive, looking at a range of resources to support services and improvement.
- Format of the report – keeping the report short and making it clear and accessible with infographics, images, videos etc
- Review of the report and performance management framework– learning from other organisations' corporate plans, having challenging targets and a clear and robust performance and review framework.

4. Current situation/proposal

4.1 The research and engagement feedback have been brought together into a set of draft principles and well-being objectives, presented to Corporate Management Board on 7 December 2022. These have formed part of the annual budget consultation (which closed on 22 January 2023) and the staff survey (which closed on 26 January 2023), and have been discussed with Cabinet Members, and political groups.

4.2 A draft Corporate Plan has also been developed. It is brief and accessible with simple language, wide use of infographics (although these will be developed by the designers following council approval) and a focus on principles / ways of working as well as the wellbeing objectives. There is a focus throughout the report on the financial situation and need for change, putting residents first and improving responsiveness and communications as well as personal / community responsibility alongside Council services. The draft Corporate Plan is included at **Appendix 1**.

4.3 The research showed that around half of Welsh local authorities do not include performance indicators in their corporate plans at all, instead developing annual delivery plans to cover Performance Indicators (PIs) and targets. This has many benefits, as detailed below, and it is proposed that this is the approach taken for Bridgend County Borough Council (BCBC):

- Providing less rushed timescales for producing the Corporate Plan
- Enabling the Council to produce a shorter, more accessible Corporate Plan with less technical detail
- Allowing flexibility to change the course of action when needed

- Allowing for additional engagement and involvement of staff, trade unions and members (particularly scrutiny members) in the development of performance indicators in March and April 2023.

4.4 The draft principles or ways of working (which have recently been out for consultation in the budget consultation and the staff survey) are –

- Improving responsiveness to residents, making communication faster, more honest, and accessible
- Supporting communities to create their own solutions and reduce dependence on the Council
- Stopping or reducing services that aren't highly valued or well used
- Using resources in more planned and efficient ways, focusing them on those in the greatest need
- Acting as one Council working with partner organisations for the good of communities

The principles will need to be properly defined, and the mechanisms to drive them and measure their progress will need to be developed and agreed. The detail of this section of the Corporate Plan is currently being completed by Corporate Management Board, following closure of the budget consultation and staff survey. As a result, only a short outline of this section is included in the draft Corporate Plan in Appendix 1.

4.5 The draft well-being objectives (which have also recently been out for consultation in the budget consultation and staff survey) are –

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

The detail of this section of the corporate plan is currently being completed by the Heads of Service Board, following closure of the budget consultation and staff survey. As a result, only a skeleton of this section is included in the draft Corporate Plan in Appendix 1.

5. Effect upon policy framework and procedure rules

5.1 Performance against the Corporate Plan forms part of the Council's Performance Management Framework. The draft Corporate Plan proposes an update to the Performance Management Framework.

6. Equality Act 2010 implications

- 6.1 A high level Equality Impact Assessment (EIA) will be carried out and included within the final Corporate Plan in February 2023. The high-level EIA considers the impact of the strategy, policy or proposal on the nine protected characteristics, the Socio-economic Duty and the use of the Welsh Language.
- 6.2 The proposals contained within this report cover a wide range of services and it is inevitable that the prioritisation or deprioritisation of services will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.

7. Well-being Future Generations (Wales) Act 2015 implications

- 7.1 The well-being goals identified in the Act were considered when writing this report. It is considered there will be no significant or unacceptable impacts upon the achievement of the existing well-being goals as a result of this report.
- 7.2 The report proposes replacement well-being goals / objectives in line with the requirements of the Act.

8. Financial implications

- 8.1 There are no financial implications arising from this report. The report has been developed in tandem with the Medium-Term Financial Strategy so that they support each other.

9. Recommendation

- 9.1 The Corporate Overview and Scrutiny Committee is recommended to consider the key issues and draft Corporate Plan and make comment upon the report.

Mark Shephard
CHIEF EXECUTIVE
25 January 2023

Contact Officer: Alex Rawlin
Corporate policy and public affairs manager

E-mail: Alex.Rawlin@bridgend.gov.uk

Postal Address: Legal and Regulatory Services, HR and Corporate Policy
Chief Executives Directorate
Level 4, Civic Offices

Background documents: None

Foreword

This plan is the result of work with residents, staff, trade unions, elected members and businesses. In these tough times, a clear set of priorities (and a plan for how to meet them) is more important than ever. This plan does not cover every service we provide or every goal we want to meet. Instead, it presents our new ways of working and our well-being objectives. It responds to the short-term, financial crisis, while protecting our most vulnerable, our natural environment and helping young people meet their potential for the long-term. Sustainability is at the core of what we do, and this includes our commitment to achieving net-zero carbon status by 2030.

A big challenge for us all in coming years will be the cost-of-living crisis. Rising bills and prices put a strain on our personal finances, and on the Council's budget. This means it will be impossible to run services in the same way as we always have.

Everyone has a part to play in the success of the County borough. We have a duty to residents, and our residents have a duty to their communities and each other. Our plan sets out what we will do, and what you can do to help. In 2022 we were one of the best County boroughs in Wales at recycling. This is an example of a service improvement made possible by your efforts.

We will also continue to improve efficiency and make better use of the resources we have.

This plan also tells you how we will transform our ways of working. The pandemic forced us all to rethink how we work. Our staff, from social care to education, adapted to this change. We need to build on this agility and flexibility to respond to our new challenges.

These are challenging times, not just for us but for the whole country. By working together we can emerge stronger with healthy communities, vibrant towns and quality jobs.

We encourage you all to read this plan and get involved in building a place that future generations will be proud to inherit.















Cllr. Huw David
Leader of the Council



Mark Shephard
Chief Executive

Our Corporate Plan

Every 5 years the council publishes a new Corporate Plan. This plan describes the council's priorities, why they are important and what success will look like. The priorities, or well-being objectives, show our commitments to our citizens and our contribution to Wales's seven well-being goals: [The below will be updated in line with the wellbeing objective details]

National Well-being Goal	Bridgend Well-being Objective						
	Protecting our most vulnerable	Fair work, skilled, jobs & thriving towns	Helping people meet their potential	Responding to the climate and nature emergency	Making people feel valued, heard & part of their community	Supporting people to be healthy and happy	Creating thriving Valleys communities
A prosperous Wales							
A resilient Wales							
A healthier Wales							
A more equal Wales							
A Wales of cohesive communities							
Vibrant culture & thriving Welsh language							
A globally responsible Wales							

We have done research to learn from the past and from others and to help us develop these objectives. We have looked at –

- Our past plans and performance against them, good and bad
- Other organisations' plans and priorities – partners, the partnership and other councils
- Other people's views of us – from our regulators, staff and residents
- Data and research that tell us more about how Bridgend is doing

We have also talked to lots of people to see what they think, and make sure the priorities make sense to them. We have talked to our members, staff and trade unions, our partner organisations, residents and the youth council.

The area we cover

Bridgend county borough covers around 100 square miles with a population of 145,760 in the 2021 census. In our population –

- 50.6% are female and 49.4% are male.
- 1% of people identify as Asian, 0.5% identify as black, 1.2% identify as mixed, 96.7% identify as white and 0.3% identify as other.
- 17.8% of people are aged 0-15, 61.4% are 16-64 and 20.8% are 65+.
- 22.2% of our population have reported disabilities.

We have a diverse geography, with valleys communities in the North to the 12.5 miles of coastline and beaches to the south.

The M4 runs right through the centre of the county, and we have rail links to Cardiff and London to the East, and Swansea in the West.



The resources we use (This will become an infographic)

Our People

The council is a large organisation employing over 6,000 staff. People in our four directorates provide a range of services to support communities through all stages of life. For this, we rely on our people, from engineers to teachers to care workers.



51 Councillors represent 39 wards



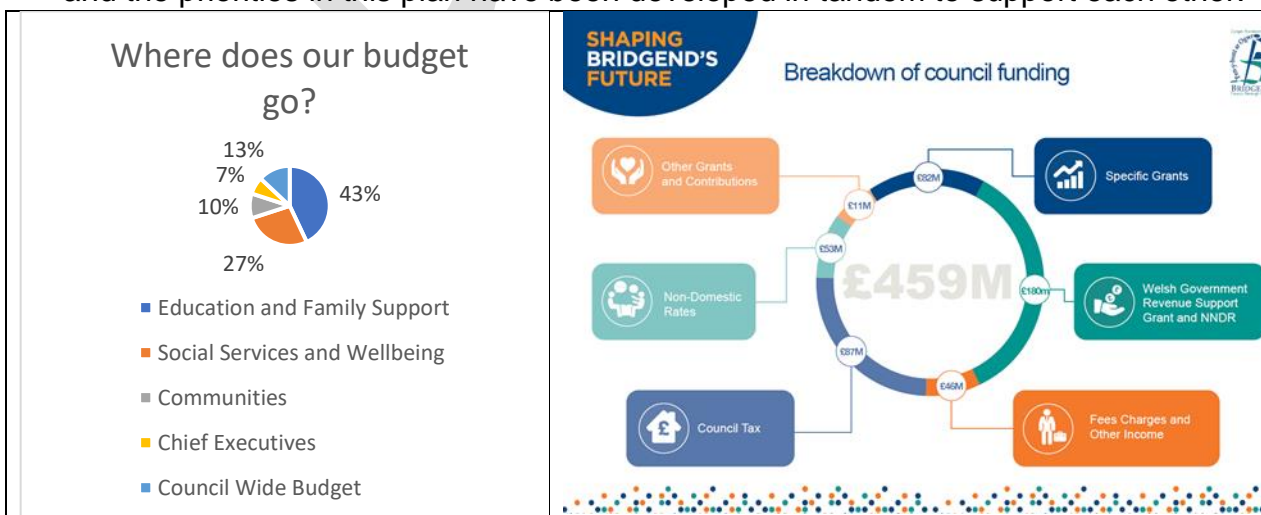
Our Assets

Our assets help us keep our communities connected and supported. Without our land, buildings and roads / footpaths we wouldn't be able to provide most of our services.

- Corporate Offices** 5
 - Leisure centres** 8
 - Community Centres** 8 directly managed by BCBC, 17 leased out to a third party
 - Residential homes** 10
 - Schools** 48 Primary, 9 Secondary, 2 special
 - Libraries** 4 plus 7 in leisure/community centres
 - Recycling centres** 3
- We also maintain **882km** of road network and **613.72 Km** of public rights of way, which include footpaths.

























Our Money

We are responsible for spending over £480 million in 2023-24. Our financial plans and the priorities in this plan have been developed in tandem to support each other.



The services we currently provide (This will become an infographic)

We currently provide around 800 different services to the community. The following diagram gives an overview of the annual cost of some of our services

<p>Home to School Transport</p>  <p>£8,192,090</p>	<p>Free Breakfast Initiative</p>  <p>£635,715</p>	<p>School Modernisation</p>  <p>£3,774,350</p>	<p>Schools Additional Learning Needs</p>  <p>£3,315,710</p>
<p>Youth Development</p>  <p>£712,829</p>	<p>School Catering</p>  <p>£776,988</p>	<p>Youth Justice</p>  <p>£362,310</p>	<p>Children's Homes</p>  <p>£4,020,389</p>
<p>Residential Nursing & Care Homes for Older People</p>  <p>£11,680,363</p>	<p>Residential & Nursing Placements (Mental Health)</p>  <p>£1,820,294</p>	<p>Commissioning & Social Work</p>  <p>£6,638,863</p>	<p>Children's Safeguarding</p>  <p>£2,408,241</p>
<p>Waste Collection</p>  <p>£6,046,520</p>	<p>Waste Disposal</p>  <p>£3,789,040</p>	<p>Street Cleaning</p>  <p>£1,674,081</p>	<p>Regeneration projects</p>  <p>£1,458,410</p>
<p>Highways</p>  <p>£3,245,070</p>	<p>Bus Stations and Concessionary Fares</p>  <p>£629,860</p>	<p>Climate change</p>  <p>£602,630</p>	<p>Street Lighting (Energy)</p>  <p>£1,096,950</p>
<p>Council Tax Reduction Scheme</p>  <p>£16,054,000</p>	<p>Housing Options and Homelessness</p>  <p>£3,628,363</p>	<p>Environmental health services</p>  <p>£1,055,523</p>	<p>Violence Against Women, Domestic Abuse and Sexual violence response</p>  <p>£352,500</p>

The changing world for local government

The world has changed a lot since the pandemic, and it is having a big impact on the way the council works. The cost-of-living crisis is making things difficult for you as residents and businesses, and it is making it harder for the council to manage too –

- Increasing energy costs e.g. for community centres & schools
- Increasing fuel costs e.g. school transport & recycling vehicles
- Changes to the cost & availability of goods e.g. food for residential homes & building materials for new schools
- Pay rises for our staff who provide indispensable services
- National Government asking us to provide extra services e.g. warm spaces
- Impacts on residents that add demand to services e.g. increased homelessness and safeguarding
- Funding for the council not increasing at the same rate as prices

This means we can't carry on providing all our services in the same way.

It is really important that we understand what matters to people in the County borough. In the economic crisis and over the last few years of living with Covid, what people want has changed. People have rediscovered the importance of their family, friends and their community. You want to live in a County borough with cleaner streets, more green spaces and more outdoor leisure facilities which are affordable, so that there are nice places to spend time with friends and family or exercise pets and happy and feel safe while you do this.

Your well-being is important. Being healthy, making sure family and friends are well and having good access to health services are important. As is protecting the most vulnerable and ensuring they have access to the support they need.

You want your children to have the best start in life and a bright ambitious future, access to good education and equal opportunities to realise their potential.

You are more aware than ever of the importance of having a secure job and work-life balance and the implications on your families of the problems in the wider economy.

With the help of your council you want to be able to build on relationships established in the community and have more opportunities to bring people together.

You want to enjoy and promote the arts in Wales, our culture and heritage and the Welsh language.

You understand that there is less money to spend so want the services that are provided by your council to be more focused on the needs of the community, with better engagement and interaction with the council.

You understand that you have a part to play in making our County borough a more pleasant place to live such as taking responsibility for your own carbon footprint, cleaning up after your dogs, reducing waste and recycling what you can.

We have agreed 5 new ways of working to set out how we will change over the next 5 years, to reflect all of these changes.

Our new ways of working

Over the next 5 years, we will continue to make sure that we invest our time and money in the right things, the things that make the most difference to local people and are most valued. We are likely to be forced to make choices and prioritise our spend, we will not be able to do everything for everyone.

We will need to get better at working with other organisations and most importantly with local people. We all need to work together to get the best local outcomes. Increasingly, we will need to play a role where we support local people and signpost them to the best advice and support, as well as directly delivering services.

Because our budget is limited and the demand for services like social care and homelessness keep rising, we will also have to make difficult decisions about stopping or reducing some other services. We will do this in an open and transparent way, asking local people about their priorities to inform our decisions.



Wellbeing Objective One – A county borough where we protect our most vulnerable (this page will be repeated for each WBO)

2/3 sentences on what that objective means – ‘Our aspirations are...’

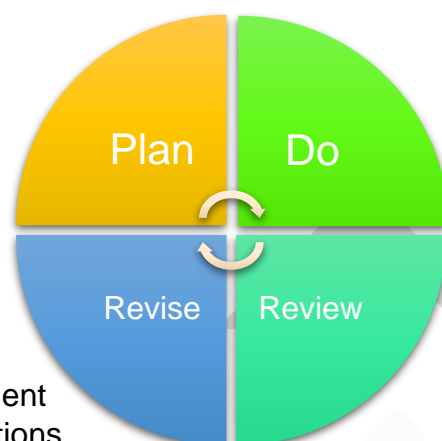
What we've done	What we plan to do next <small>Outcome focused to include benefits to the community</small>

How you can help us...

How we will measure and show you our progress

Our corporate plan tells you our priorities, and actions needed to achieve them. But we also need to report back regularly so you can tell whether we are on track. We use a standard 'Plan, Do, Revise, Review' model to do this.

- Identify needs
- Set priorities, develop targets & actions
- Set budgets



- Deliver services
- Achieve commitments
- Gather information
- Monitor performance

- Research changing environment
- Check priorities, targets & actions
- Use lessons learned

- Review performance
- Review budgets & risks
- Review and challenge at CPA & scrutiny

We regularly take performance reports to Corporate Management Board and to members. We use meetings of the Cabinet, Scrutiny committees and council to do this, as well as a special meeting called Corporate Performance Assessment (or CPA). Here, the council's senior managers, Cabinet and Scrutiny Chairs get together to assess and challenge performance and make service changes where needed.

The cycle over a year looks like this -

	Quarter 1 (September)	Quarter 2 (December)	Quarter 3 (March)	Quarter 4 (June)
CPA	<ul style="list-style-type: none"> • Review and challenge targets • Make changes where needed 	<ul style="list-style-type: none"> • Review performance and trend data for quarter 2 • Agree actions needed if targets aren't being met 	<ul style="list-style-type: none"> • Review performance against targets for quarter 3 • Make changes where needed 	<ul style="list-style-type: none"> • Review the year's performance • Review our annual self-assessment report
Corporate Overview & Scrutiny (COSC)		<ul style="list-style-type: none"> • Challenge under performance • Refer detail to scrutiny committees 		<ul style="list-style-type: none"> • Analyse end year performance • Compare • Refer detail to scrutiny committees
Overview & scrutiny committees		<ul style="list-style-type: none"> • Investigate performance issues 		<ul style="list-style-type: none"> • Investigate performance issues

Our regulators and our own self-assessment told us we need to improve the way we manage performance. We will do this over the next 5 years, looking at –

- The quality and accuracy of our data
- Culture, roles and responsibility for performance management
- Capacity of staff and teams to manage performance
- Our performance IT system
- The way we compare our performance over time and with others

DRAFT

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

31 JANUARY 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL STRATEGY 2023-24 TO 2032-33

1. Purpose of report

- 1.1 The purpose of this report is to present to the Corporate Overview and Scrutiny Committee the draft Capital Strategy 2023-24 to 2032-33, which includes the Prudential Indicators against which the Council measures itself during the financial year (**Appendix A**) and for the Committee to provide any comments for consideration in finalising the Capital Strategy for Cabinet and Council approval in March 2023.

2. Connection to corporate well-being objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:

- **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
- **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
- **Smarter use of resources** – 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.

3. Background

- 3.1 Control on capital expenditure and investment is governed by legislation. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended, provides the regulatory framework for accounting practices to be followed, and contains detailed provisions for the capital finance and accounting controls, including the rules on the use of capital receipts and what is to be treated as capital expenditure. They modify accounting practice in various ways to prevent adverse impacts on authorities' revenue resources.

- 3.2 In December 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a new edition of the Prudential Code for Capital Finance in Local Authorities. The Code requires local authorities to determine a Capital Strategy, to be approved by full Council, which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. This edition included a significant change in the Code, which is that, in order to comply with the Code, an authority must not borrow to invest primarily for financial return. It goes further to clarify that *“it is not prudent for local authorities to make any investment or spending that will increase the capital financing requirement, and so lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose”*. The draft Capital Strategy has been produced in line with the 2021 Code, and sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 3.3 The Capital Strategy should demonstrate how the Council ensures that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so the Capital Strategy includes the prescribed Prudential Indicators for a three year rolling period. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability.

4. Current situation/proposal

- 4.1 The principles within the draft Capital Strategy have been applied to the allocation of capital resources and schemes within the Capital Programme included within the Medium Term Financial Strategy (MTFS). This will be approved by Council before the start of the financial year in accordance with the Constitution. Following approval, any schemes for which external funding has been approved will be added to the capital programme once the funding has been accepted and included in the next capital programme report to Council. Urgent expenditure not included in any budget approval, which needs to be agreed prior to the next meeting of Council, may only be incurred with the approval of the Chief Finance Officer.
- 4.2 The draft Capital Strategy is at **Appendix A**. The financial information included within the draft Capital Strategy will be updated when the Council’s budgets are finalised for the Medium Term Financial Strategy. Any comments from the Committee will be considered when the Capital Strategy is finalised for Cabinet to consider at its meeting on 22 February 2023, and for Council to approve on 01 March 2023.
- 4.3 The draft Capital Strategy confirms the Council’s compliance with the Prudential Code for Capital Finance in Local Authorities. It sets out the guiding principles for capital decisions in respect of:

- Principle 1: Focusing capital investment on delivery of the Council’s Well-being Objectives and Priorities
- Principle 2: Ensuring strong governance over decision-making
- Principle 3: Ensuring that capital plans are affordable, sustainable and prudent

Principle 4: Maximising and promoting the best use of available funds

4.4 The draft Capital Strategy sets out a framework for the self-management of capital finance and examines the following areas:

- Capital Strategy Framework
- Asset Management Planning
- Risk
- Governance and Decision Making
- Capital investment programme and funding
- Managing borrowing

It reports on the delivery, affordability and risks associated with the long-term context in which capital expenditure and investment decisions are made.

4.5 Whilst much of the content of the Strategy is similar to last year, changes to Accounting for Leases will have an impact on the Capital Strategy as current operating leases, where costs are currently charged to revenue, will have to be brought onto the balance sheet as a right of use asset, which will increase the Council's capital financing requirement. The implementation of these changes has been further delayed to the 2024-25 financial year and work is ongoing to fully evaluate the impact of these changes. Indicative figures are included in the draft Capital Strategy and these will need to be amended once the impacts are fully understood. This is detailed within section 5.0 of the Capital Strategy.

4.6 Section 4.0 of the draft Capital Strategy summarises the 10-year Capital Programme in line with the Council's corporate well-being objectives. It identifies some of the key projects within the programme and references the detailed 10-year Capital Programme at Annex A of the draft Capital Strategy. Key indicators are then included at section 5.0 – Funding the Strategy and Section 6.0 – Managing the Borrowing Requirement. These Performance Indicators are crucial in determining the effective management of borrowing to support the Capital Programme and are reported to Cabinet and Council on a quarterly basis.

4.7 The Minimum Revenue Provision Policy Statement is included within the Capital Strategy under section 7.0 rather than an Appendix. This ensures its importance of putting aside revenue resources to repay borrowing.

5. Effect upon policy framework and procedure rules

5.1 The Council's Financial Procedure Rules reflect the duty to produce a Capital Strategy at the start of each financial year, and to report quarterly to Cabinet with an update on the Capital Strategy and the Prudential Indicators. The Capital Strategy demonstrates that capital expenditure and investment decisions are in line with service objectives, and properly take account of stewardship, value for money, prudence, sustainability and affordability.

6. Equality Act 2010 implications

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the

preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

Projects within the Capital Programme will be subject to the preparation of separate Equality Impact Assessments before proceeding.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 In terms of meeting the 5 ways of working within the Act the Capital Strategy sets out the following:

1. **Long term:** the Capital Strategy is a 10 year strategy and considers the need for capital investment over the medium to long term.
2. **Prevention:** the Capital Strategy seeks to ensure that assets and capital investment are fit for the future, to enable the Council to successfully deliver its services for the benefit of its communities.
3. **Integration:** the Capital Strategy is an integral element of the Council's medium term financial strategy, ensuring coherence between revenue and capital budgets to enable delivery of the Council's services.
4. **Collaboration:** the Capital Strategy brings together the capital plans of the Council to ensure the delivery of the well-being objectives.
5. **Involvement:** the Capital Strategy is developed through directorates identifying capital needs and schemes to meet those needs. It is subject to scrutiny by this Committee and is presented to Cabinet and then Council for approval.

7.2 The well-being objectives are designed to complement each other and are part of an integrated way of working to improve well-being for the people of Bridgend. In developing the Capital Strategy, officers have considered the importance of balancing capital resources over the short-term and minimising the revenue costs of debt with longer-term objectives of managing the Council's long term capital programme. The Prudential Indicators are forward looking and are set to support future sustainability.

8. Financial implications

8.1 The financial implications are included in the report. Both the financial information and Prudential Indicators will be updated in advance of Cabinet and Council in February and March 2023.

9. Recommendations

9.1 The Corporate Overview and Scrutiny Committee is recommended to:

- Note the draft Capital Strategy 2023-24 to 2032-33 including the Prudential Indicators 2023-24 to 2025-26 and its associated Schedules (**Appendix A**) and provide any comments for consideration in finalising the Capital Strategy.

Carys Lord
Chief Officer – Finance, Performance and Change
January 2023

Contact officer: Nigel Smith
Group Manager – Chief Accountant

Telephone: (01656) 643604

Email: nigel.smith@bridgend.gov.uk

Postal address: Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Background documents:

None

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Austin-Smith:Lord

Austin-Smith:Lord

Draft Capital Strategy

2023-24 to 2032-33

Cyngor Bwrdeistref Sirol



INTRODUCTION

Welcome to the Council's 2023-24 – 2032-33 Capital Strategy. The Strategy sets out the Council's plan for capital expenditure, and how that is to be funded, over the next 10 years. It underpins the Council's vision of contributing to a place where people want to live, work, study and do business, where people have the skills and qualifications they need to improve their life chances, enjoy good health and a sense of well-being and independence.

To deliver the Council's vision will require capital investment in new schools, to regenerate the County Borough's towns, to develop innovative decarbonisation schemes to deliver the Council's 2030 Decarbonisation Strategy, and continued investment in IT infrastructure to ensure the Council can deliver its services digitally moving forward.

In developing long term investment decisions, it is crucial that decisions are based on clear information, including a long-term plan of capital expenditure, ensuring affordability and having in place clear asset management plans.

The Capital Strategy is reviewed and updated at least annually to take account of changing plans and guidance as appropriate. There will be challenges ahead as the County Borough continues to work through the impact of challenging economic circumstances such as the war in Ukraine, cost of living crisis and the European Union exit, along with limited financial resources as the Council continues to plan for the future.



Cllr Huw David
Leader of the Council



Mark Shepherd
Chief Executive

Image front page: Artist's impression of proposed new transport links along the Portway Porthcawl

STRATEGIC CONTEXT

Bridgend is conveniently situated between Wales' capital city Cardiff to the east and the city of Swansea to the west, approximately 20 miles from each. Nestled along the M4 corridor with easy access from both major cities, bounded by the Bristol Channel to the south, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough covers an area of 98.5 square miles and is home to nearly 148,000 residents and continues to grow. The County Borough's towns are undergoing redevelopment and a number of historic buildings and the town centres have been rejuvenated over recent years. To the north is the residential town of Maesteg, to the southwest is the coastal town of Porthcawl and to the east is Pencoed. Bridgend County Borough Council is one of 22 Councils in Wales, and accounts for approximately 4.5% of the country's population. The Council has 51 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework.



The Council faces significant challenges moving forward. These include demographic pressures including increasing pupil numbers, an ageing population, an increasing number of young people with complex disabilities living into adulthood and requiring care and support, the need for the public sector to decarbonise by 2030 and the continued investment in digitalisation in service delivery. In addition to this there are inflationary pressures arising from specific contractual commitments as well as the impact of current high inflation rates. During this difficult economic climate the Council will need to continue to focus on restoring services, supporting communities, particularly the most vulnerable in our society, as well as doing all we can to help our local economy to recover.

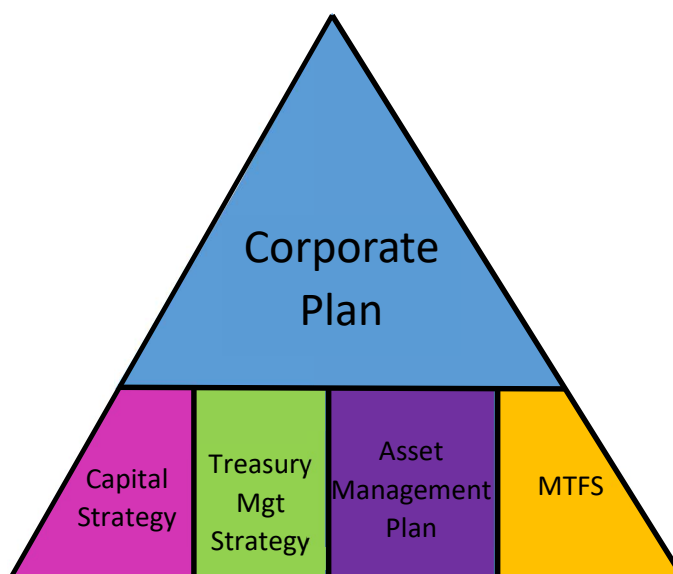
Where capital investment is needed to deliver the Council's priorities, the Capital Strategy is the framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

CAPITAL STRATEGY FRAMEWORK

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Financing in Local Authorities (2021) placed a requirement on local authorities to determine a Capital Strategy, to be approved by full Council, which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. Local Authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

This Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 10 year Capital Programme. It also reports on the delivery, affordability and risks associated with this Strategy.

The Capital Strategy is presented to Council as an integral part of the Council's Budget and Policy Framework. It links with the Corporate Plan, Treasury Management Strategy (TMS), Medium Term Financial Strategy (MTFS) and the Council's Asset Management Plan (AMP).



The Capital Strategy sets out the Council's approach to:

1. asset management planning
2. risk
3. governance and decision making
4. capital investment in 2023/24 and indicatively to 2026/27
5. funding the strategy
6. managing the borrowing requirement
7. prudent Minimum Revenue Provision (MRP) Policy for repayment of capital expenditure
8. affordability

The remainder of this strategy considers these in more detail.

The capital programme is a key element of the MTFS. The MTFS provides a set of clear principles which drive the budget and spending decisions of the Council. There are thirteen principles in total, but the following three refer specifically to the capital programme and Strategy:

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.

To reflect these the capital strategy is based on the following guiding principles:

PRINCIPLE 1 : Focus capital investment on delivery of the Council's Well-being Objectives and Priorities
<ul style="list-style-type: none"> • Ensuring that capital investment plans are driven by the Council's Corporate Plan • Ensuring decision-makers are clear on the positive contribution capital investment makes to our well-being objectives • Appraising all investments in the context of objectives/priorities • Ensuring there is a corporate business planning process incorporating service transformation and the impact on property assets
PRINCIPLE 2 : Ensure strong governance over decision-making
<ul style="list-style-type: none"> • Ensuring that proposals demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing • Schemes will only be added to the capital programme once an affordable business plan is in place and it demonstrates value for money • All major capital schemes have a lead Project Sponsor and follow project management principles • The approval process within the Financial Procedure Rules contained in the Constitution are strictly adhered to
PRINCIPLE 3 : Ensure capital plans are affordable, sustainable and prudent
<ul style="list-style-type: none"> • Promote capital investment which allows invest to save outcomes and which contribute to future MTFS savings • Make sure assets perform at an optimal level through effective ongoing asset management and are consistent with levels of investment • Review and challenge the Council's assets, including the need, cost and performance of the estate • Maximise the use of internal borrowing and maintain an under-borrowed position compared to its Capital Financing Requirement if feasible
PRINCIPLE 4 : Maximise and promote the best use of available funds
<ul style="list-style-type: none"> • Generate funding, where possible, from the rationalisation of existing assets with a strong Disposal Strategy

- Minimise the use of ring-fencing capital receipts to ensure a One-Council approach
- Bidding for external funds where appropriate and ensuring that there are effective working relationships with external funders
- Have clear policies for the consumption of our reserves
- Ensuring that there is effective pre- and-post project appraisal including a “lessons learned” exercise.
- Ensuring up to date property information relating to condition surveys, life cycle costs and maintenance back logs



Heol y Goedwig Park Porthcawl

1.0 ASSET MANAGEMENT PLANNING

The Council's Asset Management Plan vision has been re-aligned with the Corporate Plan 2018-23 and reviewed for 2022-23 "One Council Working Together to Improve Lives" as follows:

"To have a lean sustainable estate that enables BCBC to live within its means and support delivery of our well-being objectives"

The following principles drive the decisions on the on-going challenge, management and use of BCBC property assets to support the achievement of our corporate priorities and statutory duties:

1. The AMP 2030 supports and maintains alignment with the MTFs, Capital Strategy and Corporate Plan, linking with other resource strategies and corporate transformation programmes including carbon reduction.
2. The AMP 2030 works to deliver effective management covering not just health, safety and effective maintenance but supporting wider benefits such as carbon reduction.
3. Capital investment decisions support the Council's corporate priorities and mitigate any statutory risks taking account of return on investment and sound option appraisals. Appraising all investments in the context of objectives/priorities.
4. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget, the capital programme and corporate priorities.
5. A balance will be maintained within the non-operational portfolio between rental income, capital receipts, economic development/ community support.
6. Capital receipts generated will support the capital programme.

The Council also has a Highways Asset Management Plan (HAMP). The HAMP needs to take into account the following:

1. Much of the infrastructure serving the northern half of the county borough was originally constructed in the early 1900's and was not designed to cope with the current demands (economic, social and environmental) placed upon it.
2. The BCBC highway network is continuously growing with no sign of abatement. The Council has seen much in the way of development over the last decade, resulting in a significant increase in the amount of asset requiring management.
3. Highway Authorities have a statutory duty to maintain highways and ensure that they are available for safe use by all.

The HAMP sets out how the levels of service for the infrastructure network determined by the Council will be achieved.

HEALTH AND SAFETY WORKS

There is an earmarked reserve for Asset Management including funding for Condition Surveys. The Council is now in the final phase of the condition survey programme, dealing with queries and ongoing Community Asset Transfer surveys. The surveys include planned preventative maintenance data which will inform the Council's budget allocation for both revenue and capital repairs, maintenance and new build. Given the limited capital and revenue

funding and the currently known high level of maintenance backlog, a prioritisation matrix for budget allocation has been developed. The matrix works to give highest priority to health and safety works. Given the potential level of funding compared to the demand for repairs and maintenance, this may lead to the closure of buildings or the drive for further capital investment in new build projects. Once fully implemented the matrix will be able to effectively inform the capital funding planning and decision making as it relates to asset management.

For highway structures, the current basis for prioritisation is one of reactive safety repairs, where the asset is risk assessed using a standardised matrix. This risk assessment is then considered against the individual assets Bridge Condition Indices (BCI) rating. This allows the prioritisation of schemes and allocation of the available budget to ensure the best value is achieved. A similar approach is applied to carriageway and footway schemes, where combinations of technical survey, site inspections and reports from members of the public determine the basis for the prioritisation of works.



Bridgend Local Nature Reserve

2.0 RISK

In undertaking complex projects, decision making needs to be supported by business cases in line with best practice covering strategic, economic, financial, commercial and management cases.

It would be expected that in nearly all circumstances, any proposed investment in land and buildings will require the completion of a full feasibility study in the first instance. The purpose of a feasibility assessment is to evaluate the practicality and desirability of a capital project, and assess its deliverability, before the Council invests time and money into the project. It may be that the proposed project cannot be delivered to time or cost or may not deliver the outcomes necessary. If this is the case the feasibility study would confirm that the project should not proceed. The Council needs to understand how successful the project will be, what will be delivered, at what cost, how funded, and what potential risks may be inherent in the project (which may also affect cost). This will determine whether the proposed scheme can proceed to a **capital expenditure bid** and, if approved, subsequent inclusion into the capital programme as a fully funded scheme.

It is accepted that there are a number of capital pressures that will need financing going forward, including economic recovery, decarbonisation, homelessness, digitalisation and coastal defences. There are also other financial pressures arising as a result of the 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 the higher inflation rates currently in the UK and further afield, as well as additional costs associated with Brexit, 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 need to be considered at the early stages of project feasibility to ensure that anticipated cost increases are factored into each scheme's forecast budget. Time considerations also need to be considered for any delays in suppliers' ability to source and deliver materials for capital schemes. This could affect external funding particularly grants where schemes have to be completed within a set deadline.

Capital investment is technically described as:

“Expenditure on the acquisition, creation, or enhancement of ‘long term assets’”

This generally consists of land, property and plant which have a useful life of more than 1 year but can also include funding passed on to other bodies in order for them to undertake capital works. Expenditure outside this definition will be, by definition, revenue expenditure.

Expenditure can be capitalised where it relates to the:

- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.

Enhancement of an existing fixed asset means:

- To lengthen the useful life of the asset; or
- To increase substantially the open market value of the asset; or
- To increase substantially the extent to which the asset can be used for the purposes of, or in connection with, the functions of the Council.

Capital investment can be broadly split into three types:

1. Expenditure on **creation of new assets, specific projects or non-treasury investments to meet strategic aims**. Non treasury investment to meet service or Council obligations could include loans or equity towards capital expenditure incurred by external bodies, Council subsidiaries or joint ventures.
2. Expenditure on **existing assets** to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
3. Expenditure on **non-treasury investments purely to maximise financial return on assets and generate revenue income**. However, it is unlikely that the Council will pursue any such investments due to the limits it would place on accessing PWLB loan finance.

Within the Accounting Policies for the Council, expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on Property, Plant and Equipment is recognised irrespective of value. Capital expenditure below £40,000 with the exception of vehicles, is considered non-enhancing and is immediately impaired unless cumulatively over more than one year the expenditure would amount to more than this value.

The Council currently does not make use of any capitalisation flexibilities nor capitalise any borrowing costs associated with the capital programme. The Council's capital expenditure plans are linked to the Corporate Plan, Asset Management Plan, priorities and service delivery plans with the inclusion of the 'Future Property Needs' within the business plan template.

Commercial Activities

The Council has acquired relatively few property assets over the last few years. Its focus has been on releasing or remodelling existing assets. From time to time it has acquired property required for service developments, for example purchasing land and buildings for school modernisation projects. In 2014 the Council approved £1 million of capital funding for commercial property investment, of which £520,000 was spent on acquiring an income-producing leased property. This investment generates a rental income of £56,250 per year or just over 10.8% return on investment. To date the remainder is unspent as no suitable options which meet the Council's criteria have been forthcoming

In December 2021 CIPFA published a new edition of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). This update includes a significant change in the Code, which is that in order to comply with the Code, an authority must not borrow to invest primarily for financial return. The Code does not require existing commercial investments, including property, to be sold. However, it does set out that authorities who have a need to borrow should review options for exiting their financial investments for commercial purposes.

Whilst this does not preclude the Council investing in commercial activities, investing in assets for yield would prevent the Council from accessing PWLB borrowing. The borrowing needed to support the Sustainable Communities for Learning (formerly 21st Century Schools) programme and the wider capital programme will therefore prevent the Council investing in land or property purely to achieve a financial return.

The Council does have an existing investment portfolio which is 100% based within the County Borough and primarily the office and industrial sectors. The income streams are generally spread between the single and multi-let office investments on Bridgend Science Park, the multi-let industrial estates and the freehold ground rent investments. The portfolio therefore does not accord with the risk balance in location and sectoral terms to the majority of investment portfolios and is also management intensive, with a large number of units relative to the overall income and value. The total value of Investment Properties was £5.585 million at 31 March 2022. This would be expected to generate a rental income of £454,000 per annum excluding any vacant or rent-free periods. The lessees are responsible for all repairs and maintenance associated with these properties.

Existing investments are not affected by this recent change. There are limited opportunities within the existing investment portfolio to release / sell properties, as the current emphasis is to enhance income return (as opposed to capital value). The majority of the investments held are high yielding and an improved income stream is unlikely on any re-investment.

The income receivable from the commercial property portfolio is not deemed to be a financial resilience risk in terms of being 'un-proportionate' to the Council's overall income. This will be an ongoing consideration where expenditure on the types of non-treasury investments identified previously are proposed, including development of any limits and indicators to determine any risk proportionality.

The table below shows the Prudential Indicator of estimates of net income from commercial and service investments to net revenue stream.

Table 1: Prudential Indicator: Proportion of Estimates of Net Income from Commercial and Service Investments to Net Revenue Stream

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Net Revenue Budget	301.820	319.514	319.514	319.514	319.514
Income from Commercial Investments	0.454	0.459	0.459	0.459	0.459
% Ratio	0.15%	0.14%	0.14%	0.14%	0.14%

****Future Net Revenue Budget settlements are unknown so assumed current budget level for future years***

Management of Risk

Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. General risks are those which are faced as a consequence of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control but mitigations have been developed as part of the business planning and governance process.

The effective management and control of risk are also prime objectives of the Council's treasury management activities. The Treasury Management Strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.



Porthcawl Seafront

3.0 GOVERNANCE AND DECISION MAKING

The Council has robust processes in place to approve, manage and monitor capital projects arising from the Capital Strategy.

Prioritisation, Evaluation and Skills

The Council will maintain a rolling ten-year capital programme, to be updated on an annual basis (or more frequently as required) to take into account revised priorities, new schemes and changes in the availability of funding.

The Council's Capital Programme contains a number of recurrent annual allocations, which are the first call on its General Capital Funding. These allocations are reviewed annually with a view to determining whether they are still essential, relevant and achieving the outcomes expected, and amended accordingly.

Where capital resources allow as a result of additional general capital grant, earmarked reserves or capital receipts, as part of the MTFs process, Directorates will be requested from September each year to submit Expressions of Interest for new capital schemes, outlining:

- Proposed project
- Timescale
- Potential cost
- Potential revenue savings
- Link to Corporate Priorities
- Risk of not undertaking

These will be ranked in order of fit to:

1. Link to well-being objectives
2. High level of risk of not progressing, based on the criteria below.
3. Service is able to meet any additional revenue costs arising from the scheme e.g. increased Business Rates, running costs.
4. Ability to attract matched funding / high leverage ratio.
5. An appropriate return on investment where appropriate.

Ranking assessment:

High	High risk to Bridgend County Borough Council (BCBC) in terms of service delivery and/or meeting MTFs Savings e.g. urgent/ essential works to prevent imminent building failure and closure. Requirement to meet approved Bridgend Change Programme Project to deliver MTFs Savings
Medium	Medium risk to BCBC in terms of service delivery and/or meeting MTFs Savings e.g. identified works required over the next 2 to 5 years. Requirement to meet proposed Bridgend Change Programme Project to deliver MTFs Savings
Low	Low risk to BCBC in terms of service delivery and/or meeting MTFs Savings e.g. identified works desirable, Requirement to meet yet to be identified Bridgend change Programme Project to deliver MTFs Savings

As stated, the Council only has limited resources, and needs to have regard to the overall affordability of the capital programme in future years. Each scheme, therefore, needs to be evaluated to ensure it meets the Council's objectives and in accordance with **PRINCIPLE 1** above.

The business plan put forward for a capital project will be reviewed to ensure it takes account stewardship, value for money, prudence, sustainability and affordability, and has been subject to detailed feasibility assessments. Investment decisions will consider risk and reward and how the project contributes to the achievement of corporate objectives. The phasing of projects over more than one financial year will be assessed to ensure timetabling of plans and budgeting is realistic and funding is available over the life of the project.

The revenue implications for each capital bid are considered at the initial evaluation stage, covering both staffing/running costs associated with the bid and the financing costs over the lifetime of the asset created. One of the Chief Finance Officer's requirements when reviewing capital bids is to ensure that the revenue implications are realistic. The options appraisal exercise undertaken for larger projects seeks to ensure that the lifetime revenue implications of a capital project are fully considered and evaluated, are affordable and are included in the MTFs in accordance with **PRINCIPLE 2** above.

Successful projects will then be required to complete a full Business Case to be considered in more detail by Corporate Management Board and Cabinet for eventual inclusion in the Capital Programme to be incorporated in the MTFs, to be approved by Council.

In Year Approvals

Any bids for capital funding outside of the annual MTFs bidding round should be accompanied by a full business case and be supported by the appropriate Director, Section 151 Officer and Cabinet. All funding sources should be fully identified before the bid is taken forward for Council approval for inclusion in the capital programme.

In line with the Council's Financial Procedure Rules, schemes for which external funding has been approved (grants, S106 etc) will be added to the capital programme once the funding has been accepted and included in the next capital programme report to Council.

In addition, any urgent expenditure not included in any budget approval, which needs to be agreed prior to the next meeting of Council, may only be incurred with the approval of the Chief Finance Officer, subject to a maximum value of £100,000. Any such decision requires approval by either the Chief Executive Officer (or can be sub-delegated to the Section 151 Officer) under the Scheme of Delegation, Scheme B1 paragraph 2.2.

To support prioritisation and to avoid slippage and potentially unanticipated additional costs, the Council will need to ensure access to sufficient skills and capacity both within the Council and externally in order to deliver the investment programme. Such capacity could be project management and development skills, technical and design skills, knowledge, availability of contractors as well as wider market factors.

In procuring any capital goods or works the Council's Contract Procurement Rules must be followed to ensure that the Council achieves value for money and abides by all Procurement

legislation. The Council's process and authority for the acquisition and disposal of land or property is set out in the Council's Constitution.

Approval, Monitoring and Reporting the Capital Programme

It is important given the risks surrounding Capital Projects that the appropriate Governance framework is in place. This is highlighted in **PRINCIPLE 2** above. The Capital Strategy informs the Council's capital investment programme and Treasury Management Strategy. This integration is one of the reasons why it is deemed that full Council should continue to consider and approve the affordability of the Capital Strategy and detailed programme as part of the Council's budget proposals recommended by Cabinet.

Council approves the capital investment programme having consideration of CIPFA's Prudential and Treasury Management Code indicators highlighting the impact of capital decisions on the revenue budget and affordability, prudence and sustainability.

A monitoring process is in place which:

- Reports on variances in expenditure and slippage on schemes and seeks explanations from project managers to report back to Corporate Management Board and Cabinet to inform future planning decisions
- Quarterly capital monitoring reports will be prepared for Cabinet and Council which should include details of any virements between projects as well as projections of likely year end spend.

The Chief Finance Officer will prepare a Capital Programme for consideration by Corporate Management Board and Cabinet. It must be approved by Council in accordance with the Financial Procedure Rules of the Council's Constitution.

Variations to the capital programme, other than those permitted under Rules 3.4.5 and 3.4.6 of these Rules, shall require the approval of the Council following a report of the Chief Finance Officer after taking into consideration the recommendations of the Cabinet.

A post project appraisal of all projects in accordance with the Project Management Toolkit must be completed to demonstrate how objectives have been met, how final costs compared to budget and what revenue costs / savings materialised. This information will be reported back to feed future appraisal exercises.

Post Project Evaluation

Once any major capital project is completed, it is good practice to look at the project in retrospect. This is an important part of any project to review lessons learned. It's a chance to reflect on what those involved with the project, both from a provider/contractor aspect and customer view, as to what their perspectives on the project were, what they may have changed, what they learned and what could be done better. This is important to learn from mistakes so as to avoid those in the future, but also crucially to gather best practice and to pass this on to other projects. The project manager should undertake a lessons' learned meeting with key personnel once the project has been completed to enable the Council to share best practice in all capital schemes.

Knowledge and Skills

Within the Finance section, the Capital Programme and Treasury Management Strategy are managed by professionally qualified accountants or staff with extensive Local Government finance experience. They all undertake Continuous Professional Development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council has access to courses and documentation on developments within the capital and treasury management fields from both CIPFA and the Council's appointed Treasury Management advisors. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities and is a professionally qualified accountant and follows an ongoing CPD programme. All Treasury Management Practices (TMPs) are reviewed and updated as necessary. Where staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite. Arlingclose will be the Council's Treasury Management Advisors until September 2024.

All the Council's capital projects have project teams from all the professional disciplines from across the Council and when required external professional advice is also taken. Project management tools are used and there is a strong project management ethos within the Council. Throughout the Council is a good mix of professional qualified staff and staff with both commercial and local authority experience. There is a Corporate Landlord team consisting of skilled and professional staff covering design and management, estates and valuation, statutory compliance, strategic asset management planning, facilities management, management and commissioning of repairs and maintenance and energy management to introduce new energy efficiency measures such as upgraded heating, lighting, insulation and investigating new technological solutions that will enable staff to be fully agile and provide a better service, while an online portal is being developed that will provide information, process customer requests and enable staff to log jobs and track progress. The Regeneration Team within the Communities Directorate has been successful in applying for monies from various sources such as Welsh Government, Heritage Lottery and European funding.



Maesteg Town Centre

4.0 CAPITAL INVESTMENT PROGRAMME 2023/24 TO 2032/33

The ten-year rolling programme has been initially set for 2023-24, and on an indicative basis for the nine years thereafter. It has been profiled in accordance with technical advice relating to regulatory processes, timetables and work plans.

In 2023-24, the Council is planning capital expenditure of £33.733 million as summarised below. The following two year's indicative figures are also shown by Well-being Objective in line with the current Corporate Plan:

Table 2: Prudential Indicator: Estimates of Capital Expenditure

Wellbeing Objective	2021-22 actual £	2022-23 projection £	2023-24 budget £	2024-25 budget £	2025-26 budget £
Supporting a successful sustainable economy	9,379	30,444	7,931	803	100
Helping people and communities to be more healthy and resilient	4,973	12,950	2,747	2,615	1,950
Smarter use of resources	14,416	41,696	17,274	39,309	19,758
Core services and statutory functions	973	4,449	5,821	3,244	543
Leases recognised under IFRS 16				6,040	
TOTAL	29,741	89,539	33,773	52,011	22,351

**£6.040m of capital expenditure in 2024/25 arises from a change in the accounting for leases and does not represent cash expenditure*

The main capital projects in this period include:

- Sustainable Communities for Learning (formerly 21st Century schools Band B). Forecast expenditure of £61.205 million is included in the above table for 2023-24 to 2025-26.
- Annual commitments to Disabled Facilities Grants and other housing adaptation schemes of £1.950 million per annum.
- Cardiff Capital Region City Deal - £4.553 million. This is an existing scheme which is focused on raising economic prosperity, increasing job prospects and improving digital and transport connectivity across South Wales region.
- Maesteg Town Hall - £1.500 million. Completion of the Maesteg Town Hall Cultural Hub, due to be completed Summer 2023.
- Fleet Vehicles - £0.700 million. Replacing existing fleet vehicles with electric vehicles to support decarbonisation.
- Annual commitments to capital minor works of £1.130 million.

The detailed ten-year Capital programme proposed is included at the end of this document in Appendix 2.

5.0 FUNDING THE STRATEGY

The Council has several funding streams available to support capital investment which includes the following cash resources:

Cash Resources	
Non ring-fenced grants	These are for use on Council determined priorities. These include an annual 'General Capital Grant' from Welsh Government
Ring-fenced grants	These are to achieve a particular outcome and therefore with restricted use as specified by the funder. The main source of external grant is from Welsh Government, which in most cases follows an application or bidding process for schemes or distribution of grants on a formula basis. The short-term nature of grant awards makes long term planning and delivery of strategic schemes very difficult. Where external grant funding bids are made, it is essential that these are in line with Council priorities and include consideration of any revenue budget consequences. Where grants require match funding, the Council will prioritise such support to increase the likelihood of a successful bid.
External contributions	For example from planning agreements (S106).
Revenue budgets and Earmarked Reserves	Held specifically to support the affordability of capital investment.
Capital Receipts	These are as a result of the disposal of Council assets

Further detail is included in **Appendix 1** Capital Funding Sources.

Financial Context

Whilst the aims and priorities will shape decisions around capital expenditure, there is recognition that the financial resources available to meet priorities are constrained in the current economic and political climate. The context for capital expenditure decisions is as follows:

- The Council does have capital resources and expects to receive more resources in the future with an annual allocation from Welsh Government, potential s106 monies or grant approvals.
- The Council does have a Disposal Strategy and has capital assets which it could sell and use receipts to reinvest
- The Council is currently servicing debt of £96.87 million of fixed interest loans, at an average interest rate of 4.69%
- The Council's MTFS shows a funding gap so any additional capital expenditure which is not funded through capital resources will increase this gap unless that expenditure delivers revenue savings or income.

Principles for Allocation of Capital Allocation

The governing principles which underpin the allocation of capital resources are set out in the following diagram:

Nature of Capital Expenditure	Funding Source				
	General Capital Funding / Supported Borrowing	Capital Receipts / Uncommitted Reserves	Interest Free Loan	Unsupported Borrowing - Corporate Funding	Unsupported Borrowing - Directorate Funding
Mandatory					
Well-being Objective					
Investments which attracts Matched Funding					
Invest to Save / Income Generation - Commercial					

	Eligible for funding from this source
	Not eligible for funding from this source

In summary the main principles of capital allocation are:

General Capital Funding and Supported Borrowing from Welsh Government will be prioritised towards mandatory capital investments. This includes investment required to meet health and safety requirements. This principle also applies to uncommitted capital receipts and capital reserves.

Beyond this, any consideration will be given to capital schemes which directly support the achievement of the Council's corporate objectives.

Unsupported (Prudential) Borrowing will be prioritised as follows:

- To mandatory capital expenditure, including health and safety requirements. This will be considered to be an inescapable budget pressure and will be included in future years' budgets as part of the annual budget setting process.
- To capital expenditure which directly supports the achievement of the Council's well-being Objectives. Borrowing for such projects will be funded corporately through an increase in budget allocation, which must be approved by full Council. Such borrowing commits the Council to interest and repayments during the asset life, and therefore it must be recognised that as budgets are reduced, the financing costs must be met by budget cuts elsewhere.
- To capital expenditure which attracts a high level of matched funding. This is particularly important as the Council tries to maximise every £1 it spends on capital

with schemes involving external grants or contributions from partners. The aim is for the Council to ensure that it invests in its strategic buildings and town centre infrastructure as grant funding and inward investment opportunities become available by allocating uncommitted reserves, maximising interest free loans or unsupported borrowing.

- To capital expenditure which provides a good financial return. Borrowing for such projects must be funded by the directorate, and therefore the financial benefit accruing to the directorate will be net of financing costs. This approach aligns the directorate incentives with the corporate benefit of such projects. Advantage will be taken of interest free loans where available.

Borrowing to pay for Capital Investment

There are currently no nationally imposed restrictions to the quantum of borrowing that can be undertaken to pay for capital investment. The Council approves its own affordable borrowing limit as part of the Local Government Act 2003 and this is set at a level consistent with the programme of capital investment proposed. There are two main types of borrowing to pay for capital investment which form part of the Council's borrowing requirement and is managed as part of the Treasury Management Strategy:

- 'Supported Borrowing' – costs of servicing are included within the annual Revenue Support Grant (RSG) the Council receives from Welsh Government.
- Unsupported Borrowing' - costs of servicing to be met from Council tax, rent, savings, additional income or sale of assets.

The planned financing of capital expenditure is outlined in Table 3 as follows:

Table 3: Capital financing

	2021-22 actual £m	2022-23 projection £m	2023-24 Budget £m	2024-25 Budget* £m	2025-26 budget £m
External sources	18.152	35.496	12.877	28.347	16.771
Own resources	1.020	38.860	15.302	12.880	1.627
Net Financing Requirement	10.569	15.183	5.594	10.784	3.953
TOTAL	29.741	89.539	33.773	52.011	22.351

*£6.040m of capital expenditure in 2024-25 arises from a change in the accounting for leases and does not represent cash expenditure

The net financing requirement or 'debt' is only a temporary source of finance, since loans and leases must be repaid, and is replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision, or MRP. As well as MRP, the Council makes additional voluntary revenue contributions to pay off Prudential or Unsupported Borrowing. Other MRP on Long Term Liabilities relates to the provision of the secondary school at Maesteg, through the Private Finance Initiative (PFI). The total of these are shown in Table 4 below:

Table 4: Replacement of debt finance

	2021-22 actual £m	2022-23 projection £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Minimum Revenue Provision (MRP)	2.969	3.111	3.228	3.265	3.166
Additional Voluntary Revenue Provision	3.553	1.913	2.720	2.763	2.714
Total MRP & VRP	6.522	5.024	5.948	6.028	5.880
Other MRP on Long term Liabilities	0.801	0.863	0.929	1.001	1.078
Total Own Resources	7.323	5.887	6.877	7.029	6.958

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces by the MRP amount within the year. Debt-financed expenditure is that which is **not** funded by grants, contributions, reserves or capital receipts. The CFR is forecast to decrease by £1.284 million during 2023-24. However it is expected to increase by £3.755 million the following year which is mainly as a result of the impact of the change of accounting for finance leases of £6.040 million expected to be implemented from 1 April 2024. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement

	2021-22 actual £m	2022-23 projection £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Opening Capital Financing Requirement	172.971	176.217	185.513	184.229	187.984
Movement in Financing Requirement	3.246	9.296	(1.284)	3.755	(3.005)
Closing Capital Financing Requirement	176.217	185.513	184.229	187.984	184.979

*£ 6.040 million of the CFR increase in 2024-25 arises from a change in the accounting for leases

Lease accounting

Lease obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning and delivering such assets itself. In consideration of implementing the new accounting requirements from 2024-25, the Council will undertake a data gathering exercise to understand materiality and the detailed financial implications.

Asset Disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be reinvested in new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council anticipates receiving around £3.50 million of capital receipts during 2023-2024 as set out in Table 6.

Table 6: Forecast capital receipts receivable in £ millions

	2021-22 actual £m	2022-23 projection £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Opening balance	21.519	21.773	5.755	8.649	6.887
Asset sales	0.254	3.500	3.500	-	-
Applied in capital programme	-	(19.518)	(0.606)	(1.762)	(0.846)
Closing balance	21.773	5.755	8.649	6.887	6.041

As can be seen from the above table, the anticipated receipts from asset sales are substantially committed in the capital programme over the period to 31 March 2026.



Porthcawl Regeneration Artist Impression

6.0 MANAGING THE BORROWING REQUIREMENT

The Council's major objectives when borrowing are:

- to minimise the revenue costs of debt
- to manage the Council's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to secure funding in any one year at the cheapest cost commensurate with future risk
- to forecast average future interest rates and borrow accordingly
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, both supported and unsupported, usable capital receipts, revenue contributions to capital and grants and contributions

Limits to Borrowing Activity

The Council's long-term borrowing excluding Salix loans, which are interest-free, at 31 December 2022 was £96.87 million at an average interest rate of 4.69%. The majority of lending is Public Works Loan Board with maturity dates between 2025 and 2057. £19.25 million of borrowing relates to Lender's Option Borrower's Option (LOBO) loans that have a maturity date of 2054, however these may be rescheduled in advance of this maturity date. The Council has a number of energy schemes which are funded via Salix interest free loans. These loans are required to be repaid between 5 and 20 years.

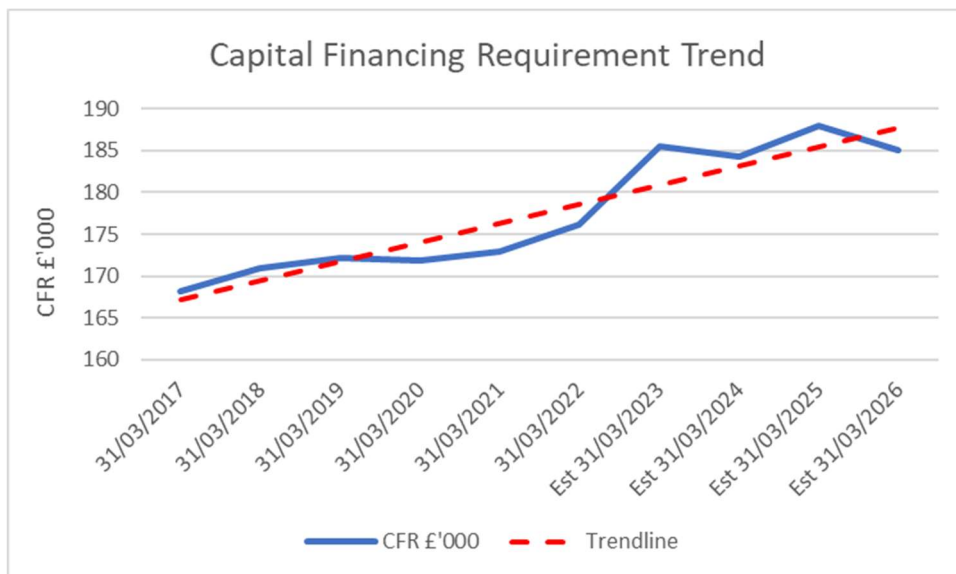
External borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated Treasury Management Strategy there is no association made between individual loans and particular types of expenditure. The Council makes use of internal borrowing and maintains an under-borrowed position in accordance with **PRINCIPLE 3** above. The capital borrowing need (Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. Projected levels of the Council's total outstanding debt, which comprises borrowing, PFI and Other Long-Term Liabilities, are shown below compared with the Capital Financing Requirement:

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2021-22 actual £m	2022-23 projection £m	2023-24 estimate £m	2024-25 estimate £m	2025-26 estimate £m
Debt (incl. PFI & leases)	118.452	119.116	117.443	121.866	114.179
Capital Financing Requirement	176.217	185.513	184.229	187.984	184.979

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen, the Council expects to comply with this in the medium term. The chart below shows the trend in the CFR from 2017 onwards. The increasing trend reflects

the anticipated increases in spend in the capital programme from commitments which are assumed to pay for themselves.



To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This includes the expectation to need to borrow £1.183 million in 2023-24 and a further £6.509 million in 2024-25 based on the current assumptions within the Capital Programme and the use of Capital Receipts and Reserves. Further details of the Liability Benchmark can be found within the Treasury Management Strategy 2023-24. The actual amount will be monitored and assumptions challenged and borrowing will only be taken if there is no opportunity to use Internal Borrowing.

Table 8: Borrowing and the Liability Benchmark

	2021-22 actual £m	2022-23 projection £m	2023-24 estimate £m	2024-25 estimate £m	2025-26 estimate £m
Outstanding Borrowing (excl. PFI & Leases)	96.867	96.867	98.050	104.559	108.005
Liability Benchmark	28.296	66.082	88.053	100.592	104.048

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 9: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Authorised limit – borrowing	170.000	170.000	170.000	170.000
Authorised limit – other long term liabilities	30.000	30.000	25.000	25.000
Authorised Limit Total	200.000	200.000	195.000	195.000
Operational boundary – borrowing	130.000	130.000	120.000	120.000
Operational boundary – other long term liabilities	25.000	25.000	20.000	20.000
Operational Boundary Limit Total	155.000	155.000	140.000	140.000
Total Borrowing and Long Term Liabilities	119.116	117.443	121.866	114.179

The authorised limit and operational boundary for 2024-25 and subsequent years will need to be reviewed in light of changes to lease accounting under IFRS16, due to be implemented from April 2024. This new Standard will require that operating leases are brought onto the balance sheet as a right of use asset and a lease liability. The impact of this is that it will increase the Council's liabilities and therefore its estimated borrowing requirement, although actual borrowing may be below this level. The current estimate is that the borrowing requirement will increase by approximately £1.18 million from 2023-24 and a further £6.51 million from 2024-25. It is anticipated that the current limits do not need amending and borrowing will fall within the boundaries set.

Other Long Term Liabilities

Private Finance Initiative

The Council has a Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg. This forms a long-term liability for the Council (with twelve years remaining on the term) which is £13.902 million at 31 March 2023 including the short term liability of £0.929 million included as current liabilities in the Council's balance sheet in the Statement of Accounts. This is a technical adjustment and is equivalent to the amount that is to be paid during 2023-24.

Mutual Investment Model

The Mutual Investment Model (MIM) is a new approach to investment in public infrastructure in Wales. Private partners will build and maintain schools, in return for a fee, which will cover the cost of construction, maintenance and financing the project. At the end of a specific period of time, the asset will be transferred to the local authority. Welsh Government has advised that it will present packages of schemes to the market as design and build projects. These packages would be made up of a number of schemes within a geographical area (including across local authority areas) and be of sufficient monetary size overall in order to attract large companies (eg £100 million).

The Council is proceeding with the following developments;

- **Bridgend West – Welsh-medium provision.** Enlargement of Ysgol Y Ferch O'r Sgêr – 2 form entry plus 60-place nursery. The school will be built on the existing school site which is shared with Corneli Primary School and Corneli Integrated Childrens Centre.
- **Bridgend West – English-medium Provision.** New English-medium school – 2 form entry plus 60-place nursery (ie to replace Afon Y Felin and Corneli Primary Schools which will discontinue). The new school will be built on land at Marlas Estate.

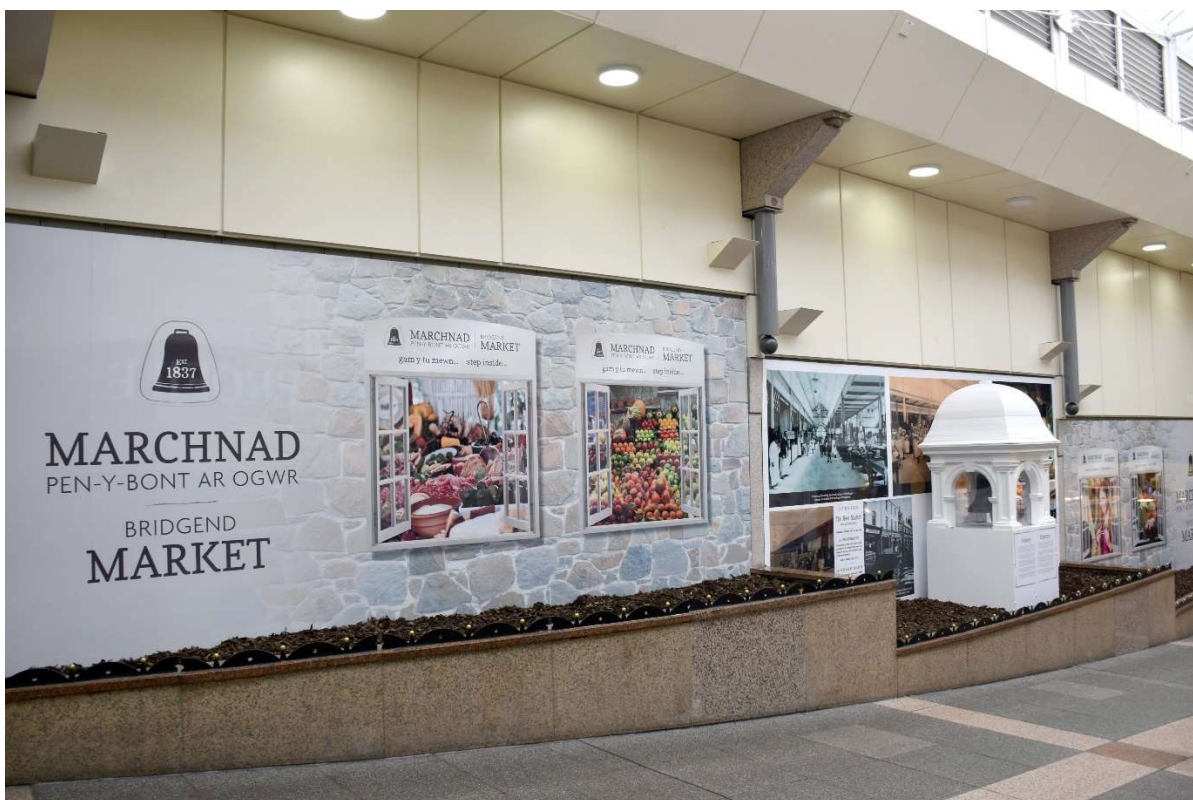
Funding of the annual revenue service charge will be met from contributions from Welsh Government (81%) and BCBC (19%). It is currently estimated that Bridgend's annual revenue contribution will be in the region of £820,000 and will start to be paid once the buildings are operational.

Capital funding will be utilised for the provision of furniture, equipment and ICT. The funding allocation is within the overall Band B funding envelope which has a Welsh Government intervention rate of 65% for mainstream schools.

Pension Guarantees

The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. The Council have thus given a pension guarantee to Awen Cultural Trust. This guarantee means that if an admitted body fails to pay its pension obligations, the Council will be responsible for taking on those obligations.

Further details on borrowing are included within the Treasury Management Strategy.



Bridgend Market

7.0 PRUDENT MINIMUM REVENUE PROVISION POLICY STATEMENT 2023-24

The Annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2023-24 will be on the following bases:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments on a straight line basis over 45 years
- ii. Supported capital expenditure that results in a significant asset (based on an internal assessment) incurred on or after 1 April 2008 and all unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer
- iii. for assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year
- iv. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead
- v. MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.

The MRP Charge 2023-24 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 31/03/23 £m	2023/24 Estimated MRP £m
Capital expenditure before 01/02/2008 and any after 01/04/2008 that does not result in a significant asset (Supported)	(i)	141.052	3.097
Supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008 (Supported)	(ii)	2.762	0.132
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		27.796	2.720
PFI, Finance Leases and other arrangements – PFI School	(iii)	13.903	0.929
TOTAL COUNCIL FUND		185.513	6.878

8.0 AFFORDABILITY

Capital investment and the proposed Capital programme form an integral part of the Council's revenue budget and Medium Term Financial Strategy. The revenue budget impact of capital schemes for Council Tax and Rent payers include:

- The costs of operating/maintaining new assets.
- The capital financing costs of servicing any borrowing required to pay for investment.
- The revenue costs of preparing and delivering projects.
- Abortive costs required to be charge to revenue budgets if schemes do not proceed.

The percentage of the Council's revenue budget that is committed to capital financing costs is increasing in the long term. Given the pressure on revenue budgets, this clearly limits the affordability of other priorities in future years and must be a factor considered by Members when determining the Capital Programme.

Table 10 below shows the proportion of the budget that will need to be set aside to finance capital expenditure, which is expected to increase over the life of the current capital programme, accelerating the pressure that capital expenditure, funded from debt, puts on the revenue budget. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. An increasing ratio limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of its revenue resources. A gross ratio is also calculated which indicates the gross financing cost i.e. it represents a worst case scenario

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021-22 Actual %	2022-23 Estimate %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %
General Fund - Net Capital Financing Budget	3.44%	2.91%	3.22%	3.44%	3.42%
General Fund - Gross Capital Financing Budget	3.72%	3.23%	3.54%	3.75%	3.73%

Appendix 1

Capital Funding Sources

Borrowing

The Council is able to borrow money on the money market or from the Public Works Loan Board (PWLB) to fund capital schemes or, on a short term basis, use its own internal resources (i.e. cash flow). However, for all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs and any on-going related revenue support. With the exception of the Welsh Government's allocation of Supported Borrowing, all other borrowing is unsupported i.e. where associated interest and debt repayment costs must be met from existing revenue budgets, Council Tax, savings or additional income generation.

The Council is only able to borrow for "unsupported borrowing" (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable.

All schemes funded from Prudential Borrowing are approved by full Council, and in accordance with MTFS **PRINCIPLE 11** must be affordable and sustainable, with payback met from Directorate or Council revenue budgets over a period no longer than the life of the asset. Projects requiring funding through prudential borrowing should submit a robust business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax).

The potential for Prudential Borrowing is not unlimited and must be considered within the Council's overall borrowing limits. Whenever Prudential Borrowing is under consideration, the means of payment must be clearly identified. Typically this can be from:

- Income or savings generated by the investment;
- Budget reductions made elsewhere in the Directorate to compensate;
- Additional recurrent funding approved by Council as part of the budget setting process.

There may be the need for borrowing where there is no identifiable future revenue stream, for example, to repair or construct infrastructure assets. This may be to support Corporate Priorities. The cost of such borrowing falls on the council tax payer through payments of debt interest on the Council's revenue account and repayment of debt over a specified period of time. This is known as the Minimum Revenue Provision (MRP). There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis with the project evaluation clearly stating how the borrowing is to be afforded. Given the significant ongoing financial challenges facing this Council, it is likely that such schemes will be an "exception".

External Grants

The Council receives annual capital grant funding from Welsh Government and is able to bid for grant funding directly to other government departments or from other grant awarding bodies.

The annual funding from Welsh Government is not ring-fenced so the Council has flexibility in how it allocates this funding. It is proposed that this is earmarked in the first instance to works deemed to be of a mandatory nature e.g. health and safety, or towards Wellbeing Objectives.

Any additional capital grant funding received from external sources must be managed in line with the Council's Grants Policy. Delegated authority is required to bid for and accept any external funding, and external funding applications should be supported by a strong business case which demonstrates how the project meets the Council's Corporate Priorities and how any future revenue costs will be met.

Capital Receipts from Asset Disposals

The Council generates capital receipts from the sale of surplus assets. Maximisation of these receipts will increase the amount that can be spent on capital investment. Capital receipts cannot be spent on revenue items.

The Council has a statutory obligation to deliver best consideration under S123 of the Local Government Act 1972 and will seek to obtain market value in its disposals. However, there are exceptions and there will sometimes be a balance to strike where disposals can achieve social, economic or environmental policy objectives which contribute towards the Corporate Plan. In such instances, consideration will be given to the Value for Money that this represents.

The Council has also introduced a Community Asset Transfer (CAT) Strategy, where it considers the transfer of assets to third party groups at less than best consideration to support its objectives. The Council will consider, on a case-by-case basis, the potential transfer of assets to an alternative provider after a full assessment of the long-term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Council's aims and objectives. Where the Council proposes to dispose of or grant a long lease at nil consideration, or at a value below market value, a valuation will be undertaken to ensure that the Council is fully aware of the receipt that it is foregoing as a result of the Community Asset Transfer.

A key principle of the Council's Capital Strategy, **PRINCIPLE 4**, is that, unless specifically agreed by Cabinet for exceptional circumstances, all capital receipts will be treated as general capital funding and allocated according to determined priorities. This supports the "One Council" approach. However, this does not negate the need for Council to approve any proposed schemes from that receipt. There may potentially be other schemes where the Council decides to set aside receipts in this way and these will be approved within the reporting of the Capital Programme.

The Council will aim to maximise its capital receipts, where possible, by enhancing the land prior to disposal. In relation to development sites it will produce a technical pack which will include site investigations, planning briefs, utilities and drainage information, as relevant. The Council will consider the most appropriate method of disposal by way of private treaty, tender or by public auction. Generally it will dispose of assets on the open market, in order to robustly demonstrate that it has delivered best consideration. However, there will be occasions when it will sell off market to a single bidder. In these instances it will seek an independent valuation to assess the capital receipt and to affirm that best consideration has been delivered.

S106 contributions

Section 106 (S106) Agreements are legal agreements between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations. A section 106 agreement is designed to make a development possible that would otherwise not be possible, by obtaining concessions and financial contributions from the developer. Any contributions received from the developer are 'ring-fenced' for the purpose as

set out in the relevant S106 agreement and are applied to fund schemes within the capital programme once an eligible scheme has been identified. S106 contribution agreements can be used, for example, for the provision of educational facilities, highways infrastructure, affordable housing, play areas and open spaces, in line with the Council's adopted policy on the use of section 106 agreements. Consideration of available S106 funding should be taken when agreeing the capital programme for future years to maximise the use of the available funding and reduce the reliance on other sources of funding. Contributions can be time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement, any funds not spent in line with the agreement would have to be repaid to the developer.

Revenue and Reserves

The Council is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government funding for revenue expenditure, the Council's policy is generally not to budget to use revenue or reserves to directly fund capital projects, unless funding has already been set aside.



Bryngarw Country Park

Appendix 2

	Total 2022-2032			2022 - 2023					FUTURE YEARS									CUMULATIVE Total 2022 - 2032 £'000
	Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council July 22 2022-23 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage £'000	Revised 2022-23 £'000	2023-2024 £'000	2024-2025 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	
Education & Family Support																		
Highways Schemes Band B Schools	3,400	3,400	-	3,400				3,400										3,400
21st Century Schools Band B	64,966	19,034	45,932	2,324				2,324	8,830	35,187	17,188	1,437						64,966
Ysgol Bryn Castell Special School	30	30	-	30				30										30
Ysgol Gyfun Gymraeg Llangynwyd	100	100	-	50		50		100										100
Brynmelyn Primary School	44	44	-	44				44										44
Land Purchase Band B	2,028	2,028	-	678				678	1,350									2,028
Gateway to the Valleys C C Y D Comprehensive School	32	32	-	32				32										32
Garw Valley South Primary Provision	139	139	-	139				139										139
Pencoed Primary School	53	53	-	53				53										53
Garw Valley Primary Highways Works	30	30	-	30				30										30
Pencoed School Highways Works	56	56	-	56				56										56
Abercerdin Primary School Hub	287	287	-	287				287										287
Brynteg Comprehensive School All Weather Pitch	324	324	-	324				324										324
Brynmelyn Primary Highways Works	12	12	-	12				12										12
Schools Minor Works	404	404	-	345		59		404										404
Schools Traffic Safety	81	81	-	81				81										81
Heronbridge Special School	284	284	-	284				284										284
School Modernisation	386	386	-	386				386										386
Pencoed Primary School	900	900	-	52				52	450	398								900
Coety Primary School	1,650	1,650	-	44				44	500	1,106								1,650
Bryntirion Comprehensive School	1,800	411	1,389	650				650	1,102	48								1,800
Education S106 Schemes	169	-	169	169				169										169
Mynydd Cynffig Primary School Mobiles	79	79	-	79				79										79
Schools Capital Maintenance Grant	3,655	3,623	32	3,632	23			3,655										3,655
Welsh Medium Childcare Provision - Bettws	484	-	484	484				484										484
Welsh Medium Childcare Provision - Bridgend	550	-	550	550				550										550
Welsh Medium Childcare Provision - Ogmere	797	-	797	797				797										797
Welsh Medium Childcare Provision - Porthcawl	550	-	550	550				550										550
Welsh Medium Childcare Provision - Highways Schemes	100	-	100	100				100										100
Free School Meals	2,790	1,944	846	1,162	1,628		(1,944)	846	1,944									2,790
Community Focused Schools	930		930	930				930										930
ALN Capital Grant	930		930		930			930										930
Y G Bro Oqwr Mobile Classrooms	270		270		270			270										270
Total Education and Family Support	88,310	35,331	52,979	17,754	2,851	109	(1,944)	18,770	14,176	36,739	17,188	1,437	-	-	-	-	-	88,310
Social Services and Well-being																		
Adult Social Care																		
Bryngarw Park- Access	23	23	-	23				23										23
Bryn Y Cae	40	40	-	40				40										40
Trem Y Mor	4	4	-	4				4										4
Ty Cwm Oqwr Care Home	331	331	-	331				331										331
Wellbeing Minor Works	135	135	-	135				135										135
Bakers Way	10	10	-	10				10										10
Glan Yr Afon Care Home	51	51	-	51				51										51
Children's Residential Accommodation Hub	2,497	2,497	-	2,497				2,497										2,497
Telecare Transformation Project	1,405	1,405	-	483				483	527	395								1,405
Culture																		
HALO and AWEN Accessibility	11	11	-	11				11										11
Community Centres	226	226	-	226				226										226

	Total 2022-2032			2022 - 2032					FUTURE YEARS									CUMULATIVE Total 2022 - 2032 £'000
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Bryngarw House	30	30				30		30										30
Porthcawl Grand Pavilion	2,000	2,000		98				98	537	1,365								2,000
Total Social Services and Well-being	6,763	6,763	-	3,909	-	30	-	3,939	1,064	1,760	-	-	-	-	-	-	-	6,763
Communities																		
Street Scene																		
Community Children's Play Areas	1,286	1,286	-	1,286				1,286										1,286
Parks/Pavilions/Community Centres CAT	813	813	-	813				285	528									813
Aber Playing Fields	11	11	-	11				11										11
Cardiff Capital Region City Deal	7,691	7,691	-	3,138				3,138	4,451	103								7,691
Coychurch Crem Works	1,385	-	1,385	665	720			1,385										1,385
Minor Crossings	392		392					392										392
Remedial Measures - Car Parks	135	135	-	135				135										135
Civil Parking Enforcement	38	38	-	38				38										38
Road Signs 20mph Default Speed	580	-	580	580				580										580
Road Safety	124	124	-	124				124										124
Pyle to Porthcawl	387	-	387	387				387										387
Active travel Bridgend to Pencoed Phase 3	3,463	-	3,463	3,463				3,463										3,463
Highways Structural Works	3,400	3,400	-	340				340	340	340	340	340	340	340	340	340	340	3,400
Carriageway Capital Works	2,500	2,500	-	250				250	250	250	250	250	250	250	250	250	250	2,500
Road Safety Improvements - Heol Mostyn	169	169	-	169				169										169
Prow Capital Improvement Programme	52	52	-	52				52										52
Highways Refurbishment	2,000	2,000	-	2,000				2,000										2,000
Carriageway Resurfacing & Renewal of Footways	1,500	1,500	-	1,500				1,500										1,500
Replacement of Street Lighting Columns/ River Bridge Protection Measures	4,016	4,016	-	416				416	400	400	400	400	400	400	400	400	400	4,016
River Bridge Protection Measures	24	24	-	24				24										24
Communities Minor Works	591	591	-	391		200		591										591
Ultra Low Emissions Vehicle Transformation Fund	343	-	343	343				343										343
Fleet Transition Ultra Low Emissions Vehicles	300		300	300				300										300
Traffic Signal Replacement	250	250	-	250				250										250
Net Zero Carbon Fleet	320	320	-	320				320										320
CCR Metro Plus-Porthcawl Bus station	1,900		1,900	1,900				1,900										1,900
Local Transport Fund - Penprysg Road Bridge	985	582	403	735				735	250									985
Residents Parking Bridgend Town Centre	124	124	-	124				124										124
Fleet Vehicles	1,384	1,384	-	1,384				1,384										1,384
AHP Waste	24	24	-	24				24										24
Extension to Cornelly Cemetery	279	279	-	279				279										279
Extension to Porthcawl Cemetery	183	183	-	183				183										183
S106 Highways Small Schemes	45	-	45	45				45										45
Unadopted Roads	500	500	-	500				500										500
Fire Suppression System Tondy Waste Depot	140	140	-	140				140										140
Levelling Up Penprysg Road Bridge	2,500	2,500	-	100				100	1,800	600								2,500
Regeneration & Development																		
Business Support Framework	53	53	-				53	53										53
Porthcawl Resort Investment Focus	-	-	-					-										-
Special Regeneration Funding	436	436	-	436				436										436
Cosy Corner (PRIF)	2,675	1,799	876	2,675				2,675										2,675
Porthcawl Regeneration	3,492	3,492	-	3,492				3,492										3,492
Economic Stimulus Grant	500	500	-	553		(53)		500										500
Coastal Risk Management Programme	2,528	2,528	-	2,528				2,528										2,528
Ewenny Road Industrial Estate	3,500	-	3,500	3,500				3,500										3,500
CESP/Arbed Phase 1	3,505	855	2,650	3,505				100	3,405									3,505
Llynfi Valley Development Programme	2,260	2,260	-	2,260				2,260										2,260

	Total 2022-2032			2022 - 2023					FUTURE YEARS									CUMULATIVE Total 2022 - 2032 £'000
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Bridgend Heat Scheme	3,350	2,323	1,027	3,350			(850)	2,500	850									3,350
Maesteg Town Hall Cultural Hub	4,369	1,870	2,499	3,974	395			4,369										4,369
Town & Community Council Fund	692	692	-	242				242	50	50	50	50	50	50	50	50	50	692
Caerau Heat Network	-	-	-	5,904	(5,904)			-										-
Porthcawl Townscape Heritage Initiative	124	124	-	124				124										124
Brilliant Basics	65	13	52	65				65										65
Commercial Property Enhancement Fund	134	134	-	134				134										134
Cwm Taf Nature Network	230	-	230		230			230										230
Urban Centre Property Enhancement	103	-	103		103			103										103
Corporate Landlord																		
Capital Asset Management Fund	820	820	-	820				820										820
Corporate Landlord - Energy Savings Strategy	390	390	-	390				390										390
Enterprise Hub - Innovation Centre	1,890	642	1,248	1,890				1,890										1,890
Raven's Court	447	447	-	447				447										447
DDA Works	327	327	-	35	2	290		327										327
Minor Works	10,600	10,600	-	1,400	29	(999)		430	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	10,600
Fire Precautions	239	239	-	124	15	100		239										239
Bryncethin Depot Facilities	908	908	-	467	171	270		908										908
Non-Operational Assets	480	480	-	480				480										480
Waterton Upgrade	8,144	8,144	-	8,144				8,144										8,144
Evergreen Hall	106	106	-	106				106										106
Investing in Communities	47	47	-	47				47										47
Total Communities	92,248	70,865	21,383	69,893	(4,239)	(139)	(4,783)	60,732	13,454	2,873	2,170	2,170	2,170	2,170	2,170	2,170	2,170	92,248
Chief Executive's																		
Housing / Homelessness																		
Disabled Facilities Grants (DFG)	17,700	17,700	-	1,950				1,950	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	17,700
Discretionary Housing Grants	2,200	2,200	-	400				400	200	200	200	200	200	200	200	200	200	2,200
Housing Renewal / Empty Properties	1,118	1,118	-	218				218	100	100	100	100	100	100	100	100	100	1,118
Valleys Taskforce Empty Properties Grant	300	105	195	300				300										300
Enable Grant	810	-	810	270				270	270	270								810
Homelessness and Housing	530	530	-	530				530										530
Health and Wellbeing Village	480	-	480	480			(480)	-	480									480
ICT																		
Investment in ICT	4,298	4,298	-	698				698	400	400	400	400	400	400	400	400	400	4,298
HWB Schools IT	56	56	-	56				56										56
Digital Transformation	200	200	-	200				200										200
Replacement CCTV	427	427	-	427				427										427
Total Chief Executive's	28,119	26,634	1,485	5,529	-	-	(480)	5,049	3,200	2,720	2,450	2,450	2,450	2,450	2,450	2,450	2,450	28,119
Council Wide Capital Budgets																		
Corporate Capital Fund	2,173	2,173	-	373				373	200	200	200	200	200	200	200	200	200	2,173
Unallocated	15,293	15,293	-	676				676	1,679	1,679	343	1,626	1,858	1,858	1,858	1,858	1,858	15,293
Total Council Wide Capital budgets	17,466	17,466	-	1,049	-	-	-	1,049	1,879	1,879	543	1,826	2,058	2,058	2,058	2,058	2,058	17,466
Total Expenditure	232,906	157,059	75,847	98,134	(1,388)	-	(7,207)	89,539	33,773	45,971	22,351	7,883	6,678	6,678	6,678	6,678	6,678	232,906

	Total 2022-2032			2022 - 2023					FUTURE YEARS									CUMULATIVE Total 2022 - 2032 £'000
	Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council July 22 2022-23 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage £'000	Revised 2022-23 £'000	2023-2024 £'000	2024-2025 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	
Expected Capital Resources																		
General Capital Funding																		
General Capital Funding - General Capital Grant	33,896	33,896	-	8,282				8,282	3,270	3,270	2,725	2,724	2,725	2,725	2,725	2,725	2,725	33,896
General Capital Funding - Supported Borrowing	41,112	41,112	-	3,953				3,953	4,744	4,744	3,953	3,953	3,953	3,953	3,953	3,953	3,953	41,112
Capital Receipts - Schools	2,986	2,986	-	331				331		1,762	846							2,939
Capital Receipts - General	20,267	20,267	-	19,753	40		(606)	19,187	606		521							20,314
Earmarked Reserves	44,921	44,921	-	21,376	(997)		(2,721)	17,658	14,639	11,062	781							44,139
Revenue Contribution	1,797	1,797	-	1,655	29			1,684	57	56								1,797
Prudential Borrowing (Directorate Funded)	3,474	3,474	-	3,474			(850)	2,624	850									3,474
Prudential Borrowing (Corporately Funded)	4,300	4,300	-	4,300				4,300										4,300
Local Govt Borrowing Initiative (Highways Infrastructure)	-	-	-	-				-										-
Local Govt Borrowing Initiative (Coastal defence)	1,559	1,559	-	1,559				1,559										1,559
SALIX Interest Free Loan - WG	487	487	-	487				487										487
Llynfi Development Site Loan - WG	2,260	2,260	-	2,260				2,260										2,260
Sub-Total General Capital Funding	157,059	157,059	-	67,430	(928)	-	(4,177)	62,325	24,166	20,894	8,305	7,198	6,678	6,678	6,678	6,678	6,678	156,277
External Funding Approvals																		
WG - Highways Grant	-	-	-	-				-										-
WG - Other	9,339	-	9,339	6,835	3,286		(2,550)	7,571	2,550									10,121
WG - 21st Century Schools	45,883	-	45,883	953				953	5,440	24,759	14,046	685						45,883
Schools Capital Maintenance Grant	-	-	-	-				-										-
WG - Enable Grant	810	-	810	270				270	270	270								810
WG - Safe Routes in Communities	-	-	-	-				-										-
WG - Integrated Care Fund (ICF)	480	-	480	480			(480)	-	480									480
WG - Welsh Medium Capital Grant	2,751	-	2,751	2,481	270			2,751										2,751
WG - Infant Class Size Grant	-	-	-	-				-										-
WG- VRRP/Transforming Towns	-	-	-	-				-										-
WG - TRI	-	-	-	-				-										-
Westminster	960	-	960	960				960										960
S106	1,684	-	1,684	769				769	867	48								1,684
Cardiff Capital Region (CCR)	5,000	-	5,000	5,000				5,000										5,000
Transport Grant	6,070	-	6,070	5,388				5,388										5,388
Heritage Lottery Fund (HLF)	-	-	-	682				682										682
EU	1,248	-	1,248	5,984	(4,736)			1,248										1,248
Other	1,622	-	1,622	902	720			1,622										1,622
Sub-Total External Funding Approvals	75,847	-	75,847	30,704	(460)	-	(3,030)	27,214	9,607	25,077	14,046	685	-	-	-	-	-	76,629
Total Funding Available	232,906	157,059	75,847	98,134	(1,388)	-	(7,207)	89,539	33,773	45,971	22,351	7,883	6,678	6,678	6,678	6,678	6,678	232,906
Funding Shortfall/(Surplus)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

31 JANUARY 2023

REPORT OF THE CHIEF OFFICER - LEGAL AND REGULATORY SERVICES, HR AND CORPORATE POLICY

MEDIUM TERM FINANCIAL STRATEGY 2023-24 TO 2026-27 AND DRAFT BUDGET CONSULTATION PROCESS

1. Purpose of report

1.1 The purpose of the report is to present the Committee with:

- a) the final report of the Budget Research and Evaluation Panel (BREP) attached at **Appendix A**;
- b) the responses from all the Subject Overview & Scrutiny Committees in relation to Cabinet's draft budget proposals, attached at **Appendix B**.

2. Connection to corporate well-being objectives / other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015**:

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – 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.

3. Background

3.1 In considering the challenges associated with continued budget reductions, Members recognised the need for a 'whole Council' response to be adopted in managing anticipated reductions to services against a backdrop of increasing demand and the challenging financial outlook.

- 3.2 It was therefore recommended, in 2017, that a Budget Research and Evaluation Panel (BREP) be established to engage Members on budget proposals as well as to enable members to feed in community intelligence gained from their representative role and to engage in shaping future service provision.
- 3.3 The Corporate Overview and Scrutiny Committee (COSC) has the overall responsibility of scrutinising budget monitoring reports throughout the year. As such, it was agreed at a meeting of Council in September 2017 that it would continue this role and appoint BREP members from within the COSC membership.
- 3.4 The purpose of the Budget Research and Evaluation Panel was subsequently agreed as the following:
- To achieve consensus on the direction of the budget over the life of the medium term financial strategy;
 - To achieve a detailed overview and assessment of the budget proposals where the expertise and knowledge of each Committee contributes to a Corporate understanding and appreciation of the draft budget proposals;
 - To assist the Council to develop a budget for the forthcoming year that aims to meet the needs of the communities of Bridgend County Borough;
 - To facilitate firmer understanding of the budget setting process and the draft proposals in order to assist the Committees in making informed comments, constructive challenge or recommendations to Cabinet as part of the budget consultation process.
- 3.5 The Panel would be presented with the budget reduction proposals and budget pressures and have the opportunity to discuss these with the Chief Executive and Corporate Directors and be asked to consider the information contained in these reports to determine whether they wish to make comments or recommendations for consolidation and inclusion in the report to Cabinet, as part of the budget consultation process.
- 3.6 Members of Scrutiny Committees would be presented with the draft Medium Term Financial Strategy 2023-24 to 2026-27 and asked to consider the information contained in the report and determine whether they wish to make comments or recommendations for consolidation and inclusion in the report to Cabinet on the MTFS as part of the budget consultation process.

4. Current situation/proposal

- 4.1 The Budget Research and Evaluation Panel (BREP) met on four occasions and was supported by the Democratic Services Manager and Scrutiny Team, Chief Officer - Finance, Performance and Change and Section 151 Officer, Deputy Head of Finance and the Cabinet Member for Resources.
- 4.2 At the BREP meetings the Panel considered information provided by the Chief Officer – Finance, Performance and Change and Section 151 Officer on the financial position for the MTFS 2023-24 to 2026-27, considered early draft budget reduction proposals and budget pressures and heard from Corporate Directors and

the Chief Executive on the impact that the budget plans and proposals would make to their Directorates.

- 4.3 Each of the four Overview and Scrutiny Committees met and considered the draft Medium Term Financial Strategy 2023-24 to 2026-27 including the proposed budget pressures and budget reduction proposals within the related Directorate and remit of the Scrutiny Committee and made comments / recommendations for consolidation and inclusion in the report to Cabinet as part of the budget consultation process.
- 4.4 The Corporate Overview & Scrutiny Committee is asked to consider the findings of the Budget Research and Evaluation Panel attached at **Appendix A** and determine whether the Recommendations should be forwarded to Cabinet along with the consolidated responses from all four Overview and Scrutiny Committees at **Appendix B** as part of the budget consultation process.
- 4.5 The Corporate Overview & Scrutiny Committee is asked to identify alternative proposals to ensure the budget remains balanced if their recommendations are submitted and accepted by Cabinet.

5. Effect upon policy framework and procedure rules

- 5.1 This item relates to the role of Overview & Scrutiny Committees as consultees in respect of the budget setting process.

6. Equality Act 2010 implications

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

7. Well-being of Future Generations (Wales) Act 2015 implications

- 7.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:
 - Long-term - The consideration and approval of this report will assist in the budget setting process for both the short-term and in the long-term.
 - Prevention - The consideration and approval of this report will assist in the budget setting process by approving and shaping preventative measures provided by Directorates to generate savings.

- Integration - The report supports all the wellbeing objectives
- Collaboration - The consideration and approval of this report will assist in the budget setting process by approving and shaping collaboration and integrated working to generate savings.
- Involvement - Publication of the report ensures that the public and stakeholders can view the work that has been undertaken by Scrutiny members.

8. Financial implications

8.1 The report relates to the budget setting process and the financial implications associated with that.

9. Recommendation

9.1 The Committee is asked to determine whether it wishes to submit the Recommendations in **Appendices A and B** to Cabinet on 7 February 2023 as part of the budget consultation process, subject to any modifications and amendments that the Committee decides are appropriate.

If the Committee determines to submit the recommendations they are asked to identify alternative proposals to ensure the budget remains balanced if their recommendations are accepted by Cabinet.

K Watson
CHIEF OFFICER - LEGAL AND REGULATORY SERVICES, HR AND CORPORATE
POLICY
25 January 2023

Contact Officers: Meryl Lawrence
 Senior Democratic Services Officer - Scrutiny

Lucy Beard
 Scrutiny Officer

Jessica McLellan
 Scrutiny Officer

Telephone: (01656) 643515 / 643613 / 643263

Email: scrutiny@bridgend.gov.uk

Postal address: Democratic Services - Scrutiny
 Bridgend County Borough Council
 Civic Offices
 Angel Street
 Bridgend
 CF31 4WB

Background documents: None

Report of the Budget Research and Evaluation Panel in respect of the Medium Term Financial Strategy 2023-24 to 2026-27

- 1.1. The Budget Research and Evaluation Panel (BREP) met on four occasions to consider draft budget proposals for the year 2023-24 and were supported by the Scrutiny Team, the Democratic Services Manager, the Chief Officer Finance, Performance and Change and Section 151 Officer, Deputy Head of Finance and Cabinet Member Resources.

Meeting 1

- 1.2. At the first meeting of BREP in October 2022, the Panel considered the background to the establishment of BREP, its Terms of Reference, Aims and role and the need to be flexible to respond to the budget situation relevant at the time. The Panel agreed to utilise the current Terms of Reference but requested an opportunity to review them following the commencement of this year's budget setting process.
- 1.3. The Chief Officer Finance, Performance and Change set out the financial position for the MTFs 2023-24 to 2026-27 detailing the in-year pressures for 2022-23 and the budget 2023-24 onwards. The Panel were advised that in terms of available funding, 1% of Welsh Government funding equated to £2.3m and 1% of Council tax was £870,000. Officers stressed that significant budget pressures had been identified for 2023-24 which produced a funding gap of approximately £15-£20M.
- 1.4. The Panel were also presented with a report on the 'Budget Consultation 2022 – Shaping Bridgend's Future' which illustrated the plans for engagement and a potential timeframe.
- 1.5. The Panel subsequently requested that Cabinet Members and Corporate Directors be invited to future meetings of BREP considering two Directorates at a time to examine their pressures and budget reductions.
- 1.6. The Panel also asked for Cabinet's initial view and more granular detail on the likelihood of the budget savings being achieved in each Directorate and the potential of reductions to discretionary services as well as more detail on the financial model and what the assumptions are.

Meeting 2

- 1.7. At the second meeting of BREP in November 2022, the Panel considered early draft budget reductions proposals as well as budget pressures for both the Chief Executive's and the Education and Family Support Directorates.
- 1.8. Officers and Cabinet Members once again highlighted the situation of the funding gap and the significant pressures that were on the Local Authority, particularly in relation to Social Services and there was therefore a need to consider each budget and where the priorities lie. There was a need to either reduce the proposed growth or increase the budget reductions to ensure a balanced budget for 2023-24.

- 1.9 The Chief Officer Finance, Performance and Change identified some of the key Council wide issues including the pay awards, difficulties in recruiting to vacant posts and inflationary pressures, which were impacting on both the Capital and Revenue budgets. It was emphasised that the difficult budget situation for this year was not unique to Bridgend but was a national issue impacting all Local Authorities in Wales.
- 1.10 It was emphasised that there was more demand than ever on services including, but not exclusive to, Social Care, Housing, Legal, Human Resources, and the Council could simply not continue to operate the same as it has done previously.
- 1.11 The Panel questioned the impact of potential reductions to school budgets and to Home to School Transport and the impact that the pandemic has had on learners, particularly in terms of their emotional wellbeing.
- 1.12 Following this meeting, the Panel requested that for their next meeting they receive similar budgetary information on pressures and reductions relating to the Social Services and Wellbeing and Communities Directorate along with some sort of ranking framework on the options presented in order to provide some context as to their priority/impact and likelihood of being taken forward. It was also requested that this be provided for the Education and Family Support and the Chief Executive's Directorate so that the Panel may make some comment on this also.
- 1.13 Following detailed discussion and correspondence between the Corporate Management Board (CMB), Cabinet, Group Leaders and the Panel Members and in view of the tight timescales surrounding the budget setting process due to the unique circumstances this year and continuing budget uncertainties, it was agreed that a report outlining some initial proposals to present a balanced budget, providing options based on the current financial modelling would be considered at the next meeting. It included detail such as the potential options for Council Tax level increase, potential budget savings and areas of priority for growth.

Meeting 3

- 1.14 At the third meeting of BREP in December 2022 the Panel were advised that Cabinet had requested that the principles for underpinning the development of the budget for the coming financial year were:
- The Council will seek to protect the most vulnerable people in our Communities;
 - The Council will seek to limit service growth in the coming financial year;
 - All budgets across the Council should be reviewed to identify savings for the coming year;
 - Where possible "back office" services will be prioritised for service reductions;
 - The Council should consider whether schools are able to contribute to the overall savings required in the coming year; and

- In setting the budget for 2023-2024 consideration needs to be given to the anticipated budget pressures in the following financial years.
- 1.15 The Panel considered the various Council tax options presented and the impact that these could have on residents in the County Borough, particularly those who are vulnerable. There was concern expressed over both the impact that a significant increase in Council Tax could have on vulnerable people but likewise the impact that further reductions to services could have on the same people in order to make up the funding gap. The Panel commented that whilst residents might understand an increase in Council Tax now, that is less than the cost of inflation, they might not accept a much larger increase in Council tax that might be needed in a few years' time, to essentially replace the services that are cut this year to fill the funding gap.
 - 1.16 Members also discussed the potential link between Council Tax and Income Tax and proposed that the latter needed to be taken into account when setting Council Tax for the Borough.
 - 1.17 The Chief Officer Finance, Performance and Change highlighted that early indications from other Local Authorities (LAs) showed that many were considering a higher Council Tax increase this year due to budgetary pressures and even the highest option presented in the report was not an outlier compared with many LAs.
 - 1.18 Similarly, it was reported that the Authority had been fortunate in the past in having not had to make reductions to the Schools' Delegated budget, however the Panel were advised that given the fact that the Schools budget made up such a significant amount of the overall budget (33% for Bridgend), almost all LAs were considering reductions in this area.
 - 1.19 The Panel also discussed the Council's reserves, with Officers reporting that many of these were Earmarked Reserves and helped to deliver on priorities that had already been agreed. Cabinet agreed that these were being considered in terms of their priority however expressed the view that these shouldn't be used to balance the revenue budget as this funding was one-off and had taken many years to build up.
 - 1.20 Concerns were expressed by the Panel over many of the proposed savings being categorised as red or amber, with very few green, and the viability of these proposals. However, whilst red, Members expressed particular concern over the proposed reduction in the budget for the Strategic Regeneration Fund which was put forward as a potential budget reduction for 2023-24 in last year's MTFS. The Panel emphasised the fact that whilst discretionary, this fund was a clear 'invest to save' budget, without which we could have major implications for the success of future regeneration and development projects. Cabinet did respond explaining that this was being reviewed.

Interim BREP Report to Corporate Overview and Scrutiny Committee –
15 Dec 2022

- 1.21 An Interim Report of the Budget Research and Evaluation Panel was submitted to COSC by the Chair of BREP on 15 December 2022 presenting the following recommendations which were approved by the Committee, and submitted informally to Cabinet and Senior Officers to inform their development of the draft budget proposals for 2023-24:

Recommendations:

Consultation and Engagement

- 1 The Panel acknowledged the difficult situation the Council found itself in and the tough decisions that would have to be made on the budget which could have quite serious implications for services and residents of the borough. It was therefore felt communication and engagement with the public was vital to get this message across and to be open and transparent about the challenges the Council faced. The Panel noted that similar concerns had been raised at a COSC meeting on 27 October 2022 where Members had requested that any press release regarding the upcoming budget consultation be mindful of improving communication to residents and improving understanding of the budget and purpose of reserves held.
 - a) The Panel therefore endorse this and further recommend that the Authority, as a matter of urgency, start preparing its residents for the possibility of difficult reductions to services and communicating the potential impact of these to ensure transparency and openness.
 - b) Further to this, following any future budget or resulting service reductions, the Authority work with the community or communities involved to establish how the Council can assist in enabling them to take up the service provision, thereby reducing the potential negative impact.
 - c) Given the fact that other Local Authorities are experiencing similar budgetary issues, the Panel recommend that Officers look at how other Local Authorities are communicating this to their residents to ensure they are well informed and aware of the potential impact on services received.

Council Tax

- 2 In light of the cost of living crisis, the Panel recommend that when determining any change to Council Tax, Cabinet consider the impact of any potential increase in Income Tax by Welsh Government.

Strategic Regeneration Fund

- 3 The ability for the Strategic Regeneration Fund to lever other external funding, to invest in feasibility and development studies and help secure

private investment outweighs the saving achieved by reducing this budget. The Panel therefore recommend that any potential reduction to this fund be revisited.

Further Requests:

- 1.22 The Panel requested that a further BREP meeting be scheduled for January 2023 where the draft budget proposals can be presented to the Panel having received the Welsh Government Budget Settlement.
- 1.23 At this meeting, Members requested that they also receive a full a list of all the Authority's services which it funds and the budget attached to them and furthermore what this funding represents as a percentage of the overall spend for the Council. In areas where the Authority funds beyond the statutory minimum, the Panel request a short narrative of what this provision is and what budget is attached to it.
- 1.24 The Panel expressed the view that without the final budget settlement information and the additional list of services, Members could not have full oversight of potential options and therefore could not make informed recommendations over Council Tax levels, or the need for further proposed budget reductions or less budget pressures.
- 1.25 Further to this, the Panel also wished to consider the outcome of the Council's budget consultation process at this meeting in January, whether this simply be early indications or the full analysis if available, in order to inform their findings and recommendations. The Panel highlighted their questions raised at an earlier meeting and requested that these be addressed as part of this:
 1. Whether the online digital budget calculator tool was still available on the BCBC website.
 2. Whether data could be collated to target and try and engage those in the consultation process who were most likely in need of and using services.
- 1.26 Finally, resulting from their discussions with Cabinet Members and Officers, the Panel requested that they receive further information to a future Scrutiny meeting on School surplus budgets as well as the funding formula for schools in order to examine these budgets in further detail.

Meeting 4

- 1.27 At the fourth BREP meeting held in January 2023 the Panel received the draft budget proposals 2023-24 to 2026-27 as well as detailed information on breakdown of the budget by service area and cost centre. Following further detailed consideration and discussions with Officers and Cabinet Members, the Panel made a series of additional Recommendations, comments and requests on the reports, to be forwarded to the meeting of COSC on 31 January 2023 for adoption:

a) Draft Medium Term Financial Strategy 2023-24 to 2026-27 Report

Recommendations:

1. That the BREP process in 2023/24 commence as soon as possible in the financial year to allow for more detailed discussions on the budget to enable the Panel to provide more meaningful Recommendations. The Panel requested that they be presented with:
 - a. the full budget book breakdown to include all the various options being considered by Cabinet;
 - b. greater narrative by cost centre; and
 - c. information about discretionary and statutory services, a cost breakdown of what is statutory and what is discretionary and the impact of any potential budget reductions on each.
2. Concerns were expressed over the high risk of deliverability of the proposed budget reductions given that the risk status for the majority of the proposals are marked red and have not been worked up yet. The Panel would have liked more narrative from Corporate Directors/Officers setting out how they were to achieve the proposed reductions and recommended that this information be provided to future Meetings of BREP.
3. That Cabinet raise with Welsh Government, the Panel's expectation that all national legislative commitments must be fully funded to allow the Council to have the capacity to deliver them in an efficient manner.
4. That when the Panel considers school budget reduction proposals in future, the Panel be provided with feedback from the School Budget Forum (subject to the timing of their meetings) and input from Head teachers and Chairs of Governors.
5. In relation to COM5, the Budget Reduction Proposal of £38,000 by removal of support to RNLI for Lifeguards at Porthcawl Beaches, discussions be held with Porthcawl Town Council regarding potential funding and consideration also be given to decreasing the proposed budget reduction.
6. The Panel reiterated the fact that whilst discretionary, the Strategic Regeneration Fund was a clear 'invest to save' fund (for every £1 invested, the Council received £9 back) and that the quantum of the proposed budget reduction of 93% be reviewed to a more palatable level.
7. The Panel considered the proposed removal of the waste enforcement team would be counterproductive and lead to increased costs in the areas of waste and fly tipped waste removal. The Panel recommended that alternatives to a complete removal of the team be explored and supported the proposal of possibly merging teams to provide a reduced service rather than a complete removal of the waste enforcement team.

8. That it was essential that the public be informed of the proposed increased level of Council Tax as soon as possible with clear reasons and rationale for the increase.

Comments and requests:

9. In relation to the proposed 2% efficiency in school budgets, the Panel did not actively support the proposal, but appreciated the difficulties and pressures within this year's budget and also acknowledged the generosity of the Council in fully funding the pay uplift and increase in energy costs.
10. That the impact and implications of the 2% efficiency in school budgets be closely monitored by Scrutiny. The Panel expressed concerns about the achievability of the efficiency, particularly in schools already in a deficit and if it were to result in redundancies.
11. In relation to the proposed 6% increase in Council Tax, the Panel expressed concern about how it would be received by the public but noted the early indications from the public budget consultation were that 34% of respondents were in favour of a slight increase to Council Tax to protect the most vulnerable services. Whilst it did not actively support the proposed 6% increase in Council Tax, the Panel acknowledged the pressures and rationale for the proposed increase.
12. The Panel agreed with the principles behind the budget and the way it was balanced, protecting social services and vulnerable people. However, strong concerns were expressed regarding the impact of further cuts on other services and Directorates in the future due to the continued protection of social services.

b) Budget Consultation Interim Update

Recommendations:

13. In light of the majority of responses to the public budget consultation indicating that respondents supported Council Tax remaining the same, that a response be provided to respondents who engaged to ensure they understand the rationale behind the budget and the reason for decisions taken to ensure they feel that their views are valued and have been taken into consideration.
14. That targeted consultation, focusing on particular groups and representative organisations be developed and rolled out in the future.

BREP Final Report to Corporate Overview and Scrutiny Committee

- 1.28 This BREP final report is presented to the Corporate Overview and Scrutiny Committee for consideration as part of the Medium Term Financial Strategy consultation process for 2023-24, for adoption and onward reporting to Cabinet on 7 February 2023.
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Overview and Scrutiny Committees' Comments and Recommendations on the Medium Term Financial Strategy 2023-24 to 2026-27

Corporate Overview and Scrutiny Committee - 18 January 2023

Chief Executive's Directorate and Council Wide:

Recommendations:

1. That Cabinet carefully considers the impact and cost of any necessary intervention by statutory services due to the removal of discretionary services, such as the Waste Enforcement Team in the Communities Directorate.
2. The Committee endorsed the recommendation made by BREP that *Cabinet raise with Welsh Government, the Panel's expectation that all national legislative commitments must be fully funded to allow the Council to have the capacity to deliver them in an efficient manner.*

That the Committee continue to lend their weight to lobbying of Welsh Government and central Government that has already taken place so that the Revenue Support Grant is not affected by any policy changes.

3. That consideration be given to more joint working across Directorates and more collaboration within the authority and external partners; working towards a 'One Council' approach.
4. The Committee endorsed the recommendation made by BREP *that it was essential that the public be informed of the proposed increased level of Council Tax as soon as possible with clear reasons and rationale for the increase.* The Committee also felt that it should be appropriately communicated to the public that for every £1 spent on services provided by the Council, only around 27 pence is funded from Council Tax.
5. In relation to COM5, the Budget Reduction Proposal of £38,000 by removal of support to RNLI for Lifeguards at Porthcawl Beaches, the Committee expressed concerns about funding provided to a golf tournament to actively encourage the public to visit Porthcawl and that this Budget Reduction Proposal would put the public at risk. It endorsed BREP's recommendation that *discussions be held with Porthcawl Town Council and Trecco Bay regarding potential funding and consideration also be given to decreasing the proposed budget reduction.*
6. Given that the risk status for the majority of the budget reduction proposals are marked red and have not fully developed, it is imperative that Cabinet consider the deliverability of the proposed budget reductions and the implication on setting a balanced budget.

7. Given the proposed 2% reduction on schools delegated budgets and the indicative 1% reduction every year thereafter for the MTFs period, that Cabinet provides more detail on how they are going to deliver the proposal and consider what impact that would have on individual schools and whether it would push any individual schools into a deficit position.
8. The Committee acknowledged the importance of back-office services such as, HR and legal and that emphasis should be on the necessity to ensure operational delivery is not compromised.
9. In order to meet the recommendations and conclusions from the Care Inspectorate Wales Inspections, the authority must have an adequate legal team and paralegals in place, rather than a reliance on agency staff. The Committee noted that whilst these roles were not entirely visible to the public, they had a crucial role in ensuring services are improved and recommended that Cabinet be mindful of that when considering the budget in areas of human resources and organisational development.

The Committee requested:

10. Given the reliance of the Social Services and Wellbeing Directorate on short term grant funding, the value of short-term grant funding be presented to the next meeting of COSC on 31 January 2023.
11. Feedback following the discussions between the Cabinet and the Welsh Government Minister regarding support for Ukrainian Refugees and their hosts.
12. With regard to the CEX1 Budget Pressure of £700,000 in homelessness support, whether there are any specific grants available to the Council in this area and, when a Ukrainian host placement comes to an end, whether the monthly payments that would have been made to hosts, could instead be paid to the Council to help fund temporary accommodation.
13. The Committee noted that the MTFs contingency reserve figure currently stands at £906,000 and that there had been no draw down this year. The Committee proposed to explore at its next meeting on 31 January 2023, whether and how there might be a drawing down on that particular reserve in order to sure up services proposed to be cut.
14. An explanatory note be presented to the meeting of COSC on 31 January 2023 from each Corporate Director on whether they can identify any significant variances (increase or decrease) in their budget for 2023-24 together with any narrative.
15. That the occupation and prospect of letting wings of Ravenscourt and Civic Offices be kept under review to identify any additional income that may be generated and any future savings.

The Committee endorsed the following BREP Recommendations:

1. That the BREP process in 2023/24 commence as soon as possible in the financial year to allow for more detailed discussions on the budget to enable the Panel to provide more meaningful Recommendations. The Panel requested that they be presented with:

- a. the full budget book breakdown to include all the various options being considered by Cabinet;
- b. greater narrative by cost centre; and
- c. information about discretionary and statutory services, a cost breakdown of what is statutory and what is discretionary and the impact of any potential budget reductions on each.

2. Concerns were expressed over the high risk of deliverability of the proposed budget reductions given that the risk status for the majority of the proposals are marked red and have not been worked up yet. The Panel would have liked more narrative from Corporate Directors/Officers setting out how they were to achieve the proposed reductions and recommended that this information be provided to future Meetings of BREP.

7. The Panel considered the proposed removal of the waste enforcement team would be counterproductive and lead to increased costs in the areas of waste and fly tipped waste removal. The Panel recommended that alternatives to a complete removal of the team be explored and supported the proposal of possibly merging teams to provide a reduced service rather than a complete removal of the waste enforcement team.

13. In light of the majority of responses to the public budget consultation indicating that respondents supported Council Tax remaining the same, that a response be provided to respondents who engaged to ensure they understand the rationale behind the budget and the reason for decisions taken to ensure they feel that their views are valued and have been taken into consideration.

Subject Overview and Scrutiny Committee 1 – 19 January 2023

Education and Family Support Directorate and Schools:

Recommendations:

Collaboration and Value for Money

1. Having queried with Officers whether the Authority were utilising our partners to their full potential, Members did not feel 100% reassured of this, using the example of the Central South Consortium. Members therefore recommended that Cabinet and Officers consider evidence of collaboration with partners, as part of their deliberations over the budget proposals, to ensure value for money for the full MTFS period 2023-2027.

School Delegated Budgets

2. The Committee acknowledged that the Education directorate needed to play its role in balancing the budget. However, following the grave concerns highlighted by the Chair and Vice Chair of the Schools Budget Forum regarding the feasibility of the 2% budget reduction proposal and the fact that these proposals have not yet been fully developed and are high risk in terms of delivery, the Committee recommend that:
 - a) Cabinet reduce the proposed budget efficiency against School Delegated Budgets to 1%.
 - b) that Cabinet consider all discretionary options available to them across the Corporate wide budgets and other Directorates, to comprise the remaining £1,059,000 required as a result of reducing the proposed education budget reduction by 1% in order to balance the Council's budget.

Discretionary and Statutory Services

3. Whist acknowledging the benefits of discretionary services in terms of their potential to prevent further issues and expenditure for the future, given the overall current financial situation the Committee recommend:
 - a) that Cabinet give greater consider to all discretionary options available to them for budget reductions proposals and that they be presented to full Council for consideration of the MTFS.
 - b) that a greater proportion of budget reductions should be as a result of policy changes.
4. The Committee further recommend that a review of all discretionary services within the Education Directorate be undertaken to evaluate the costs of delivering them and the value they provide to the Local Authority and its residents, to inform

the future MTFS with a view to protecting school delegated budgets as much as possible.

National Legislative Commitments

5. The Committee recommend that Cabinet raise with Welsh Government, the need to ensure that all National Legislative commitments are fully funded to allow the Council to have the capacity to deliver them in an efficient manner.

School Agency staff

6. The Committee queried the use of agency staff in schools and recommend that it be explored whether schools could adopt a cohesive approach across the County Borough that could potentially assist with staff cover costs for such things as sickness.

Comments

School Delegated Budgets

7. The Committee had grave concerns about the impact of a 2% efficiency saving against School Delegated Budgets and the resulting impact this could have. Of particular concern was the impact this could have on vulnerable children as information presented at the meeting implied that this budget reduction could lead to potential compulsory redundancies likely to affect school support staff who, for example, assist pupils with Additional Learning Needs, behavioural difficulties, attendance, safeguarding and wellbeing issues. The Committee commented that this could lead to potential increased costs for the Local Authority further down the line if this support was not provided sufficiently and early enough in schools.
8. Concerns were also expressed regarding the possible cost of compulsory redundancy packages outweighing the proposed 2% efficiency and the risk of losing experienced teaching staff.
9. In addition to redundancies, the Committee expressed strong concerns over the possibility of more schools ending up with a deficit budget as a result of the 2% budget reduction, and potentially worsening the situation for those who were already in deficit. Members highlighted particular concern for new schools and their budgets, given that they cannot balance their budget for some time due to not being at full capacity.

Free School Meal Provision

10. The Committee expressed concern over the future free school meal provision to primary schools in that it required not just extra staff and kitchen equipment, but also extra space for pupils due to the likely increase in take up of provision. Extensions for schools were already under discussion but Members expressed

concern over the potential budget implications this service could have for the future, both revenue and capital budgets.

Future Scrutiny FWP

Given the concerns highlighted in the comments above the Committee agreed to follow up on the following as part of their future FWP:

- Free School Meals provision for primary schools – further details on funding as well as consideration of provision of staff, kitchen equipment and space for pupils
- Monitor the implications of any proposed reduction to school delegated budget – on school budgets, staffing structures, redundancies, and any resulting impact on pupils.
- Central South Consortium – How they have provided value for the schools in the County Borough
- School catchment areas, pupil admission numbers and new school builds

Home to School Transport Review – including information relating the potential provision of paid places.

Subject Overview and Scrutiny Committee 2 – 20 January 2023

Social Services and Wellbeing Directorate:

Recommendations:

1. The Committee recognised the physical and emotional demand on social care workers and recommended that Cabinet review the wages for social care workers, in light of external pressures and consider how to ensure that these staff feel appropriately supported and valued.
2. The Committee noted that the majority of the budget pressures were within the Social Services and Wellbeing Directorate and, following detailed consideration and discussions with Officers and Cabinet Members, the Committee were content that they are sufficient and necessary.

Subject Overview and Scrutiny Committee 3 – 23 January 2023

Communities Directorate:

Recommendations:

Collaboration with Town and Community Councils

1. The Committee highlighted the potential benefits of working collaboratively with TCCs to alleviate future budgetary pressures and maintain services. It was therefore recommended that the Authority utilise the TCC Forum more effectively and efficiently to develop this, commencing with the creation of an Action Plan to demonstrate the various collaborative work that is currently being undertaken by the Authority with TCCs. Members requested that this be presented alongside guidance and explanation on what the Authority can offer and how collaborative work with TCCs can be expanded further. Additionally, the Committee stressed that it was essential that these discussions take place as soon as possible in the new financial year so as to inform the TCC precept.
The Committee agreed that this work would be monitored by the Scrutiny Committee as it advanced.

Budget Reduction proposal – COM5

- 2a. The Committee expressed concern over the proposed reduction to support to the RNLI for Lifeguards at Porthcawl Beaches, particularly given that Officers reported that this was focused primarily at support to Rest Bay. Given the dangerous Rip tides at Rest Bay, the increased popularity of water sports at this beach and the number of visitors each summer, Members were alarmed at the risk any reduction to support for the RNLI would pose. The Committee therefore recommend that the reduction not be progressed.
- 2b. The Committee recommended that discussion be held with Town and Community Councils within the County Borough regarding potential funding for the RNLI.
- 2c. There was also a minority view from some Members of the Committee recommending that the reported £35,000 funding to Kier for biodiesel be considered as an alternative to the RNLI budget reduction as it was felt that the use of biodiesel would not have an immediate benefit or contribute to the Council's 2030 net zero carbon target.

Budget Reduction proposal – COM8

3. The Committee expressed concern over the removal of the Waste Enforcement Team and the impact this could have on tackling waste management issues such as fly-tipping, and particularly given the potential

counterproductive nature of the reduction where it could result in an increase in costs. The Committee therefore recommend that this budget reduction not be progressed.

4. The Committee supported education in terms of tackling waste management, however, recommend that the Local Authority look towards its partner organisations to assist with this rather than relying on Council staff, who could then look more towards their enforcement role, thus utilising all resources to their full potential.

Council Reserves

5. Whilst appreciating that the Council Fund should be maintained at a level of 5% of the Council's net budget, Members queried the size and use of the Authority's reserve budgets, given the difficult financial situation this year and future budget forecast. The Committee recommend that a review be undertaken of the Council's reserves, particularly historical reserves, with consideration and explanation of how they are managed and operated.

Consultation

6. The Committee expressed disappointment at being unable to receive any outcome of the public consultation of the MTFs 2023-27 and recommended that this be sought for next year's annual scrutiny budget meetings to apprise the Committee of the views of the public to enable them to make more informed and effective recommendations.

Further Comments and Requests

The Committee requested:

7. That going forward they receive performance measures in order to scrutinise effectively and make more informed decisions.
8. Information in relation to the interest paid on the Council's borrowing as well as interest earned on investments.
9. The Committee endorsed the following COSC Recommendation:
In relation to COM5, the Budget Reduction Proposal of £38,000 by removal of support to RNLI for Lifeguards at Porthcawl Beaches, the Committee expressed concerns about funding provided to a golf tournament to actively encourage the public to visit Porthcawl and that this Budget Reduction Proposal would put the public at risk.