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Bridgend County Borough Council



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Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate

Deialu uniongyrchol / Direct line /: 01656 643148 /
643694 / 643513 / 643696
Gofynnwch am / Ask for:

Ein cyf / Our ref:
Eich cyf / Your ref:

Dyddiad/Date: Tuesday, 13th February 2024

Dear Councillor,

CABINET

A meeting of the Cabinet will be held Hybrid in the Council Chamber Civic Offices, Angel Street, Bridgend, CF31 4WB / remotely via Microsoft Teams - Civic Offices, Angel Street, Bridgend, CF31 4WB on **Tuesday, 20 February 2024 at 14:30.**

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.
3. Outcome of the Consultation 'Shaping Bridgend's Future' 2024 3 - 24
4. Medium Term Financial Strategy (MTFS) 2024-25 to 2027-28 25 - 174
5. Capital Strategy 2024-25 175 - 212
6. Treasury Management Strategy 2024-25 213 - 258
7. Urgent Items
To consider any items of business that by reason of special circumstances the chairperson is of the opinion should be considered at the meeting as a matter of urgency in accordance with paragraph 2.4 (e) of the Cabinet Procedure Rules within the Constitution.

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 643148 / 643694 / 643513 / 643696

By receiving this Agenda Pack electronically you will save the Authority approx. £5.66 in printing costs

Yours faithfully

K Watson

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

Councillors:

JC Spanswick

N Farr

W R Goode

Councillors

J Gebbie

HJ David

HM Williams

Councillors

JPD Blundell

Agenda Item 3

Meeting of:	CABINET
Date of Meeting:	20 FEBRUARY 2024
Report Title:	OUTCOME OF THE CONSULTATION 'SHAPING BRIDGEND'S FUTURE' 2024
Report Owner / Corporate Director:	CHIEF OFFICER - FINANCE, HOUSING AND CHANGE
Responsible Officer:	ZOE EDWARDS - CONSULTATION, ENGAGEMENT AND EQUALITIES MANAGER
Policy Framework and Procedure Rules:	There is no impact on the policy framework or procedure rules.
Executive Summary:	To inform Cabinet of the outcome of the 'Shaping Bridgend's Future' 2024 budget consultation. The consultation was undertaken over a three-week period from 15th January 2024 to 4th February 2024 and received 2,839 responses.

1. Purpose of Report

- 1.1 The purpose of this report is to inform Cabinet of the outcome of the 'Shaping Bridgend's Future' 2024 budget consultation which asked citizens their views on what they consider should be the priority areas for allocating the budget for the forthcoming financial year, and to examine those views against funding provided by the Welsh Government.

2. Background

- 2.1 Budget planning for the financial year 2024-25 is more uncertain than ever before. Bridgend County Borough Council has been through an extraordinary period in recent years, with the lasting effects of the Covid-19 pandemic, followed by significant economic turbulence, a cost-of-living crisis, and international and national crises.
- 2.2 The Council faces an unprecedented financial challenge over the coming years, and had an estimated funding gap of around £16m for the 2024-25 financial year at the time the draft budget was published.

- 2.3 Due to the financial pressures placed on many of our services last year, such as social care and Home to School Transport, there was an overspend in our service budgets and these pressures have increased in this financial year.
- 2.4 Bridgend County Borough Council is set to receive a 2024-25 budget settlement increase of just 3 per cent from Welsh Government which has led the authority to warn that it is now impossible to avoid major changes for some council services.
- 2.5 A public consultation exercise was undertaken over a three-week period from 15th January 2024 to 4th February 2024. Respondents were asked to share their views and priorities across the following areas:
- Budget Principles
 - Reduce / close services.
 - Increasing charges and introducing new charges
 - Review services and related budgets
 - Review use of assets/buildings
 - Review contracts with external partners for leisure services
 - Review agreements with external partners
 - Council Tax
 - Citizen Focused
- 2.6 Budget consultation exercises have been undertaken annually since 2013-14. The 'Shaping Bridgend's Future' 2024-2025 consultation exercise has built on the knowledge gained from the previous consultations as well as utilising a new digital engagement platform to drive new ways for people to participate and engage with the Council. A wide variety of methods of communication were used including surveys, social media, face-to-face drop-in sessions, as well as an explainer video, and media releases.
- 2.7 The public survey was available to complete online through a link on the consultation page of the council's website or by visiting www.bridgend.gov.uk/future. Paper copies of the consultation were also made available which could be sent directly to residents upon request. Surveys were available in several formats, including easy-read, large print, standard and a youth version. All were available in Welsh and English.
- 2.8 Respondents could choose to answer all or some questions. All survey responses offered the option of anonymity. The council's standard set of equality monitoring questions were also included within the survey, in line with recommended good practice for all public-facing surveys carried out by the council.
- 2.9 The consultation aimed to reach the following key stakeholders: general public/residents, Citizens' Panel members, Bridgend County Borough Council (BCBC) employees, businesses, Bridgend Business Forum members, local media, town councillors, school governors, Bridgend Community Cohesion and Equality Forum (BCCEF) members.
- 2.10 The consultation was supported by a full communications and promotional plan. The main activities included media releases, a BCBC budget explainer video, various press release/editorials in the media, a social media/web campaign, direct

marketing to key target audiences e.g. businesses, schools, youth council and internal communications for staff and elected members.

3. Current situation / proposal

3.1 The attached consultation report (**Appendix A**) sets out in detail the views expressed by those who participated.

3.2 Overall the consultation received **2,839** interactions from a combination of survey completions following attendance at engagement events (face-to-face drop-in sessions), social media engagement and via the Council's Citizens' Panel.

3.3 Marketing and engagement methods

Details of the consultation were shared with the following stakeholders: general public/residents, Citizens' Panel members, elected members, Council employees, businesses, Bridgend Business Forum members, local media, town councils, Bridgend Community Cohesion and Equality Forum (BCCEF) members.

3.4 Social Media

The council currently has **14,766** followers on its English Twitter account and **373** on its Welsh Twitter account; **20,087** followers on its English Facebook page and **262** on the Welsh Facebook page; **3,335** followers on Instagram and **7,298** followers on LinkedIn and **209** subscribers on YouTube. Details of the success of the social media and website campaigns can be found in the full consultation report at **Appendix A**.

3.5 govDelivery

govDelivery is a digital communications platform that was introduced by the local authority in June 2020 to improve communication. It is currently used to issue Council updates directly to residents' email inboxes in the language of their choice.

There are currently 35,143 English language and 283 Welsh language users who have subscribed to receive the council's weekly update emails.

'Shaping Bridgend's Future Budget consultation was included in the following, more detail of which can be found in Appendix A.'

3.6 Media and publicity

3.6.1 A media release was issued on 15th January 2024 to flag up the upcoming budget consultation.

A link to the consultation was included in the Medium Term Financial Strategy press release on 18th January 2024 to encourage people to have their say.

3.6.2 Internal communications – messages were included in staff bulletins to encourage staff to complete the budget consultation.

3.7 Promotional materials

- 3.7.1 An explainer video was produced to help people understand how the council's budget works and the challenges it faces. The video was featured on the webpage for the consultation.
- 3.7.2 The consultation team held two engagement events during the consultation period at Garw Valley Life Centre and Ogmore Valley Life Centre. Business cards with links to the online survey were given out to encourage participation.
- 3.7.3 Targeted letters and emails were sent to Town and community councils, equality groups and Bridgend Community Cohesion and Equality Forum members.

3.8 Headline figures

It is important to note that whilst some results are shown below in this section of the report, not all results are listed in this covering report. However, all results of the consultation can be found in the full consultation report at **Appendix A**.

3.8.1 Budget Principles

81% (2267) of respondents agree with the budget principles, and 19% (533) disagree with the principles.

3.8.2 Cost recovery model for services

60% of respondents (1687) agree that moving towards a full cost recovery model for services is the right approach. 40% of respondents (1116) do not think it is the correct approach.

3.8.3 Remodelling services

80.5% (2248) of respondents think that reviewing and remodelling services is an important consideration. 19.5% (543) of respondents do not think it is an important consideration.

3.8.4 Review of assets and buildings

95.5% of respondents (2674) agree that reviewing the use of assets/buildings is the right approach. 4.5% of respondents (126) do not think this is the right approach to have a meaningful impact.

3.8.5 Council Tax

64.4% of respondents favour keeping council as low as possible even though this would mean reducing or stopping more services. 29.9% of respondents (834) agree that the proposed 9.5% council tax is needed to protect services and proposed reductions will have to be implemented.

5.7% of respondents (160) agree to increasing council tax by more than 9.5% in order to protect as many council services as possible.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 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. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. 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.

6. Climate Change Implications

6.1 There are no Climate Change Implications from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no Safeguarding and Corporate Parent Implications from this report.

8. Financial Implications

8.1 The costs of carrying out the consultation were met from existing budgets. The outcome of the consultation will inform the final Medium Term Financial Strategy proposals.

9. Recommendation

9.1 Cabinet is recommended to note the outcome of the consultation as detailed in the attached consultation report.

Background documents

None

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Shaping Bridgend's Future 2024

Consultation Report

Date of issue: February 2024

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1. Overview

A public consultation was undertaken over a three-week period from **15th January 2024** to **4th February 2024**. The consultation received **2,839** interactions from a combination of survey completions, and engagements at drop in events. This paper details the analysis associated with the consultation.

2. Introduction

The public survey was available to complete online through a link on the consultation page of the council's website or by visiting www.bridgend.gov.uk/future. Paper copies of the consultation were also made available which could be sent directly to residents upon request. Surveys were available in several formats, including easy-read, large print, standard and a youth version. All were available in Welsh and English.

Respondents could choose to answer all or some questions. All survey responses offered the option of anonymity. The council's standard set of equality monitoring questions were also included within the survey, in line with recommended good practice for all public-facing surveys carried out by the council.

3. Marketing and engagement methods

Details of the consultation were shared with the following stakeholders: general public/residents, Citizens' Panel members, elected members, Bridgend County Borough Council (BCBC) employees, local media, and town and community councils.

3.1. Promotional tools

This section details the methods used to raise the profile of the consultation and encourage participation.

3.1.1. Social Media

The council runs the following social media accounts: Twitter, Facebook, Instagram, LinkedIn, and YouTube.

Budget consultation information was posted bilingually to the council's corporate social media channels throughout the consultation period to raise awareness of the consultation and to encourage citizens to share their views on the proposals.

The council currently has **14,766** followers on its English Twitter account and **373** on its Welsh Twitter account, **20,087** followers on its English Facebook page and **262** on the Welsh Facebook page, **3,335** followers on Instagram and **7,298** followers on LinkedIn and **209** subscribers on YouTube.

While content is most likely to be seen by these users, it is also displayed to users who are not connected to the accounts.

	Impressions	Comments	Shares	Link clicks
English	20,936	105	78	420
Welsh	227	0	0	1

3.1.2. Website

Views

The below table shows the number of views to our Budget Consultation page and Our Budget challenges explained webpage.

Page path and screen class	budget-consultation-shaping-bridgends-future-2024-25/	council-budget-challenges-explained/
Source		
(direct)	285	160
beloud.com	1	2
bing	61	79
bridgend-self.achieveservice.com	30	25
bridgend-self.test.achieveservice.com	1	0
bridgenders.net	22	37
bridgendtowncouncil.gov.uk	1	0
caerauprimary.co.uk	1	0
content.govdelivery.com	8	0
coychurchprimary.co.uk	0	1
digitalhealth.wales	0	1
duckduckgo	2	3
ecosia.org	8	0
email.bt.com	2	0
google	824	438
gov.uk	39	16
gov.wales	5	11
hafod.org.uk	1	0
instagram.com	1	1
inyourarea.co.uk	0	1
ip.e-paycapita.com	11	6
l.facebook.com	35	102
linkedin.com	8	0
linktr.ee	0	1
lm.facebook.com	126	130
lnks.gd	952	103
m.facebook.com	180	202
maestegschool.co.uk	0	1

Page path and screen class	budget-consultation-shaping-bridgends-future-2024-25/	council-budget-challenges-explained/
Source		
news.google.com	1	11
oggybloggyogwr.com	11	0
ogmorevaleprimary.co.uk	0	1
qwant.com	6	0
sbs.e-paycapita.com	2	1
search.aol.co.uk	1	0
sites.google.com	2	0
srs.wales	1	1
swansea.gov.uk	1	0
t.co	11	1
theguardian.com	0	1
uat.penybontarogwr.gov.uk	0	1
uk.search.yahoo.com	8	9
visitwales.com	3	0
wppp.org.uk	2	0
	2,653	1,346

3.1.3. govDelivery

govDelivery is a digital communications platform that was introduced by the council in June 2020 to improve communication. It is currently used to issue council updates directly to residents' email inboxes in the language of their choice.

There are currently 35,143 English language and 283 Welsh language users who have subscribed to receive the council's weekly update emails.

Shaping Bridgend's Future Budget consultation was included in the following bulletins:

English:

Bulletin Subject	Date Sent	Unique clicks	Total clicks
Standalone Budget Consultation bulletin	29 th January 2024	1,405	1,557
Residents Bulletin (included three times)	18 th January 2024	361	417
	25 th January 2024	70	76
	1 st February 2024	163	174

Welsh:

Bulleting Subject	Date sent	Unique clicks	Total clicks
Standalone Budget Consultation bulletin	29 th January 2024	4	5
Residents Bulletin (included three times)	18 th January 2024	1	1
	25 th January 2024	2	2
	1 st February 2024	3	3

3.1.4. Engagement HQ

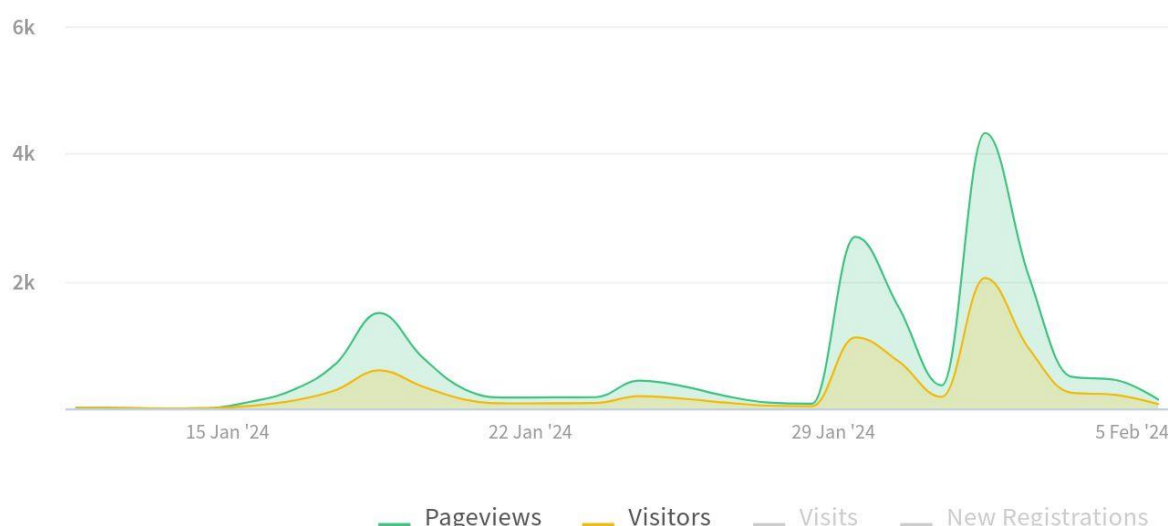
Engagement HQ is a digital engagement platform that was implemented by the local authority in December 2022, to support the council's online consultation and engagement activities. The platform is available in both English and Welsh Language.

The online survey was published using Engagement HQ, with the link available on the consultation page of the council's website.

The below image shows an overview of visitors to the Engagement and Participation Strategy project page on Engagement HQ.

Visitors Summary

Be involved, Bridgend from 08 Jan'24 to 05 Feb'24



The table below shows a highlight of traffic to the Engagement HQ project page for the Shaping Bridgend's Future 2024 consultation.

Aware visitors	7,212
Informed visitors	4,868
Engaged visitors	2,831
Visits referred from social media	409
Visits referred from council's website	1,166
Visitors from search engine	98
Direct	3,930
Email	3

3.1.5. Media and Publicity

A media release was issued on 15th January 2024 to flag up the upcoming budget consultation.

A link to the consultation was included in the medium-term final strategy press release on 18th January 2024 to encourage people to have their say.

<https://www.bridgend.gov.uk/news/medium-term-financial-strategy-discussed-by-cabinet-as-national-financial-challenges-continue/>

3.1.6. Internal communications

Messages were included in staff bulletins to encourage staff to complete the budget consultation.

The consultation was also promoted on the staff intranet.

	Date Sent	Unique Clicks	Total clicks
Staff Bulletin	1 st February 2024	8	12

3.1.7. Promotional Materials

An explainer video was produced to help people understand how the council's budget works and the challenges it faces. The video was featured on the webpage for the consultation.



3.1.8. Engagement drop in events

The consultation team held two engagement events during the consultation period at Garw Valley Life Centre and Ogmores Valley Life Centre. Business cards with links to the online survey were given out to encourage participation.

4. Response Rate

In total there were **2,839** interactions from a combination of survey completions, both online and paper, some of which were in response to engagement at drop-in sessions.

In total there were **2,813** responses to the online survey and **26** were submitted by paper, including English Language and Welsh language submissions: from our standard, Citizen Panel, Easy read, and large print versions.

This is double the response rate on the previous year's consultation, despite the period being only for three weeks.

5. How effective was the consultation?

The data collection methods, which include the online survey and a paper survey were developed using plain English to maximise understanding. These response methods were designed to give a consistency to the survey across multiple platforms.

6. Consultation Survey

6.1. Language used to complete the survey.

Respondents to the consultation survey were initially asked in which language they would like to complete the survey. Overall, 99.7% of respondents selected English with 0.3% selecting Welsh.

Language	#	%
English	2,831	99.7%
Welsh	8	0.3%
Total	2,839	100.0

7. Survey Questions and Analysis

This section outlines and analyses all questions asked in the online survey. The survey was split into 9 sections.

- Budget Principles
- Reduce / close services.
- Increasing charges and introducing new charges
- Review services and related budgets
- Review use of assets/buildings
- Review contracts with external partners for leisure services
- Review agreements with external partners

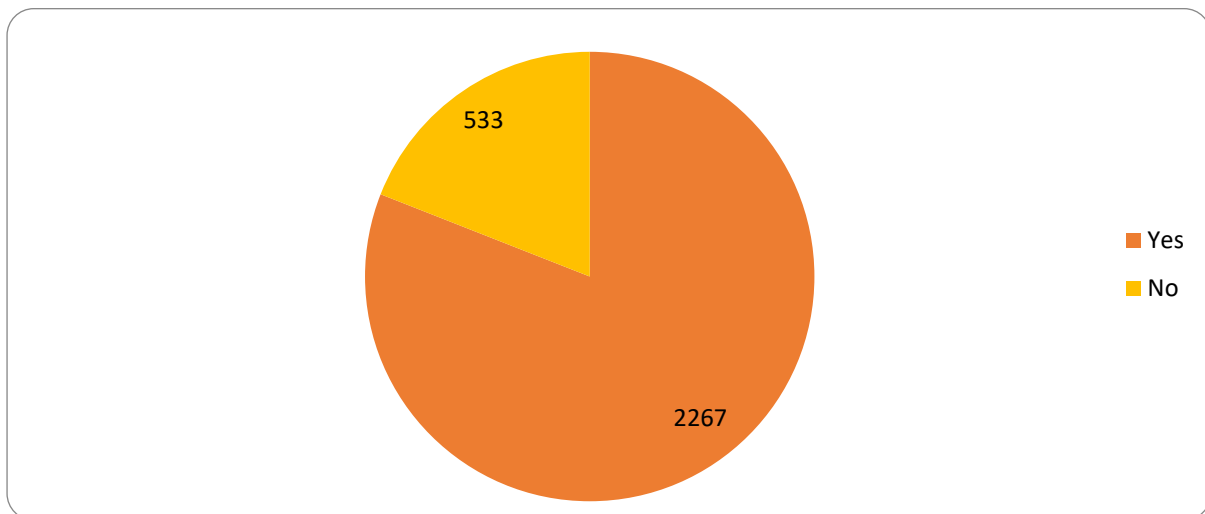
- Council Tax
- Citizen Focused

7.1. Budget Principles

We are proposing the following principles should underpin the development of the budget for the coming financial year:

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

Do you agree with these principles?

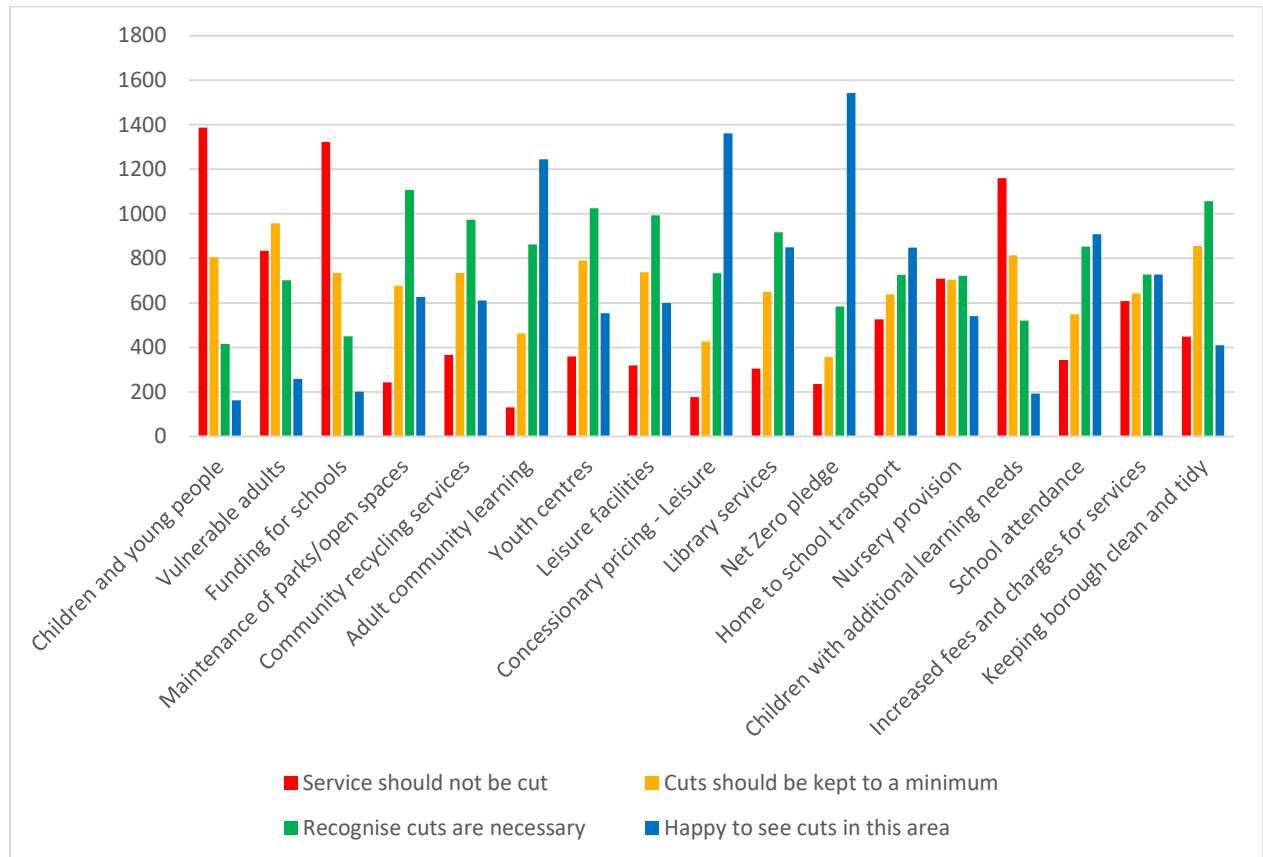


As shown above, 81% (2267) of respondents agree with the budget principles, and 19% (533) disagree with the principles.

7.2. Reduce/Close services.

In order to maintain our vital and statutory services we will need to reduce or cease the provision of other council services.

To assist us with this please indicate the importance of each of the following services to you using the following statements:



As shown above, the top five service areas people supported to cut are, Net Zero (1,543) Concessionary pricing for Leisure (1,362) Adult community learning (1,245), School attendance (909) and Library services (850).

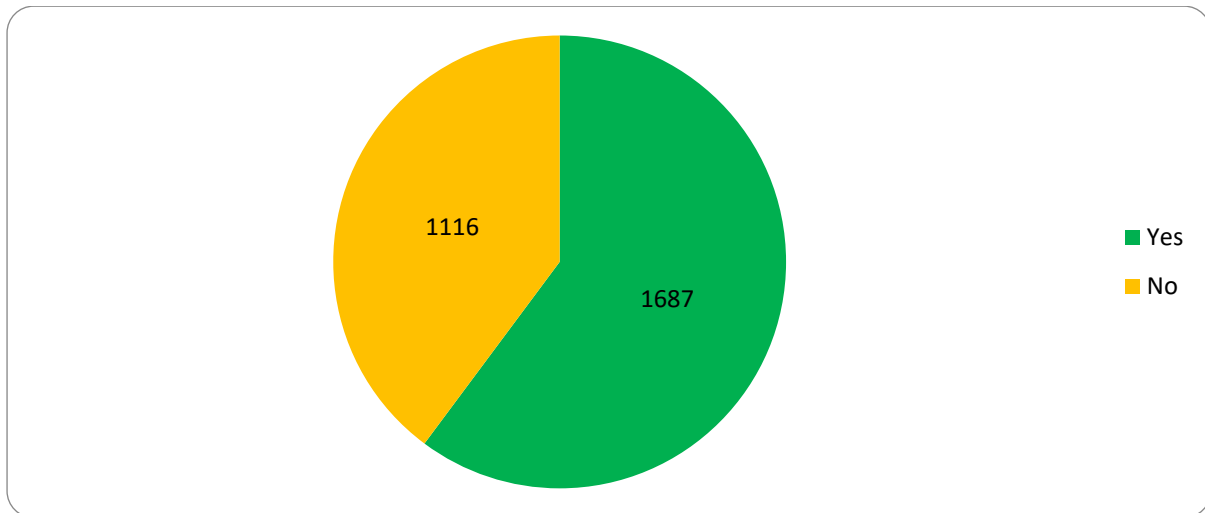
The service areas that people feel should not be cut are Children and young people (1,388), Funding for schools (1,322), Children with additional learning needs (1,160), Vulnerable adults (843) and Nursery provision (708).

7.3. Increasing charges and introducing new charges

The rising costs of maintaining current service levels mean we have to explore all cost recovery options including charging fees for selected services which are currently offered without charge, or at a subsidised charge. It has become unavoidable that we will need to review charges for our services in order to continue fulfilling our statutory requirement by:

- Increasing charges for services where a charge is already in place, such as bereavement services, school meals, garden, and bulky waste subscriptions, Porthcawl marina berthing fees and non-residential social care charges.
- Introducing charges for services which are currently provided for free such as pest control and educational music service.

Do you think moving towards a full cost recovery model for services is the right approach?



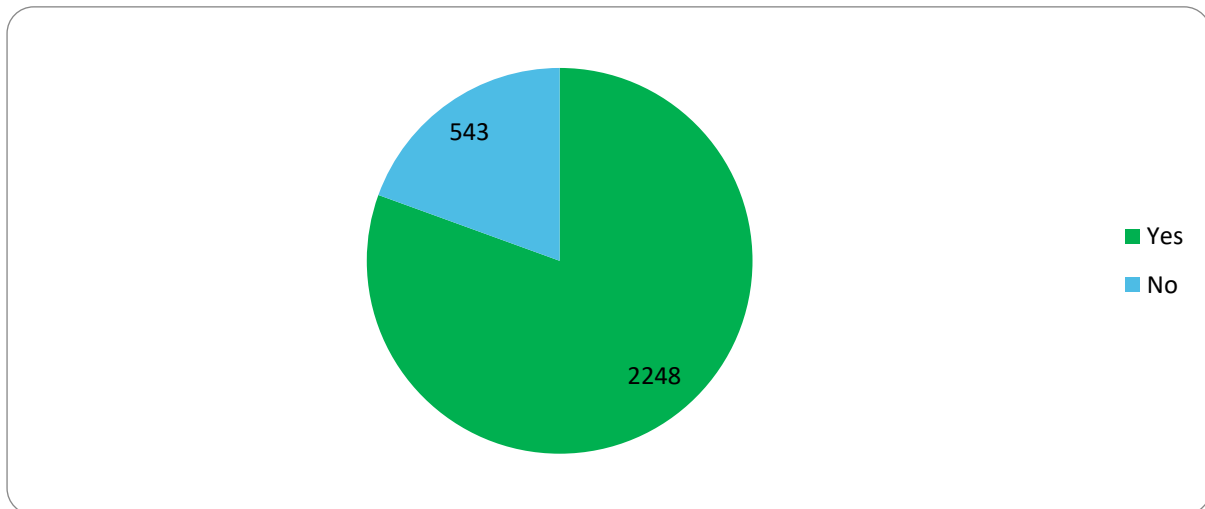
As shown above, 60% of respondents (1,687) agree that moving towards a full cost recovery model for services is the right approach. 40% of respondents (1,116) do not think it is the correct approach.

7.4. Review services and related budgets

In order to achieve the required budget reductions in the 2024/25 financial year, we will have to review and remodel many of our services. This means that whilst our vital services will still be affected, it will help to ensure these services can continue to operate.

- Reduce our staffing costs by not filling all of our vacant posts. This will result in fewer staff undertaking the work which will mean delays.
- Restructuring of internal departments. This will result in fewer staff undertaking the work which will reduce the amount of work that can be done.
- Review the level of service that can be provided. If staff numbers are reduced the level of service will also need to be adjusted and work will have to be prioritised.

Do you think reviewing and remodelling services is an important consideration?

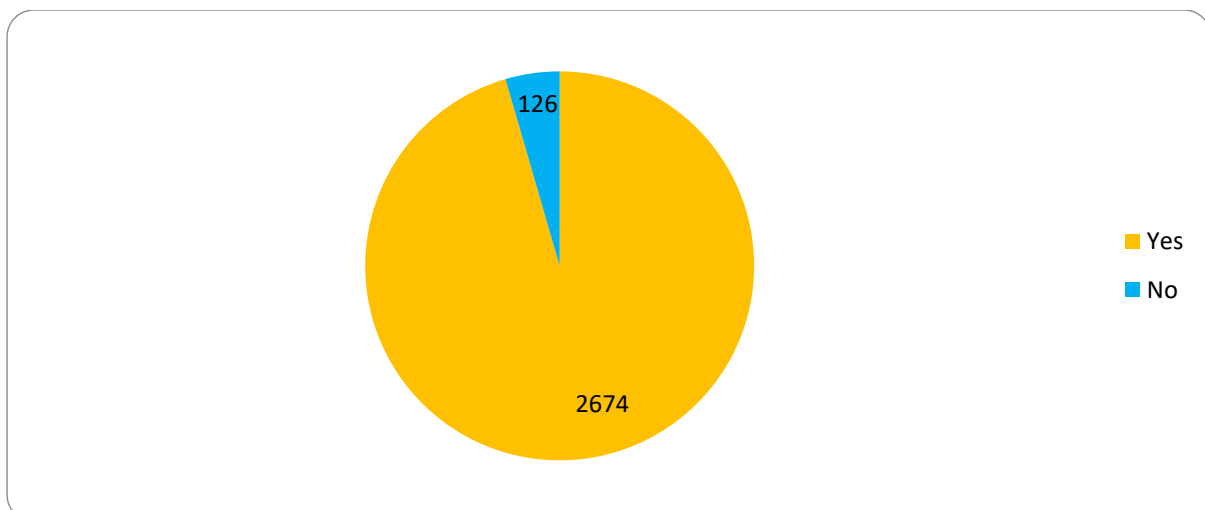


As shown above, 80.5% (2,248) of respondents think that reviewing and remodelling services is an important consideration. 19.5% (543) of respondents do not think it is an important consideration.

7.5. Review of assets and buildings

In balancing our future budget and ensuring our resources are used effectively, we plan to review our assets and buildings to ensure we are being as environmentally and financially efficient as possible. This involves considering our current office space utilisation and the most cost-effective means to run our commercial vehicles.

Do you think reviewing the use of assets/buildings is the right approach to have a meaningful impact?



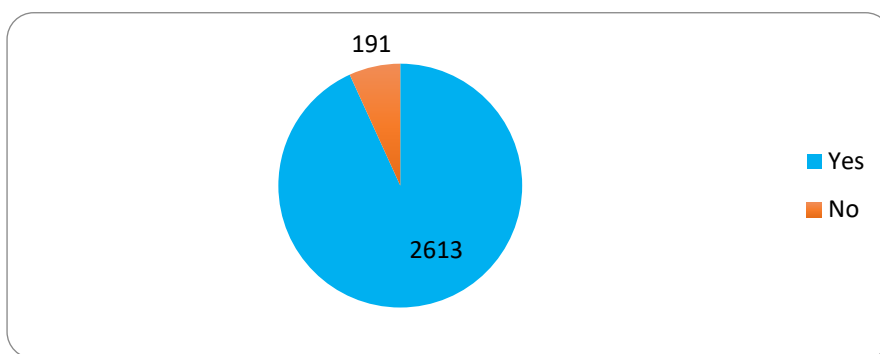
As shown above, 95.5% of respondents (2,674) agree that reviewing the use of assets/buildings is the right approach. 4.5% of respondents (126) do not think this is the right approach to have a meaningful impact.

7.6. Review contracts with external partners for Leisure Services

In order to achieve savings in this area for the 2024/25 financial year, we propose to review our partnership arrangement with Halo for the provision of leisure services. This would include :

- Extending Healthy living partnership with GLL/Halo by up to 5 years to reduce management fee by reprofiling expenditure over a longer period.
- Reviewing opportunities to amend the current energy payment arrangements for the leisure contract.

Do you think reviewing contracts with external partners for Leisure Services is a reasonable approach?

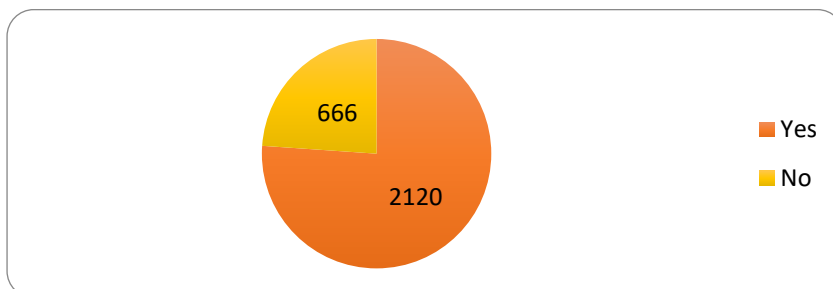


As shown above, 93.2.% of respondents (2,613) think reviewing contracts with external partners for Leisure services is a reasonable approach. 6.8% of respondents (191) do not think it is a reasonable approach.

7.7. Reviewing agreements with external partners

In order to achieve savings in this area for the 2024/25 financial year, we propose to request efficiency savings from the current arrangements with our external partners such as hospital discharge and services relating to bereavement, dementia, substance misuse and stroke.

Do you think reviewing agreements with external partners is a reasonable approach?



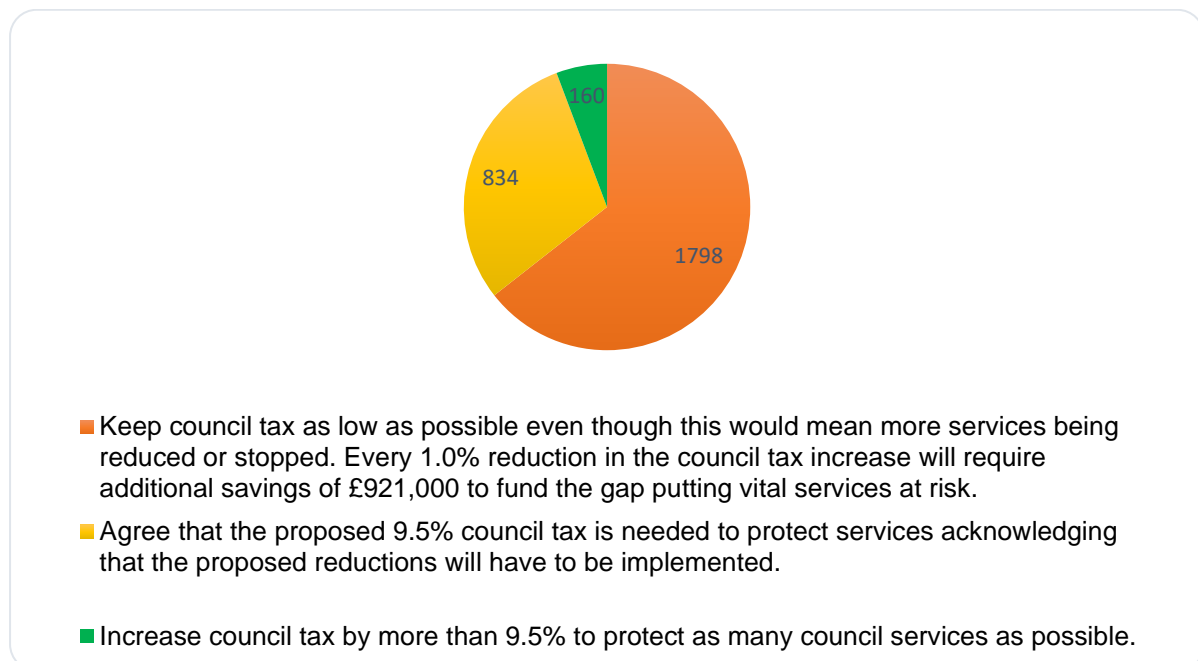
As shown above, 76% (2,120) of respondents think reviewing agreements with external partners is a reasonable approach. 24% of respondents (666) disagree that this is a reasonable approach.

7.8. Council Tax

As outlined in this survey, the financial position for the Council means that difficult decisions will have to be made for the coming financial year. Budget reduction proposals of £16m have been proposed which impact on all service areas in the Council however this is still not sufficient to balance the budget shortfall.

Therefore, the draft budget is suggesting a council tax increase of 9.5% for 2024/2025.

Taking account of the level of savings proposed, which of the following statements would you support:



As shown in the chart above, 64.4% of respondents favour keeping council as low as possible even though this would mean reducing or stopping more services.

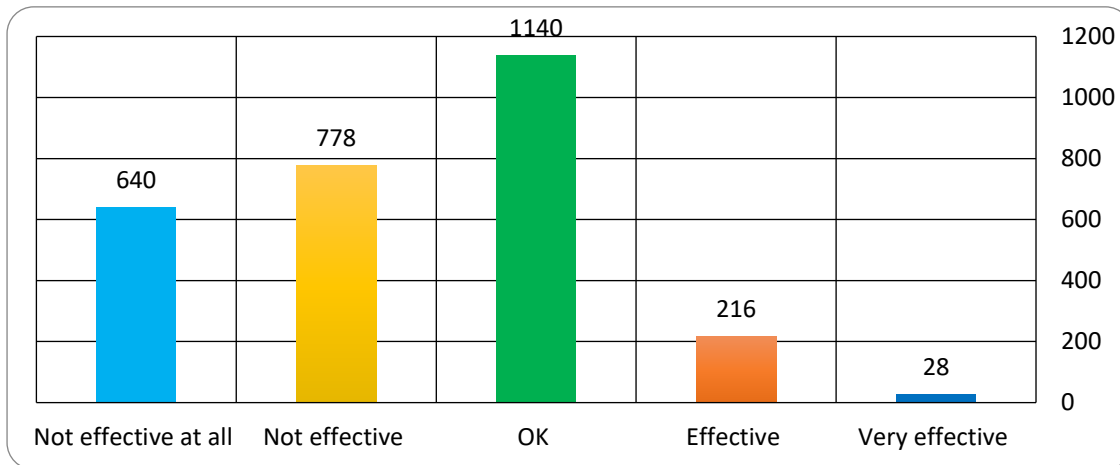
29.9% of respondents (834) agree that the proposed 9.5% council tax is needed to protect services and proposed reductions will have to be implemented.

5.7% of respondents (160) agree to increasing council tax by more than 9.5% in order to protect as many council services as possible.

7.9. Citizen Focus

The Council is committed to serving our local communities.

How effective do you think we have been in meeting our aim of being citizen-focused over the last 12 months?



As shown above, 40.7% of respondents (1,140) think we have been OK in meeting our aim of being citizen focused over the last 12 months. 27.8% of respondents (778) feel that we have not been effective. 22.8% (640) believe we have not been effective at all over the last 12 months. 7.7% (216) of respondents think we have been effective, and 1% (28) of respondents feel we have been very effective.

8. Conclusion

Despite this year's consultation period being three weeks, response rates doubled compared to the previous year.

The consultation received a total of 2,839 interactions from a combination of survey completions, engagement at various meetings, social media engagement and via the authority's Citizens' Panel.

Due to the short consultation period, face to face meetings were reduced. The consultation and engagement team attended two drop-in sessions in Ogmere Valley Life Centre and Garw Valley Life Centre.

The consultation document was available in a variety of formats: standard; easy read; large print and youth in Welsh and English. Respondents were able to select online or request paper surveys in all formats.

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. This is an information report; therefore, it is not necessary to carry out an EIA in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

This report is to be shared with Cabinet in order to inform the Medium-Term Financial Strategy for 2024-2025 onwards.

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Agenda Item 4

Meeting of:	CABINET
Date of Meeting:	20 FEBRUARY 2024
Report Title:	MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024-25 to 2027-28
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	DEBORAH EXTON DEPUTY HEAD OF FINANCE
Policy Framework and Procedure Rules:	The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.
Executive Summary:	<ul style="list-style-type: none"> • The proposed Medium Term Financial Strategy (MTFS) sets out the spending priorities for the Council for the next 4 years alongside a detailed budget for 2024-25. • The report outlines the financial, legislative and policy context within which the draft budget has been prepared alongside more detailed information on the services to be provided by the Council over the period of the MTFS. • The proposed MTFS is driven by the Council's 13 MTFS principles, along with additional budget principles requested by Cabinet for the forthcoming financial year, and has been developed by Cabinet and Corporate Management Board, taking into account discussions with, and the recommendations of, the Budget Research and Evaluation Panel and the Council's Overview and Scrutiny Committees. • Welsh Government announced its draft budget on 19 December 2023 before the announcement of the provisional local government settlement on 20 December 2023. • In terms of the provisional local government settlement, the all-Wales increase in Aggregate External Funding (AEF) was 3.1%. The increase for Bridgend was 3%. • No information was provided on future years' funding although indications are it will still be extremely challenging.

	<ul style="list-style-type: none"> • There were no transfers for new responsibilities or specific grants into the provisional local government settlement. • The proposed budget for 2024-25 is £359.725 million, and this includes budget pressures of £11.856 million, budget reductions of £13.045 million and a council tax increase of 9.5%. The breakdown of the budget for 2024-25 is set out in Table 10. • The MTFs sets out a most likely savings target of £44.882 million over the next 4 financial years. • The Council's general capital funding decreased by £28,000 to £7.980 million. • The Section 151 officer has a statutory duty to set a balanced and robust budget. • The final settlement is not due to be announced until the end of February. As a result this budget is being proposed on the basis of the provisional settlement received in December 2023. Changes in the Final Settlement, such as the transfer in of specific grants, and additional funding, will be reported to Council in due course, but will not affect the council tax level.
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1. Purpose of Report

- 1.1 The purpose of this report is to present Cabinet with the Medium Term Financial Strategy 2024-25 to 2027-28, attached at **Annex 3** (along with associated appendices), which includes a financial forecast for 2024-28, a detailed revenue budget for 2024-25 and a Capital Programme for 2024-25 to 2033-34, and to recommend that these are presented to Council for approval on 28 February 2024.

2. Background

- 2.1 The Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 are currently:

- 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 live healthy and happy lives

- 2.2 This MTFs has been significantly guided by these objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated significant

budget reductions across different service areas (£75.3 million since austerity began in 2010, of which schools have contributed £4.8 million), the Council still plays a very prominent role in the local economy of Bridgend County Borough. It is responsible for annual gross expenditure of around £520 million and is the largest employer in the county borough.

- 2.3 The Council's Corporate Plan is aligned to the Medium Term Financial Strategy, enabling the reader to make explicit links between the Council's well-being objectives and the resources directed to support them. However, it is clear that the challenging financial situation that the Council faces and the level of budget and service cuts that need to be made will inevitably severely restrict the ambitions and objectives set out in the Corporate Plan for at least 2024-25, but maybe also beyond that. In light of this, the Council is developing a 1-year Corporate Plan Delivery Plan for 2024-25 which will reflect the current financial situation whilst remaining ambitious in providing the maximum levels of service possible for all residents of the County Borough.

3. Current situation / proposal

- 3.1 This report is presented to Cabinet to provide details of the Council's Medium Term Financial Strategy for the four year period 2024-25 to 2027-28. The MTFS is complimentary to the Council's Corporate Plan, and looks to provide the resources to enable the Council's well-being objectives to be met. The MTFS outlines the principles and detailed assumptions which drive the Council's budget and spending decisions, outlines the financial context in which the Council is operating, and tries to mitigate any financial risks and pressures going forward, at the same time as taking advantage of any opportunities arising.
- 3.2 The MTFS focuses on how the Council intends to respond to the increasing pressures on public sector services, which have been exacerbated as a result of the ongoing cost of living crisis and rising demand. It sets out the approaches and principles the Council will follow to ensure the Council remains financially sustainable and delivers on its corporate well-being objectives.
- 3.3 The Council is required to approve a balanced budget for the following financial year and set the council tax rates for the County Borough. This report sets out proposals to achieve that objective and contribute towards a sustainable financial position going into the medium-term.
- 3.4 The quarterly reports to Cabinet during the financial year on the projected revenue position for 2023-24 have outlined in detail the impact on the budget of the additional cost pressures faced by the Council throughout the year as a result of the worsening economic climate, rising inflation and interest rates. These have been reflected in rising prices, higher than anticipated pay increases and significant tender price increases for goods and services. Whilst some of these additional pressures are not recurrent, a number will become core pressures for the Council going forward, and these are reflected in the MTFS.
- 3.5 The announcement of the final local government settlement for 2024-25 is once again approximately two months later than previous years. The final settlement is not due to be announced until the end of February. As a result this budget is being proposed on the basis of the provisional settlement received in December 2023. Welsh Government has already announced additional funding of £14.4 million across Wales

which will be included in the final settlement, which is intended to be used to support pressures in both social care and education, including teachers' pay. It is proposed that this funding is held centrally in the provisions for pay and prices until the details of this additional funding are clarified, and to mitigate additional costs in these areas as they arise. Any changes to the budget will be reported back to Council at a later date but it is not envisaged that any changes will impact upon council tax.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 A high level Equality Impact Assessment (EIA) has been undertaken on the Council's budget proposals and updated MTFS (see **Annex 1**). 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. The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions 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.
- 4.2 Individual EIAs are completed for 2024-25 proposed budget reduction proposals which may impact on certain groups of citizens within the County Borough.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 The Well-being of Future Generations (Wales) Act 2015 provides a framework for embedding sustainable development principles within the activities of the Council and has major implications for the long-term planning of finances and service provision. The 7 well-being goals identified in the Act have driven the Council's seven well-being objectives, which are designed to complement each other and be part of an integrated way of working to improve well-being for people in Bridgend County. In developing the MTFS, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.
- 5.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the well-being goals in different ways. A Well-being of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.
- 5.3 The Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle, is reflected in a number of areas within the Medium Term Financial Strategy, not least:

5 Ways of Working	Examples
Long Term	<ul style="list-style-type: none"> Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.

	<ul style="list-style-type: none"> • Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort. • The development of a 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing. • Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.
Prevention	<ul style="list-style-type: none"> • Investment in preventative measures to reduce the burden on more costly statutory services.
Collaboration	<ul style="list-style-type: none"> • Savings generated from collaboration and integrated working.
Integration	<ul style="list-style-type: none"> • Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy.
Involvement	<ul style="list-style-type: none"> • A robust budget consultation exercise, including surveys and social media debates, to inform proposals. The outcome of this will be reported to Cabinet on 20 February 2024.

5.4 The above features are aimed at ensuring the Council's finances are as healthy as they can be for future generations. Although resources are limited, they have been targeted in a way that reflects the Council's priorities, including the seven well-being goals included in Bridgend's Well-being Plan, and this is reflected in the relevant appendices. Where possible the Council has aimed to protect front line services and invest to save, with budget reductions targeted at making smarter use of resources, commercialisation, collaboration and transformation. The Well-Being of Future Generations (Wales) Act 2015 Assessment is attached at **Annex 2**.

6. Climate Change Implications

6.1 The local authority's 'Bridgend 2030 – Net Zero Carbon Strategy' and Welsh Government's carbon reduction commitments will also be addressed through the Medium Term Financial Strategy, particularly through capital investment. Specifically they will be addressed through a number of schemes, including the School Modernisation Programme, Ultra Low Emission Vehicles, and a recurrent 2030 decarbonisation capital budget, amongst others. However, due to financial constraints, our ambition to achieve Net Zero 2030 may be compromised.

7. Safeguarding and Corporate Parent Implications

7.1 The Medium Term Financial Strategy is aligned with BCBC's Corporate Parenting Strategy, and provides substantial investment in children's services through revenue budget pressures.

8. Financial Implications

8.1 This report outlines the financial issues that Council is requested to consider as part of the 2024-25 to 2027-28 MTFs. The Council's Section 151 Officer is required to

report annually on the robustness of the level of reserves. The current and future anticipated level of Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relates to the uncertainty of Welsh Government funding, both generally for local government into the medium term with recent one-year settlements, and specifically for some of the pressures the Council is currently facing in its service areas, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFS Principle 9, as set out in the MTFS, and it is essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

- 8.2 The Section 151 Officer is also required to report to Council if they do not believe that they have sufficient resource to discharge their role as required by section 114 of the Local Government Act 1988. Members should note that there is currently sufficient resource to discharge this role.
- 8.3 The proposed budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparation. However, there is always a risk of change, as evidenced by the volatile economic environment of the last 12 months. Subject to the risks identified the proposed MTFS provides a firm basis for managing the Council's resources for the year 2024-25 and beyond.
- 8.4 However, the extremely challenging financial situation that the Council is facing, currently and in the coming years, cannot be under-stated. The Council's provisional settlement was less than the current rate of inflation, and the Council has no firm guarantee on what funding it may receive towards teachers' pensions. In addition, there are significant service pressures facing the Council going into 2024-25, including those leading to the current projected £10.287 million over spend for 2023-24. There is not enough funding within the provisional settlement to meet these costs, let alone new emerging pressures. The only way to mitigate them is through service reductions or higher increases in council tax. The Council's reserves are falling, and there is little capacity to establish new reserves, so using reserves to balance the budget is not a robust or long term solution, particularly in light of the fact that these financial challenges are still likely to be facing us into 2025-26 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2024-25 onwards.

9. Recommendations

- 9.1 Cabinet is asked to recommend the MTFS 2024-25 to 2027-28, including the 2024-25 revenue budget and the Capital Programme 2023-24 to 2033-34, to Council for approval. In particular it is asked to recommend that the following specific elements are forwarded to Council for approval:
- The MTFS 2024-25 to 2027-28 (**Annex 3**).
 - The Net Budget Requirement of £359,725,154 in 2024-25.
 - A Band D Council Tax for Bridgend County Borough Council of £1,834.41 for 2024-25 (Table 15 of the MTFS).

- The 2024-25 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFS.
- The Capital Programme 2023-24 to 2033-34, attached at Appendix G of the MTFS.

Background documents

None

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Full Equality Impact Assessment (EIA) form

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This document is a multi-purpose tool ensuring the appropriate steps are taken to comply with the [Public Sector Equality Duty](#) Equality Impact Assessment legislation and to demonstrate that we have shown due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage when taking strategic decisions under the [Socio-economic Duty](#). It also ensures consideration of the [Welsh Language Standards](#).

[Click here to access more information and guidance to help you complete this EIA.](#)

- This assessment should be carried out **before your policy or proposal commences but after your engagement or consultation activities**.
- Your EIA screening form should have informed your consultation or engagement activities.
- If you are undertaking a full public consultation as part of your policy or proposal this form should be completed after the consultation has concluded.
- The results of your consultation and engagement activities will have helped you to gain a better understanding of the needs of those who may be impacted by the policy or proposal.
- **All sections and all questions require a response and must not be left blank even if they are 'not applicable'.**

Name of project, policy, function, service or proposal being assessed:	Medium Term Financial Strategy 2024-25 to 2027-28
Brief description and aim of policy or proposal:	The Medium Term Financial Strategy sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings
Who is responsible for delivery of the policy or proposal?	Chief Officer – Finance, Housing and Change
Date EIA screening completed:	5 February 2024

Evidence

Record of other consultation/engagement with people from equality groups, people who represent these groups, staff who work with groups, including any sessions run as part of a public consultation.

Group or persons consulted	Date/venue and number of people	Feedback/areas of concern raised	Action Points
Council budget challenges explained article on Bridgend County Borough Council website – consultation pages	December 2023 / January 2024	Article set out how public services are experiencing financial challenges and it now costs the Council more to deliver services to its residents, how the Council spends its money, how the Council is funded and FAQs about the budget.	The article explained how residents' views would be sought on future budget proposals in early 2024.

Employees of Bridgend County Borough Council	January – February 2024	Staff Messages – Bridgenders sought to remind BCBC employees of the Budget consultation with a reminder circulation on the 1 February that the survey closes on the 4 February.	The Staff Message explained how the responses to the budget consultation will help inform the final proposals that will be presented at a full Council meeting for a decision in February 2024.
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If you undertook a full public consultation please enter the details and a summary of the findings here:	<p>The Council's Medium Term Financial Strategy (MTFS) consultation ran from 15 January 2024 to 4 February 2024. The consultation received a total of 2,839 survey completions, both online and paper versions, and a combination of English language and Welsh language responses.</p> <p>The public survey was available to complete online through a link on the consultation page of the Council's website. Paper copies of the consultation were also made available which could be sent directly to residents upon request. Surveys were available in several formats, including easy-read, large print, standard and a youth version. All were available in Welsh and English.</p> <p>Details of the consultation were shared with the following stakeholders: general public/residents, Citizens' panel members, elected members, Bridgend County Borough Council employees and Town and Community Councils.</p>
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Please list any existing documents, reports, evidence from previous engagement, previous EIAs, service user information etc. which have been used to inform this assessment.	Assessment is based on 'Shaping Bridgend's Future 2024-25 consultation exercise undertaken between 15 January 2024 to 4 February 2024.
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If you have identified any data gaps then you **MUST** undertake more consultation/engagement/research.

Assessment of Impact

It is important that you record the mitigating actions you will take when developing your final policy or proposal. Record here what measures or changes you will introduce to the policy or proposal in the final draft which could:

- Reduce or remove any unlawful or negative impact or disadvantage;
- Improve equality of opportunity;
- Introduce positive change;

- Reduce inequalities of outcome resulting from socio-economic disadvantage;
- Provide opportunities for people to use the Welsh Language;
- Ensure that the Welsh Language is treated no less favourably than the English Language.

Protected characteristics

Based on the data you have analysed, and the results of consultation or engagement, consider what the potential impact will be upon people with protected characteristics (negative or positive). Include any examples of how the policy or proposal helps to promote equality. If you do identify any adverse impact you **must seek legal advice as to whether, based on the evidence provided, an adverse impact is or is potentially discriminatory, and identify steps to mitigate any adverse impact – these actions will need to be included in your action plan.**

	What are the impacts of your policy or proposal? Please place an X in the relevant box			Why have you come to this decision? Please provide an explanation and any supporting evidence.	Considerations to mitigate negative impact(s) and/or secure positive impact(s)
	Positive impact(s)	Negative impact(s)	No impact		
Gender		X		<p>The impact on women and men may differ based on the demographics of the county borough rather than the service delivery/provision.</p> <p>From the 2021 census, there were 145,500 people living in the county borough comprising of a gender split of 49.4% male (71,800) and 50.6% (73,600) female.</p> <p>Some of the proposals will impact carers, parents and children. The vast majority of caring and parenting responsibilities are undertaken by women; some proposals therefore regarding caring and children are likely to negatively impact women.</p>	<p>There will be an impact on women and men as a result of some of the proposed budget reductions although, potentially, the impact may differ depending on the service being delivered/ reviewed.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated.</p>

Disability		X		<p>From the 2021 census, 11% of Bridgend residents were identified as being disabled.</p> <p>Whilst the Council is mindful of the potential impact of the budget proposals on disabled people, there are opportunities for us to work with our third sector partners to deliver an alternative form of service.</p>	<p>There may be an impact on people with disabilities as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Race		X		<p>From the 2021 census, there are 4,691 BAME people living in Bridgend comprising 3.2% of the total population.</p> <p>The Council currently provides information in languages other than Welsh, English and British Sign Language.</p> <p>We will continue to monitor the impact of our proposed budget reductions on this protected characteristic.</p>	<p>There may be an impact on race as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>

Religion and belief		X		<p>From the 2021 census, 52.3% of residents reported having 'No religion', 40.4% described themselves as Christian, and 5.6% did not state their religion.</p> <p>The full impact of the budget reductions is currently unknown however we will continue to monitor the impact and introduce mitigation where possible.</p>	<p>There may be an impact on religion and belief as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Sexual Orientation			X	<p>The potential impact of the budget reduction on this particular protected characteristic group is unknown as, although consultees are asked to share their personal and sensitive data with the Council, this is not always disclosed.</p> <p>Further efforts will be made to encourage service users, customers, visitors and staff to disclose information regarding sexual orientation.</p>	<p>There is not expected to be an impact on sexual orientation as a result of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>

Age		X		<p>The impact on age will differ and will depend on the nature of the service delivered and the service users.</p> <p>The budget proposals contain some reductions that could potentially negatively impact older and younger people.</p>	<p>There may be an impact on people of varying ages as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Pregnancy & Maternity				<p>The potential impact of the proposed budget reductions on pregnancy and maternity is currently unknown. Some of the proposed reductions may influence the decisions of women to have (or not have) children as it may no longer be economically and socially viable. Women could face the decision of either staying at home (which has shown to have a negative impact on their income, career prospects and their longer term income) or paying private bursary fees until their children reach the age of 4-5.</p>	<p>There may be an impact on pregnancy and maternity as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>

Transgender			X	<p>The potential impact of the budget reductions on this particular protected characteristic group is unknown as, although consultees are asked to share their personal and sensitive data with the Council, this is not always disclosed.</p> <p>Further efforts will be made to encourage service users, customers, visitors and staff to disclose information regarding reassignment.</p>	<p>There is not expected to be an impact on transgender people as a result of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Marriage and Civil partnership			X	<p>The potential impact of the budget reductions on this particular group is unknown, however there is not expected to be an impact either positive or negative.</p>	<p>There is not expected to be an impact on marriage and civil partnership as a result of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are</p>

					taken account of and, if possible, mitigated
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Socio-economic impact

Does the evidence gathered suggest that your policy or proposal will have a disproportionate impact on people living in socio-economic disadvantage? This could include communities of place or communities of interest (i.e., where stakeholders, service users, staff, representative bodies, etc. are grouped together because of specific characteristics or where they live).

	What are the impacts of your policy or proposal? Please place an X in the relevant box			Why have you come to this decision? Please provide an explanation and any supporting evidence.	Considerations to mitigate negative impact(s) and/or secure positive impact(s)
	Positive impact(s)	Negative impact(s)	No impact		
Socio-economic disadvantage		X		The Full Equality Impact Assessment reinforces that the full impact of the MTFS will be unknown until a consultation exercise has been undertaken with the public where feedback and concerns regarding the proposed budget reductions may be gathered and subsequent mitigating actions considered	The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated

Welsh language

Consider how your policy or proposal ensures that you are working in line with the requirements of the Welsh Language Standards (Welsh Language Measure (Wales) 2011), to ensure the Welsh Language is not treated less favourably than the English Language, and that every opportunity is taken to promote the Welsh Language (beyond providing services bilingually) and increase opportunities to use and learn the language in the community.

	What are the impacts of your policy or proposal for persons to use the Welsh language and in treating the Welsh language less favourably than the English language? Please place an X in the relevant box			Why have you come to this decision? Please provide an explanation and any supporting evidence.	Record of mitigation in order to: <ul style="list-style-type: none"> • secure positive or more positive effects • avoid adverse effects or secure less adverse effects
	Positive impact(s)	Negative impact(s)	No impact		
Will the policy or proposal impact on opportunities for people to use the Welsh language			X	From the 2021 census, there were 22,070 people (out of a county borough total of 145,500 people – 15.2%) who can read, speak or write Welsh. There is not expected to be a negative impact on the Welsh language.	The Council continues to promote the Welsh language and complies with the Welsh Language Standards in all of its activities.
Will the policy or proposal treat the Welsh language no less favourably than the English language				From the 2021 census, there were 22,070 people (out of a county borough total of 145,500 people – 15.2%) who can read, speak or write Welsh. There is not expected to be a negative impact on the Welsh language.	The Council continues to promote the Welsh language and complies with the Welsh Language Standards in all of its activities.

Wider impact

Cumulative impact

What is the cumulative impact of this policy or proposal on different protected groups when considering other key decisions affecting these groups made by the organisation? (You may need to discuss this with your Service Head or Cabinet Member to consider more widely if this proposal will affect certain groups more adversely because of other decisions the organisation is making, eg, financial impact/poverty, withdrawal of multiple services and whether this is disadvantaging the same groups, eg, disabled people, older people, single parents (who are mainly women), etc)

The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of, and if possible mitigated.

In reviewing its cost pressures, the Council has allocated the resources available to it to meet its highest priorities. This process has regard to the impact upon different services and their client base.

Public Sector Equality Duty

The Public Sector Equality Duty consists of a general equality duty and specific duties, which help authorities to meet the general duty.

The aim of the general equality duty is to integrate considerations of the advancement of equality into the day-to-day business of public authorities. In summary, those subject to the equality duty, must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
- Advance equality of opportunity between people who share a characteristic and those who don't
- Foster good relations between people who share a characteristic and those who don't

How does this policy or proposal demonstrate you have given due regard to the general equality duty?

Consideration has been given to the requirements of the Public Sector Equality Duty throughout the development of the MTFs. The proposals contained within the MTFs cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing the MTFs 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

Procurement and partnerships

The Public Sector Equality Duty (PSED) requires all public authorities to consider the needs of protected characteristics when designing and delivering public services, including where this is done in partnership with other organisations or through procurement of services. The Welsh Language Standards also require all public authorities to consider the effects of any policy decision, or change in service delivery, on the Welsh language, which includes any work done in partnership or by third parties. We must also ensure we consider the Socio-economic Duty when planning major procurement and commissioning decisions to consider how such arrangements can reduce inequalities of outcome caused by socio-economic disadvantage.

Will this policy or proposal be carried out wholly or partly by contractors or partners?

Please place an X in the relevant box:	
Yes	
No	X

If yes what steps will you take to comply with the General Equality Duty, Welsh Language Legislation and the Socio-Economic Duty in regard to procurement and/or partnerships?

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	Steps taken to ensure compliance:
General Equality Duty	N/a
Welsh Language legislation	N/a
Socio-economic duty	N/a

Record of recommendation and decision

What is the recommendation for the policy or proposal based on assessment of impact on protected characteristics, Welsh Language and socio-economic impact?

If you chose to continue with the policy or proposal in its current form even though negative impacts have been identified a full justification should be provided and actions should be identified with the aim to reduce negative impacts.

	Please place an X in the relevant box	Please explain fully the reasons for this judgement.
Continue with the policy or proposal in its current form as no negative impacts have been identified		
Continue with the policy or proposal in its current form even though negative impacts have been identified	X	Whilst the EIA has identified that there may be an impact on certain protected characteristics as a result of some of the proposed budget reductions, the finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated.
Do not continue with this policy or proposal as it is not possible to address the negative impacts.		

Monitoring action plan and review

Equality Impact assessment Action Plan

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It is essential that you now complete the action plan. Include any considerations you have identified to mitigate negative impact(s) and/or secure positive impact(s) on protected characteristics, socio-economic impact and Welsh Language. Once your action plan is complete, please ensure that the actions are mainstreamed into the relevant Service Development Plan.

Action	Lead Person	Target for completion	Resources needed	Service Development plan for this action
Comprehensive and detailed equality analysis to be carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated.	Relevant Corporate Director / Head of Service with support and advice from the Consultation Engagement and Equalities Team.	To be undertaken as proposals are taken forward.	Support and advice from the Equalities Team	Each relevant service area

Please outline how and when this EIA will be monitored in the future and when a review will take place:

Monitoring arrangements:	Date of Review:
A review of this Full EIA will take place on an annual basis and data that is subsequently made available following consultation and engagement on the individual proposed budget reductions will also be considered.	January 2025

Approval

Date Full EIA completed:	05 February 2024
Name of the person completing the Full EIA:	Joanne Norman
Position of the person completing the Full EIA:	Group Manager – Budget Management

Approved by (Head of Service or Corporate Director):	Deborah Exton – Deputy Head of Finance Carys Lord – Chief Officer – Finance, Performance and Change (S151 Officer)
Date Full EIA approved:	5 February 2024

Publication of EIA and feedback to consultation groups

It is important that the results of this impact assessment are published in a user friendly accessible format.

It is also important that you feedback to your consultation groups with the actions that you are taking to address their concerns and to mitigate against any potential adverse impact.

When complete, this form must be signed off and retained by the service and a copy should also be sent to equalities@bridgend.gov.uk

Where a full EIA has been completed this should be included as an appendix with the relevant cabinet report and therefore will become available publically on the website.

If you have queries in relation to the use of this toolkit please contact the Equalities Team on 01656 643664 or equalities@bridgend.gov.uk

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WELL-BEING OF FUTURE GENERATIONS (WALES) ACT 2015 ASSESSMENT

Project Description (key aims):

Medium Term Financial Strategy (MTFS) 2024-25 to 2027-28

Section 1 Complete the table below to assess how well you have applied the 5 ways of working.**Long-term****1. How does your project / activity balance short-term need with the long-term and planning for the future?**

The development of the MTFS aims to balance short-term needs in terms of meeting savings targets, while safeguarding the ability to meet longer-term objectives. It provides a financial basis for decision making and aims to ensure that the Council's finances can be as healthy as they can be for future generations. It does this by:

- Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.
- Adhering to a clear set of MTFS principles that drive expenditure decisions.
- Ensuring that the majority of savings are generated from making smarter use of resources with front line service reductions kept to a minimum and only as a last resort.
- The development of a 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing and investment in capital schemes that support the Council's well-being objectives and benefits the County Borough over a longer period.
- Protecting front line services as far as possible.

Prevention**2. How does your project / activity put resources into preventing problems occurring or getting worse?**

The MTFS attempts to balance investment in preventative measures against costs of reacting to unanticipated situations in statutory services. One of the Council's budget principles for this year is to 'safeguard and protect the most vulnerable people in our communities'. Each budget reduction proposal is weighed in terms of the impact on other areas of the Council, on the public and on the Well-being of Future Generations. Where a budget cut in one area of non-statutory prevention would lead to increased costs in another, this is not considered to be good financial management. A number of budget pressures target investment in preventative services, and budget reductions are achieved through remodelling of existing service provision to prevent more costly long term pressures. In addition, the Council's capital programme targets significant investment in refurbishing or replacing highways, buildings and other infrastructure to prevent longer term maintenance costs.

Integration	3. How does your project / activity deliver economic, social, environmental & cultural outcomes together?
	The Medium Term Financial Strategy is closely aligned to the Council's Corporate Plan, with explicit links between resources and well-being objectives. The MTFS has been guided by its well-being objectives. The development of the Corporate Plan and MTFS are both the responsibility of Cabinet and the Corporate Management Board.
Collaboration	4. How does your project / activity involve working together with partners (internal and external) to deliver well-being objectives?
	A number of budget reduction proposals are achievable through inter-agency working, with the Third Sector, Social Enterprises, other local authorities and partners. These include joint services across local authorities, and with the Health Service, and new models of working internally to provide more resilient services. A number of services already collaborate with other partners and these continue to improve performance whilst operating with reducing resources.
Involvement	5. How does your project / activity involve stakeholders with an interest in achieving the well-being goals? How do those stakeholders reflect the diversity of the area?
	We undertook our annual budget consultation for a 3 week period during January and early February 2024 prior to the final budget being presented to Cabinet and Council, the emphasis of which was to seek citizens' thoughts on how we should address the budget situation. It was recognised that budget planning for 2024-25 is more difficult and uncertain than ever before, and that the Council is facing even more cost pressures than experienced in previous years, as a result of the global economic circumstances arising from the cost of living crisis, high levels of inflation and the ongoing conflict in Ukraine. The results were collated and used to further inform final decisions on the MTFS.

Section 2 Assess how well your project / activity will result in multiple benefits for our communities and contribute to the national well-being goals		
Description of the Well-being goals	How will your project / activity deliver benefits to our communities under the national well-being goals?	Is there any way to maximise the benefits or minimise any negative impacts to our communities (and the contribution to the national well-being goals)?
A prosperous Wales		

<p>An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.</p>	<ul style="list-style-type: none"> • Improved educational outcomes for children and young people leading to a well-educated and skilled population to meet future skills needs. • Improve future outcomes for young people including educational attainment, cohesive safe communities are more attractive and easier places to do business. • Increase productivity, employment and skills. Encourage a lower carbon economy. 	<p>The majority of savings will be generated from making smarter use of resources with front line service reductions kept to a minimum and only as a last resort.</p> <p>The MTFS is aligned with the Corporate Plan to achieve the Council's current well-being objectives:</p> <p>Funding is targeted in line with these priorities and in line with the 13 MTFS Principles.</p>
<p>A resilient Wales A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).</p>	<ul style="list-style-type: none"> • Break long term cycles to secure better outcomes for people and communities. • Stronger individuals and communities are more resilient to change. • Communities place a greater value on their environment and more people get involved in local issues and recognise the importance of green space in wellbeing and as a prevention factor. • Healthy active people in resilient communities, volunteering, keeping young people in the local area, reducing travel to work, increased use and awareness of green spaces. 	<p>The impact on local communities will be monitored through the wide range of services that will continue to be provided by the Council or its partners.</p>

<p>A healthier Wales A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.</p>	<ul style="list-style-type: none"> • Improved future physical and mental well-being, by reducing health harming behaviours. • Promote more involvement in communities to benefit mental health, social and physical activity. • Focus on healthy lifestyles and workplaces, increased income linked to health. 	<p>The impact on local communities will be monitored through the wide range of services that will continue to be provided by the Council or its partners.</p>
<p>A more equal Wales A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).</p>	<ul style="list-style-type: none"> • Helping all children and young people to reach their full potential, by improving their early years experiences and ensure access to information to help make informed decisions. Improving outcomes for teenage parents and their children. • Recognising that communities are becoming more diverse. Addressing barriers that some groups have in feeling part of communities. • Address income inequality and health inequality, focus on disability, older people and other equality groups. Focus on increasing income and reducing the skills gap. 	<p>The impact on local communities will be monitored through the wide range of services that will continue to be provided by the Council or its partners.</p>
<p>A Wales of cohesive communities Attractive, viable, safe and well-connected communities.</p>	<ul style="list-style-type: none"> • Increased number of confident secure young people playing an active positive role in their communities. 	<p>The impact on local communities will be monitored through the wide range of services that will continue to be provided by the Council or its partners.</p>

	<ul style="list-style-type: none"> • Healthy active people in resilient communities, keeping young people and skills in the local area, tackling poverty as a barrier to engagement in community life a supportive network, developed through initiatives at work, can help to support staff through challenging times in their lives. 	
<p>A Wales of vibrant culture and thriving Welsh language A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.</p>	<ul style="list-style-type: none"> • Cultural settings provide support sensitive to our increasingly diverse communities and help us identify opportunities to increase the number of Welsh speakers. • Importance of culture and language as a focus for communities coming together. • Bringing more people from different cultures together. More people identifying with their community. • Encourage take up of sports, arts and recreation initiatives through the workplace. • Ensure Welsh culture and language are a part of this. Welsh language skills are beneficial to businesses and in increasing demand. 	Compliance with the Welsh Language act and specific Welsh Language Standards will be monitored as part of the annual report.
<p>A globally responsible Wales A nation which, when doing anything to improve the economic, social,</p>	<ul style="list-style-type: none"> • Diverse, confident communities are resilient to change. Promotes a 	The impact on local communities will be monitored through the wide range of

environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.	<p>better knowledge of different cultures and a better knowledge of the local environment.</p> <ul style="list-style-type: none"> • Healthy lifestyles include cultural activities that promote understanding of diversity of communities, different cultures, races. Promote apprenticeships to people from different backgrounds. 	services that will continue to be provided by the Council or its partners.
--	--	--

Section 3 Will your project / activity affect people or groups of people with protected characteristics? Explain what will be done to maximise any positive impacts or minimise any negative impacts			
Protected characteristics	Will your project / activity have any positive impacts on those with a protected characteristic?	Will your project / activity have any negative impacts on those with a protected characteristic?	Is there any way to maximise any positive impacts or minimise any negative impacts?
Age:	Unknown - The impact, positive or negative, will depend on the nature of the service delivered, the specific budget reduction proposed or budget pressure funded and the service user.		This will vary according to the service provided and will be considered through individual Equality Impact Assessments (EIAs).
Gender reassignment:	See above		This will vary according to the service provided and will be considered through individual EIAs.
Marriage or civil partnership:	See above		This will vary according to the service provided and will be considered through individual EIAs.
Pregnancy or maternity:	See above		This will vary according to the service provided and will be considered through individual EIAs.
Race:	See above		This will vary according to the service provided and will be considered through individual EIAs.

Religion or Belief:	See above	This will vary according to the service provided and will be considered through individual EIAs.
Race:	See above	This will vary according to the service provided and will be considered through individual EIAs.
Sex:	See above	This will vary according to the service provided and will be considered through individual EIAs.
Welsh Language:	See above	This will vary according to the service provided and will be considered through individual EIAs.

Section 4 Identify decision meeting for Project/activity e.g. Cabinet, Council or delegated decision taken by Executive members and/or Chief Officers	
Cabinet	
Compiling Officers Name:	Deborah Exton
Compiling Officers Job Title:	Deputy Head of Finance
Date Completed:	02/02/2024

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

MEDIUM TERM FINANCIAL STRATEGY

2024-25 to 2027-28



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SECTION 1. INTRODUCTION

1.1 Aims and Purpose of the Medium Term Financial Strategy

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

1.1.2 The MTFS includes:-

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

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

1.2 MTFS Principles

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

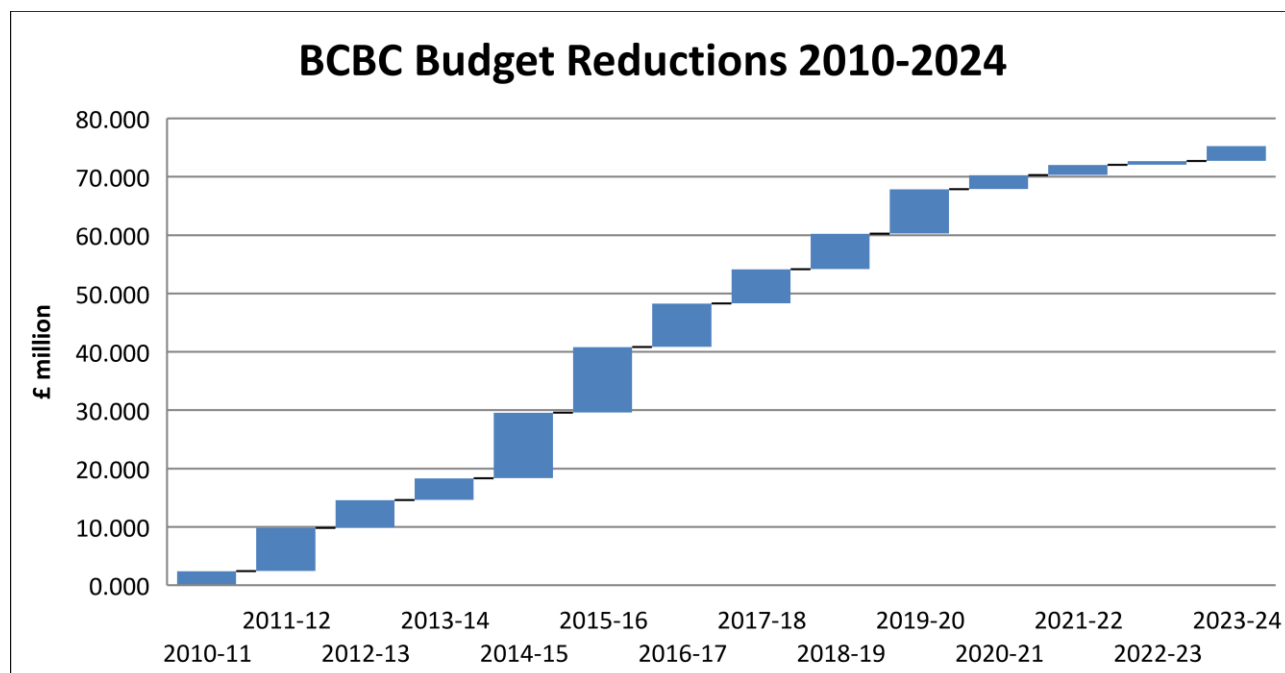
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on ensuring that the Council remains financially viable over the full period of the MTFS.
2. All budget related decisions will align with the principles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

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

1.3 Corporate Financial Overview

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

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



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

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

- Bridgend County Borough Council charge
- Community Council charge

- Police and Crime Commissioner for South Wales charge

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

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

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

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

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

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

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

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

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

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

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

Additional Income

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

Alternative Delivery Models

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

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

Efficiency Savings

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

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

Changes to Service Provision

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

SECTION 2. CONTEXT

2.1 Well-being Objectives

2.1.1 The Council's vision is to act as:

“One Council working together to improve lives”

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

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

2.2 Key Statistics

2.2.1 Key Financial Statistics:

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

Table 1: BCBC Budget Statistics

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

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

Financial Performance

Current Year (2023-24) Financial Performance

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

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

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

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

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

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

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

Historical Financial Performance

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

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

Table 3: Historical Financial Outturn Position 2020-2023

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

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

Usable Reserves

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

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

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

Table 4: Usable Reserves 2020-2023

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

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

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

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

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

Borrowing and Investments

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

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

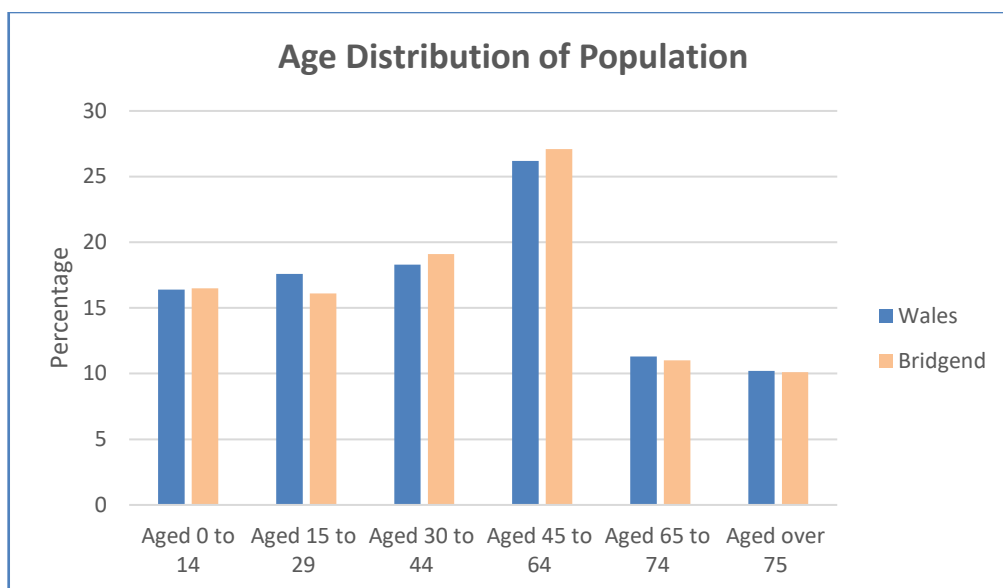
2.2.2 Non-Financial Statistics:

Population

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

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

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



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

Employment

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

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

Pupil Numbers

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

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

Other statistics

Leisure and Well-being:

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

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

2.3 Scrutiny and Challenge

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

Table 5 – Headline Figures from Public Consultation

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

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

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

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

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

2.4 Service Overview

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

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

2.4.2 Education

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

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

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

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

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

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

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

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

2.4.3 **Social Care and Wellbeing**

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

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

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

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

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

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

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

2.4.4 Housing and Homelessness

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

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

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

2.4.5 Public Realm

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

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

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

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

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

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

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

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

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

2.4.6 **Supporting the Economy**

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

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

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

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

2.4.7 Regulatory and Corporate Services

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

Regulatory Services

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

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

Registrars

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

Council Tax and Benefits

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

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

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

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

2.4.8 Other Council Wide Services

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

Property and building maintenance

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

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

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

Legal services

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

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

Finance

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

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

Human Resources (HR) and Organisational Development (OD)

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

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

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

ICT

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

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

Procurement

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

Democratic Services

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

Internal Audit

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

SECTION 3. THE FINANCIAL CLIMATE

3.1 Current Financial Situation

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

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

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

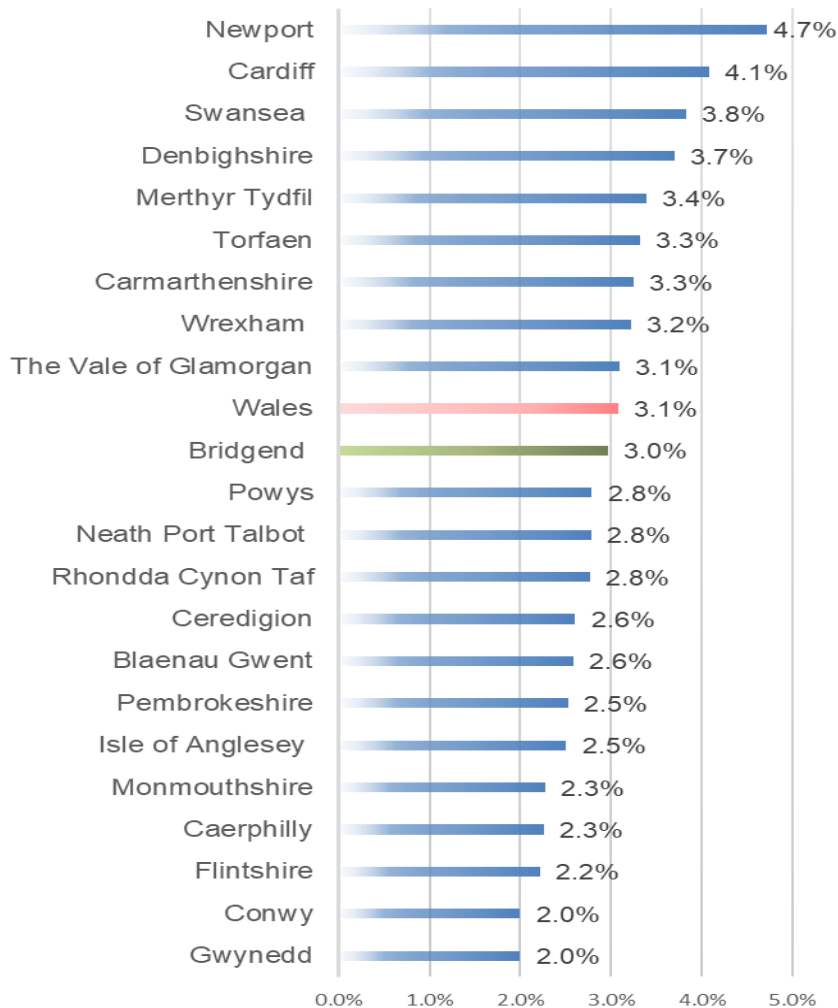
3.2 Welsh Government Local Government Settlement

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

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

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

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



Source: WG Provisional LGF Settlement 2024-25

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

Transfers into and out of the 2024-25 Revenue Settlement

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

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

Specific Grants

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

3.3 Forecast Financial Position

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

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

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

Table 6 – MTFS Scenarios: % Change in AEF

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

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

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

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

Table 7 – Budget reduction scenarios

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

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

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

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

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

3.4 Corporate Risk Assessment

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

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

SECTION 4. BUDGET 2024-25

4.1 Revenue Budget 2024-25

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

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

Table 9 – Net Budget Requirement

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

2024-25 Revenue Budget

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

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

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

Table 10 – Net Revenue Budget 2024-25

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

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

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

Table 11 – Net Budget Funding

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

Inter-Directorate Transfers

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

Pay, Prices, Pensions and Demographics

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

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

4.1.7 In March 2022 Bridgend County Borough Council was officially recognised as a Real Living Wage accredited employer by the Living Wage Foundation, and all BCBC-employed staff, including social care staff, were paid at the level of the Real Living Wage. In October 2023 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 10.1%, from £10.90 to £12.00 per hour. The rate was to be implemented as soon as possible, but by 1 May 2024 at the latest. For in-house staff this will be paid from 1 April 2024.

4.1.8 Funding for price inflation in 2024-25 has been mostly retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown, especially given current fluctuating inflation rates. The only allocations at this time are:

- £204,000 towards the interim waste collection contract for 2024 to 2026 as outlined in the report to Cabinet on 19 September 2023. This is in addition to the virement from the unallocated funding for budget pressures from 2023-24 (shown as an inter-directorate transfer in Table 10).
- Welsh Government has already announced that there is a proposed 5% increase in the business rates multiplier for next year, as outlined in paragraph 3.1.8, from £0.535 to £0.562, which will impact on the Council's buildings, and inflationary funding has been allocated to directorates for this.

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

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

Teachers' Pensions

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

School Delegated Budgets

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

Budget Pressures

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

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

Budget Reductions

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

Table 12 – Amendments to Draft Budget Reduction Proposals

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

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

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

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

4.1.19 Partnership Working

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

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

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

Council Wide Budgets

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

Fees and Charges

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

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

2024-25 Budget

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

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

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

4.2 Capital Programme and Capital Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Receipts

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

Prudential (Unsupported) Borrowing

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

4.3 Council Reserves

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

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

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

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

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

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

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

Table 14 – Summary of Earmarked Reserves

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

4.4 Council Tax

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

Table 15 – Council Tax Increase 2024-25

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

SECTION 5. LONGER TERM OUTLOOK

5.1 Longer Term Financial Outlook Considerations

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

5.2 Sources of Funding

The Council has 3 main sources of funding:

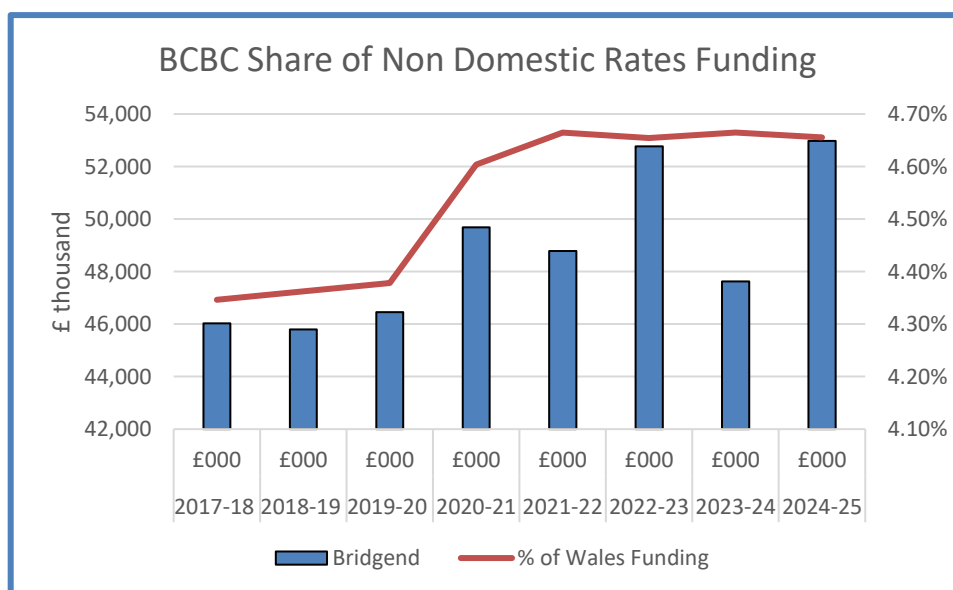
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

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

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

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

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



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

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

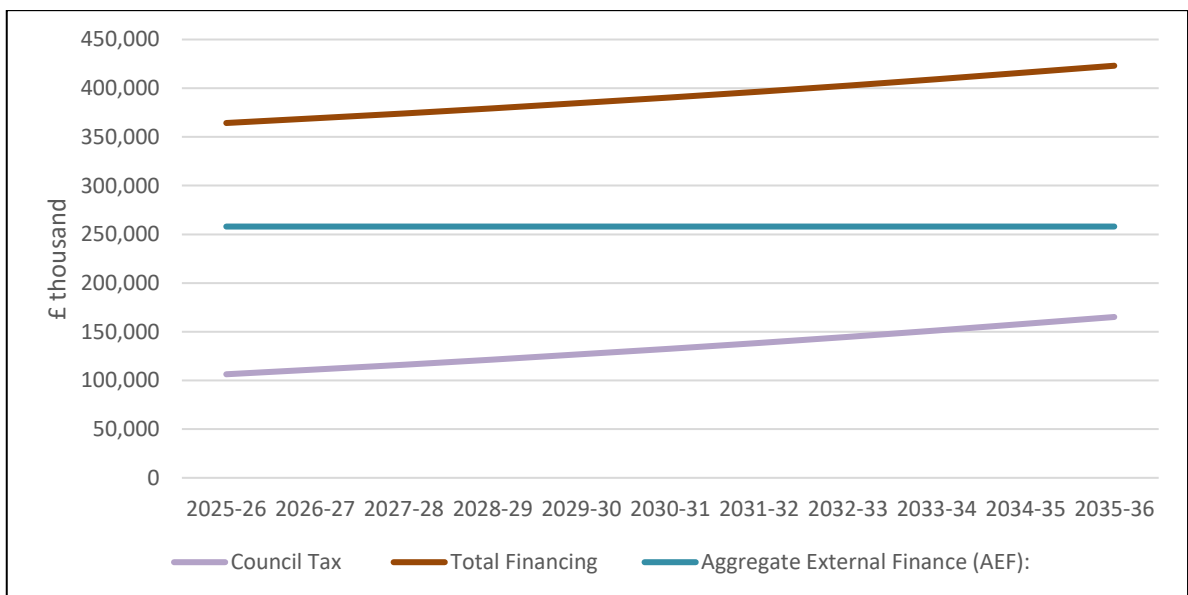
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

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

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

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

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

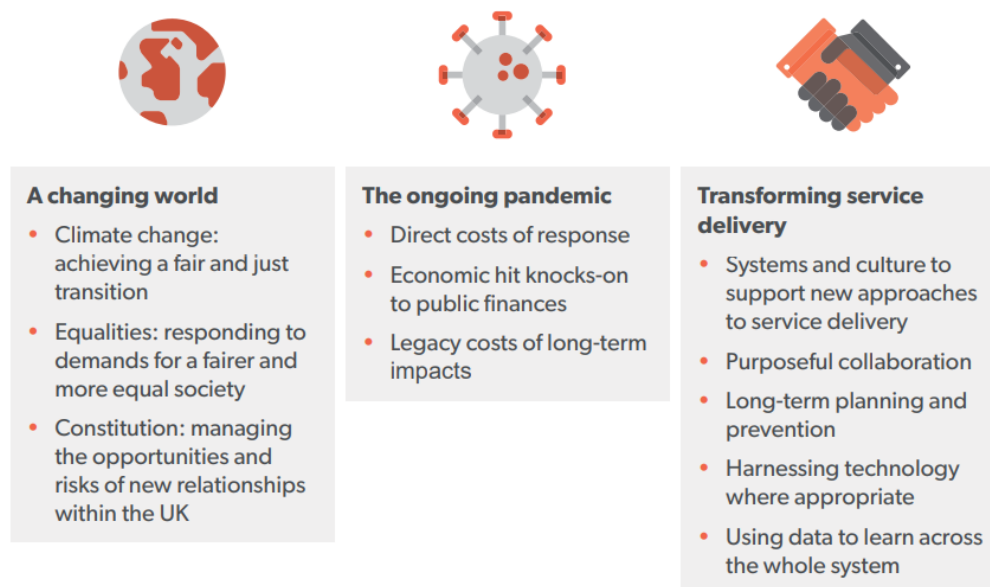


However, even with this level of funding, it is unlikely to be sufficient to meet the various pressures that the Council will face, which will be outlined in the next section, and this will result in substantial budget reduction requirements going forward.

5.3 Future Cost Pressures and Risks

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

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



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

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

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

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

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

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

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

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

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

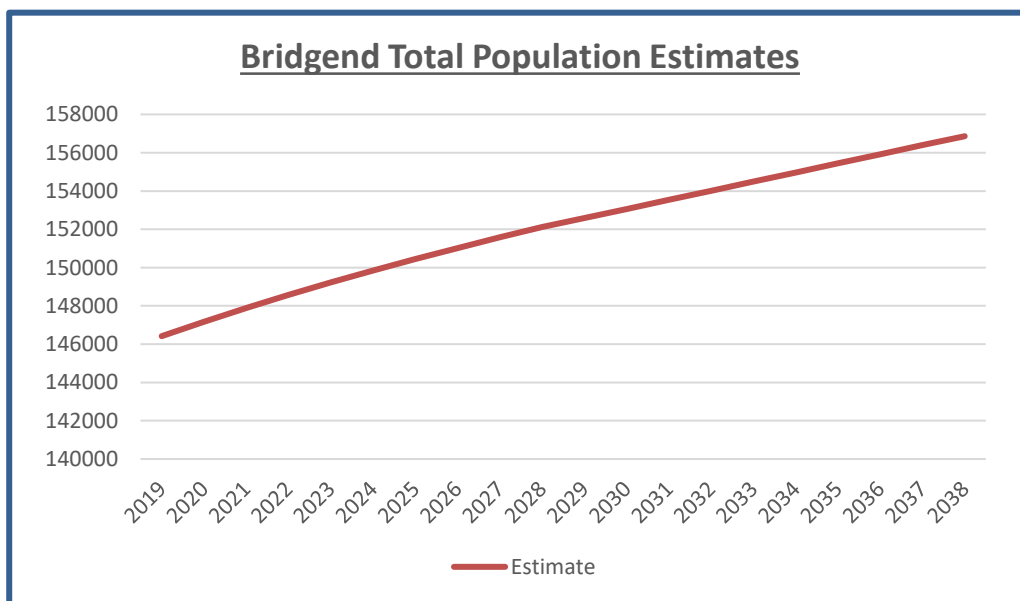
© 2022 Auditor General for Wales – Time for Change – Poverty in Wales

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

Population increases

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

Chart 6: Bridgend Population Estimates



Pupil numbers

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

Table 16 - Bridgend Pupil Numbers

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

Pay awards

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

Contracts

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

Table 17 – Main Multi-Year Contracts

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

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

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

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

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

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

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

5.4 Longer Term Strategy

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

Digitalisation

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

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

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

Commercialisation

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

Charging policy

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

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

Community Asset Transfer

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

Climate Emergency Response

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

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

Statutory versus non-Statutory Services

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

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

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

**Bridgend County Borough Council
Civic Offices
Angel Street
BRIDGEND
CF31 4WB**

(01656) 643643

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SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
COSC Priorities		
1	<p>Given the evidence provided by Headteachers at the SOSC 1 meeting over the impact a proposed 5% cut to schools delegated budget, with it being quoted as 'horrific', it was the view of COSC that should any additional funding be provided by UK Central Government for teacher pensions, priority should be given to reducing the proposed cut to school delegated budgets, taking into account SOSC 1's recommendation on this, as well as reducing the proposed council tax increase.</p> <p>It was recommended by the Committee that should the additional funding from Central Government not be sufficient to revise these budget reductions, and potentially others proposed by Scrutiny Members, a cost benefit analysis should be undertaken to consider what services the Authority are statutorily obliged to provide and what is being provided above and beyond through discretionary services, recognising that some services do play a preventative role in reducing the need for statutory intervention.</p> <p>(COSC 30/01/24)</p>	<p>This has been reflected in the final budget proposals. The pressures on school budgets and the impact of the proposed reductions have been considered and the overall reduction has been reduced in the final budget proposal.</p>
BREP Overview and Priorities		
2	<p>The Panel recommended that, given the better than expected settlement equating to an additional £1M and any other potential additional funding received by the Final Settlement, that Cabinet be asked to reconsider the following Budget Reduction Proposals:</p> <p>Prioritising the following:</p>	<p>In finalising the proposed budget for 2024/25 Cabinet have considered the additional funding from the better than expected settlement from Welsh Government and the position regarding the funding of teachers pensions. This has enabled the following to be considered :</p>

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	<p>SCH1 - Efficiency savings against School Delegated Budgets: That Cabinet look specifically at reducing the impact on individual school budgets.</p> <p>Council Tax: That Cabinet consider reducing the burden of Council Tax as best possible from the proposed increase of 9.5%</p> <p>Risk: That given the high proportion of the proposed budget reductions being categorised as red and the risk of their deliverability, that Cabinet consider whether some of the additional money needs to be held as a contingency. (BREP)</p>	<p>The savings to be made from the schools delegated budgets has been reduced from 5% to 3%.</p> <p>The proposed allocation in the draft estimates of £550,000 to meet pressures has remained in the budget. in addition, £1m of the additional funding is being held centrally as a contingency in line with this proposal.</p>
3	<p>Then in no particular order:</p> <p>Given the additional money available from the provisional settlement that Cabinet be asked to reconsider the following Budget Reduction Proposals:</p> <p>COM 8 – Closure of Bridgend Bus Station & associated public toilets.</p> <p>COM 20 – Removal of additional street cleansing resource and Tikspac Posts.</p>	<p>The budget proposals have fully allocated the funding available for the 2024/25 budget.</p> <p>COM 8 – This saving has been removed. Work will be undertaken in the coming year to look at all options with regards to the station, and local members will be involved in this process.</p> <p>COM 20 – This saving has been removed.</p>

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	<p>COM9 - Cessation of Shopmobility Scheme.</p> <p>The number of staffing budget reduction proposals in the Chief Executive's Directorate - (including Legal, HR and Procurement), the loss and impact of a significant number of posts across the Directorate and the impact of these on Services across the Authority. (BREP)</p>	<p>COM9 – This saving will continue, and the Council will not re-provide the shopmobility scheme. As recommended by Scrutiny Committee, dialogue with Bridgend Town Council will be undertaken to look at a possible alternative delivery model.</p> <p>Budget reductions in legal services have also been reduced in the final budget proposal.</p>
Capital Programme		
4	<p>Following discussions regarding the Capital Programme with a review of the Capital Programme to be considered by Council in early 2024, the Committee highlighted the point that should many of the budget proposals highlighted as red not come to fruition, and given the revenue implications from the Capital Programme, Capital expenditure may have to be delayed and revisited. The Committee therefore requested that the Capital Programme be considered as part of the BREP process for 2024/25 in order to consider and scrutinise the detail sufficiently. (COSC 30/01/24)</p>	<p>During the consultation process with Scrutiny Committees in January, the role and function of the Budget Research and Evaluation Panel was raised on a number of occasions.</p> <p>This matter will be addressed when the Terms of Reference of BREP are reviewed at the start of the new financial year.</p>

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
Budget Monitoring		
5	<p>The Committee expressed concern over the rising cost of social care for both children and adults as well as the rising costs associated with out of Authority care experienced children. Whilst the Directorate was changing how it provided services, supporting the comments of the Chief Officer - Finance Performance and Change, the Committee recommended that very close and careful monitoring was required to ensure that there was not a repeat of this year's budget situation with significant overspends causing increased pressure and implications across Council wide budgets. (COSC 30/01/24)</p>	<p>Cabinet and Corporate Overview and Scrutiny Committee (COSC) receive revenue monitoring reports on quarterly basis currently and this will continue next year. Monthly finance updates are currently prepared for Directors – in 2024/25 these will be considered monthly by Corporate Management Board.</p> <p>If significant variances are reported the relevant service Director and the Chief Officer - Finance, Housing and Change will discuss the causes and mitigating actions to be taken. These will be reported on a quarterly basis to Cabinet and COSC.</p>
Risk		
6	<p>The Committee discussed strategic responsibilities that the Authority will be unable to deliver, including:</p> <ul style="list-style-type: none"> - Reduced capital receipts reducing the ability to borrow for capital projects, as borrowing is based upon ability to pay back. - Inability to deliver the Strategic Transport Plan, etc. <p>a. The Committee recommended that these and other similar risks should be contained in the Corporate Risk Register and be properly scrutinised and subject to an objective review</p>	<p>The Corporate Risk Assessment (CRA) had been updated to reflect the increased risk the authority is currently seeking to address. The latest version of the CRA was discussed at the Governance and Audit</p>

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	<p>of risk management to ensure that the risks are being properly analysed and mitigated.</p> <p>The Committee also recommended that operational risk be monitored by the Corporate Overview and Scrutiny Committee as the overarching Corporate Scrutiny Committee, in addition to monitoring of governance and financial risk by the Governance and Audit Committee. (COSC)</p>	<p>Committee in January and issues raised are reflected in the CRA presented to Council as part of the suite of reports to be considered as part of the budget setting process.</p> <p>The CRA is considered by the Governance and Audit committee on regularly during the year.</p> <p>Through discussion with the Chair of COSC this can placed on the agenda for the committee during 2024/25.</p>
<u>Consultation and Communication with the Public</u>		
7	<p>The Committee recommended that communication with the public be improved using as many different means as possible and that a simple pie chart graphic be distributed to residents of the borough identifying where funding comes from and how it is spent. (COSC)</p>	<p>The information on the Council's website regarding the Council's budget has been improved this year and this has been the basis of information that has been distributed via the Council's social media account.</p> <p>Further work will be done during 2024/25 to ensure that this information is shared throughout the year.</p>
8	<p>The Committee recommended that there should be an in person option for the Budget consultation and other mechanisms and different communications tools used to reach people who are digitally excluded, having regard to concerns expressed by residents who felt disenfranchised as they were unable to access an online budget consultation. (COSC)</p>	<p>The Council is currently consulting on a draft Engagement and Participation Strategy which is seeking views on how the Council can engage with the key stakeholders across the County Borough area. The preferred means of engaging with residents that are included in the final Strategy will be utilised in the budget consultation process for the 2025/2026 budget.</p>
9	<p>Following a discussion around Council Tax, the Panel highlighted that communication with the public was</p>	<p>See the response to 8 above.</p>

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	key and recommended that clear information be provided by any avenue possible to inform the public of the reality of the difficult situation the Authority faced with regards to future budget setting. Members highlighted that as part of this, it was paramount that any communication included explanation of what the public receive for their Council Tax. (BREP)	
Budget Consultation Process		
	(Interim Recommendation from BREP)	Noted
10	In view of the need for the Authority to look at any and all services for potential savings, the Panel recommend that clearer targets be set for each Directorate of what contribution they are required to make or that each Directorate be asked to identify service areas that could be reviewed to identify potential budget savings. (BREP)	
11	The Committee discussed the overall budget consultation process, highlighting that whilst having the opportunity to present an alternative budget and proposal, as many Members who do not sit on the Corporate Overview and Scrutiny and are therefore not involved in the Budget Research and Evaluation Panel, it was very difficult for other Members to know any detail for any alternative proposals. The example of Porthcawl Marina was used, in that if the Committee had known last year that the Authority subsidised this, they might have potentially proposed this as an alternative saving to be made last year in place of something else. The Committee therefore recommended that the whole budget process needed revising and improving with the aim to work together,	As outlined in Question 4 above, the terms of reference for BREP will be reviewed early in the new financial year.

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	as 'One Council'. The Committee agreed to work with the Welsh Local Government Association on a review of Scrutiny, with particular focus on the budget consultation process. (SOSC3)	
12	The Committee requested a list of all services the Council provides to residents, businesses, whomever, including whether they have a level of statutory element or are completely non statutory, understanding that it is a significant piece of work but providing sufficient detail to feed into the Budget Research and Evaluation Panel (BREP) for next year's Budget considerations and the need to identify future savings for the next few years while understanding the impact of potential changes on residents. The Committee recommended that the future BREP process could then sit upon that registry of services to inform decisions going forward. (COSC)	This is noted and will be picked up in the review of BREP outlined at Question 4 above.
13	In relation to any BREP review and potential amendment to the Terms of Reference of BREP, the Committee noted the response from the Chief Officer Legal and Regulatory Services, HR, and Corporate Policy that whilst BREP was quite unique to Bridgend, it was not as straightforward as COSC deciding what BREP could do, and there was a process and other options needed to be considered to see if there was something more workable but would need to be taken away and proposals developed to put to the relevant body to make a determination. (COSC 30/01/24)	This is noted and will be picked up in the review of BREP outlined at Question 4 above
14	Given various concerns expressed over the overall Budget process and particularly the future purpose of the Budget Research and Evaluation Panel, the	This is noted and will be picked up in the review of BREP outlined at Question 4 above.

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

	Scrutiny Recommendation:	Cabinet Response
	<p>Committee supported the recommendation of SOSC 3 that a full review be undertaken. As part of this the Committee requested that consideration be given to the BREP process starting much earlier in the year, with a framework for a continuous process throughout the year whereby timely responses to requests for information are provided to BREP as well as the budget book shared directly with Members. The Committee also requested that BREP have more emphasis and focus on the Local Authority's consultation with the public and receive more feedback from broader conversations with residents.</p> <p>(COSC 30/01/24)</p>	
Budget Settlement and Funding		
15	<p>The Committee expressed concern regarding the lack of recognition of the difficulty of setting budgets based on short term reliance on Grant funding, the instability and uncertainty when short term Grant funding is removed and the impact on the stability of providing services. The Committee recommended that a letter be sent to Welsh Government lobbying for the discontinuation of short term Grant funding in favour of sustained long term funding included in the settlement. (SOSC2)</p>	<p>This issue continues to be consistently raised by both the Chief Executive, Leader and senior officers whenever the opportunity arises in an appropriate forum.</p>
16	<p>The Committee expressed concern over the lack of funding provided by Welsh Government for new legislation introduced and the resulting impact this had on Local Authority budgets in meeting new requirements. The example used was Universal Free School Meals, and whilst not part of the Communities remit, Members highlighted that the requirement for funding for UPFSM puts pressure on the Local</p>	<p>This issue continues to be consistently raised by both the Chief Executive and Leader whenever the opportunity arises in an appropriate forum. It is often the indirect 'costs' in terms of officer time and the opportunity cost of having to forego other work that erodes capacity and can be most onerous, and this is often 'unknown' at the time new legislative or policy commitments are made.</p>

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	Authority budget and has resulting implications on all services when having to fund budget gaps in the overall Council budget. The Committee therefore supported any proposal for the Corporate Overview and Scrutiny Committee to write to WG to express these concerns and request that new legislation be accompanied by suitable, sufficient funding. (SOSC3)	
17	Whilst acknowledging the proposed 3% budget increase from Welsh government as part of its draft settlement, the Committee expressed serious concerns regarding the mounting pressures on local services including schools and social services, and the fact that the settlement was simply not enough to cover such pressures. The Committee appreciate that this was the same for all Local Authorities, however, given reports received that the Minister wished to protect school budgets, Members stated that more needed to be done by Welsh Government to support and fund Local Authorities appropriately. The Committee therefore agreed to write to Welsh Government to highlight these issues and to support Cabinet in putting extra pressure on Ministers to address the funding situation for Local Authorities. In addition to this, the Committee asked that this letter to Welsh Government also highlight the need for Local Authorities to receive earlier clarification on any external or central budget allocation. This is as a consequence of the ongoing uncertainty currently being experienced in relation to teacher pensions and whether these will be centrally funded. Without such information, it is extremely difficult for Local Authorities to effectively plan and produce, and more	Noted

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	Scrutiny Recommendation:	Cabinet Response
	importantly consult on, a correct and informed balanced budget. (SOSC 1)	
18	<p>Members referred to various discussions held recently by all Scrutiny Committees and evidence provided by Cabinet Members and Officers in which serious concerns were raised over the Council's capacity to deliver on new Welsh Government legislation without the assurance of sufficient funding. The Committee therefore recommend that not only do the Scrutiny Committee write to the Minister for Finance over this but also recommend that Cabinet do the same to lobby Welsh Government and UK Government through the WLGA, to stress that it is simply unsustainable for Local Authorities to exercise their statutory duties as well as implement new legislative changes without the consequential financial resources and, in addition, the human resources to deliver their policy objectives.</p> <p>The Committee also emphasised the point made by SOSC 2 in relation to their concerns around the instability that reliance on short term grant funding causes as well as SOSC 1's comments on the need for earlier clarification on any external or central budget allocation. To add to this, the Committee requested that there was also a need to lobby Welsh Government for a multi-year funding settlement so that more informed, longer term budget planning could be undertaken. (COSC 30/1/24)</p>	Noted
<u>Transformational Change</u>		
	The Committee supported the view that there was drastic transformational change needed across the Local Authority in order to meet future service	The current predictions are that further savings will be required in future years. To deliver these, the Council will have to review all services in order to refocus,

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19	provision within difficult budgets. However, it was highlighted that care needed to be taken where budget reductions have additional ramifications on other services, such as schools, to not unduly burden those services, on top of their own reductions. (SOSC 1)	reduce or remove them. It is noted that care will need to be taken to ensure a change within one service area does not result in unintended consequences elsewhere in the Council.
20	As well as the need to look at other Local Authorities for new ways of working and best practice, given the innovative work that has been taking place within the Social Services Directorate, such as looking at different ways of working, reviewing and redesigning services and creative solutions to staffing issues, the Committee recommend that these be shared across Directorates as part of the Authority's focus on transformational change. (COSC 30/1/24)	Noted.
<u>Interconnectivity/Implications of Budget Reductions</u>		
21	Following discussion regarding staffing reductions across multiple areas of main Council back-office services, the Committee recommended that a qualitative impact assessment be undertaken of the cumulative and longer-term impact of these reductions on the Local Authority. Appreciating that a full assessment would take time and would take place after the 2024/25 budget settlement is agreed, the Committee recommended that Cabinet evidence how they have considered the interconnectivity between budget reductions and the potential impact this will have on achieving the budget savings. As well as the example given above regarding the impact of staffing reductions to main Council back-office services, there are also further examples such as the impact that cuts to schools and educational support services will	This point is noted.

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	have on vulnerable children and young people, potentially resulting in increasing pressure on social services. (COSC 30/01/24)	
22	Linked to this the Committee expressed concern at the overall robustness of the budget, given the comments above on the interconnectivity of budget cuts and the negative impact they could have on other services as well as the number of reduction proposals identified as red in terms of risk of achievability. Added to this is the prediction that 80% of schools will result in deficit budgets should the 5% delegated school budget saving go forward for 2024/25. Whilst acknowledging that schools would put in place deficit recovery plans, Members stated that there was the risk that if these plans weren't successful after 3 or even 5 years (if extended) the responsibility including potential intervention/management of such schools would fall back on the Local Authority. This is aside from any additional support and potential intervention required from the Authority during the time the recovery plan. The Committee requested reassurance over how these aspects had been assessed to ensure the robustness of the budget put forward, both for 2024/25 and also in the longer term, to ensure that these savings would not result in increased demands and costs down the line. (COSC 30/01/24)	Setting a balanced budget this year has proved extremely challenging and undoubtedly many of the proposals carry risk as the Council is at the stage where there are very few budget proposals that can be implemented without risk and without consequence. The budget has been drawn up informed by the agreed medium term financial principles and an assessment of the risk of each proposals as set out in the narrative for each proposal. Moving forward, and in the longer term, greater focus will be necessary to continue to deliver those services that are deemed to be the priority as it has become impossible to protect all Council services and deliver them to the levels that have been provided historically.
23	Given that a number of Social Services and Wellbeing Budget Reduction Proposals include reference to Reviews, the Committee seeks clarity as to what is still under consideration going forward, the risks to the deliverability of any proposals that include	The majority of budget savings where the term 'review' is used require negotiation with key partners – Halo and Awen – and cost reductions will need to be achieved in accordance with legally binding contracts and partnership agreements.

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	reviews, and whether they can be relied upon to set a balanced budget. (SOSC2)	
<u>Income Generation and Full Cost Recovery</u>		
24	The Committee recommended that potential income generation opportunities from sharing services be actively explored, proactively offering the Authority's services where there is potential for income to be generated, to mitigate against some of the future budget reductions which would be required over the course of the Medium Term Financial Strategy. (COSC)	This has been explored for the regional internal audit service and it is the intention of the service to tender to provide audit services to other public sector services once the service is well established. The opportunity to extend this to other service areas will be considered during 2024/25.
25	Whilst noting the comments provided in relation to the Authority's Street Works team and that costs could only be sought on permits to cover the Council's own costs, the Committee recommended that the Directorate explore what other Local Authorities were doing in this area, including Carmarthen County Council, to determine if there was any possibility at all of income generation. (SOSC3)	This point is noted, and benchmarking activities will be undertaken in this regard.
26	The Committee recommended the need to consider every possible opportunity to maximise income generation across the Authority, from sharing services with others, looking to partners, the third sector and other Local Authorities to proactively offer the Authority's services where there is a potential for income to be generated, in order to mitigate future budget reductions. (COSC 30/01/24)	See 24 above.
	The Committee recommend that where possible, full cost recovery is prioritised, with examples such as	Principle 6 within the Medium Term Financial Strategy states :

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27	bulky waste collections, Porthcawl Harbour and the street works permits. Furthermore, the Committee recommend that where possible, through reducing subsidies to services where appropriate and consideration of additional commercial income generation, these funds be used to offset some of the Communities Directorate costs or savings, that are public facing and viewed by the public as most commonly associated with their Council tax. (COSC /01/24)	<p><i>Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Fees and Charges Policy.</i></p> <p>In these budget proposals the need to ensure full cost recovery for those services where a charge is levied is stressed.</p>
School Delegated Budgets		
28	<p>SCH 1 In relation to the proposed reduction related to Schools Delegated Budgets of 5% in 2024-2025, Members expressed strong concerns over the size of the saving for the forthcoming year and the potential impact this would have on school budgets, with reports stating that this was unsustainable and would result in over 80% of schools within the County Borough going into deficit.</p> <p>Evidence provided by representatives of the School Budget Forum highlighted the recent significant increase of vulnerable learners that has been seen by all schools since the pandemic, more than has ever been seen before. It was reported that the impact of the proposed 5% reduction to school budgets, together with the further proposed reductions in support services, could severely affect vulnerable learners.</p> <p>a In order to lessen the impact as much as possible and enable schools more time to plan and</p>	<p>These concerns are noted.</p> <p>The final budget proposals now include savings of £3.441m, or 3%, for the 2024/25 financial year.</p>

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	<p>prepare, the Committee recommend that the proposed saving of 5% be reduced and spread out across years 2, 3 and 4, starting with only a 2% reduction for 2024-25, followed by 2% for each year 2-4, thereby still making the overall 8% required.</p> <p>b To fill this budget gap, the Committee recommend that Cabinet consider utilising any potential funding the Authority might receive from Central Government relating to teacher pensions as well as revisit the proposed budget pressures of £11,856m and consider which ones could be postponed for 2024-2025. (SOSC1)</p>	<p>This has been done in the final budget</p>
<u>Front-loading School Mergers</u>		
29	<p>EDFS5 The Committee recommend that proposals such as merging of schools at EDF5 be re-considered to determine whether these savings can be front loaded and made sooner rather than later. (COSC 30/01/24)</p>	<p>Actions that require significant policy change (such as the merger of schools) require statutory consultation, and are bound by legislation, which mean that these proposals cannot be expedited in advance of stipulated timeframes. Subject to the outcome of consultation, due consideration and decision, effort will be made to progress policy change at pace where appropriate.</p>
<u>Children's Services Framework</u>		
30	<p>Members referred to a new framework that was being developed for working arrangements in Children's Social Services which was planned to be in place by 2026. In view of the predicted overspend and increasing budget pressures in Social Services, the Panel recommend that Officers and Cabinet explore the possibility of frontloading and accelerating the rollout of this Framework to try and stabilise the</p>	<p>In September 2023 Cabinet and Council approved a 3 year strategic plan for children and families in Bridgend. Prior to the development of this plan in August 2022 Care Inspectorate Wales had advised the Council of its serious concerns with regard to Bridgend children's services. Rapid and sustainable improvement was required. Two subsequent inspections identified rapid improvement in key areas – good progress is being made to deliver the sustainable change set out in the 3</p>

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	service and avoid further cost implications at an earlier stage. (BREP)	year plan, particularly in the implementation of a clear practice model, stabilisation of the workforce and reduction in child protection registrations. There is steady progress in the reduction of the number of care experienced children. In common with all local authorities in England and Wales Bridgend is experiencing challenges in securing good quality value for money independent sector placements for the small proportion (6.5%) of care experienced children who require independent residential care which is the most significant budgetary challenge. A range of short, medium and longer term actions have been identified and are being progressed. However, the complexity of the challenge with regard to children's placements needs to be understood and will continue to require close scrutiny, monitoring and whole Council responses during the coming year to ensure that the Council meets statutory safeguarding and corporate parenting responsibilities in the most cost effective way.
Support Services and ALN		
31	<p>EFS 12, 13 and 14 Support Services and Pupils with Additional Learning Needs</p> <p>The Committee highlighted the negative impact the proposed reductions of EFS, 12,13 and 14 would have on pupils with Additional Learning Needs (ALN) as identified by Headteacher representatives at the meeting. Members were particularly concerned with the fact that these reductions could result in the Authority not meeting its statutory duties to these children and young people in meeting the timescales for assessments. The Committee strongly supported the view of how important these assessment for pupils with ALN were, many of which have complex</p>	<p>The growth proposed in EFS4 relates to edge of care services, a need identified in an external review undertaken to inform the sustainable service proposed for Children's Services and agreed by Council in September 2023.</p> <p>Within the budget proposals, there is growth proposed for ALN services of £500,000 at EFS1. It is proposed that the allocation of this funding takes account of the issue raised.</p>

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	Scrutiny Recommendation:	Cabinet Response
	needs, thus requiring a swift assessment so that they are able to access the support services they require. As a result of these concerns and the Authority's legal obligation to these pupils, the Committee recommend that EFS 13 and 14 be removed from the budget reduction proposals and that these associated budgets be ringfenced against future reduction. Members proposed that this saving of £67,000 could potentially be found from within the proposed £500,000 growth proposed under EFS4, and asked for clarification for the Corporate Overview and Scrutiny Committee, of what this £500,000 incorporated, for consideration by Members at the final budget meeting on the 30 th of January. (SOSC1)	
32	Building upon the above recommendation, the committee expressed strong concern over all proposed reductions which highlight a potential impact in meeting the Authority's statutory duties. Members highlighted the significant ramifications this could have for the Local Authority and recommend that Cabinet guard against this as a priority, revisiting those proposals which put the delivery of statutory duties at risk. (SOSC1)	<p>Due to the level of savings required to balance the 2024/25 budget, it has not been possible to protect services to learners and vulnerable individuals in the County Borough.</p> <p>The final budget proposal has reduced the level of savings required from schools in the coming year.</p> <p>The Education and Family Support Directorate will continue to work with schools to monitor the impact of change across the schools.</p>
Financial Scheme for Schools		
33	Whilst appreciating that proposed changes to the school funding formula (other than that bound by legislation) can be raised and discussed by the School Budget Forum, Members highlighted the fact that as circumstances have changed so much since the Covid pandemic, and the funding pressures now being faced by schools, there was a need for the	The Financial Scheme for Schools was updated in full in 2019 and amendments have been made to specific sections, where necessary, since that time. Any changes to the Financial Scheme for Schools of the Funding Formula can only be made following full consultation with governing bodies, and this usually

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	<p>Local Authority to instigate a review of the financial scheme for schools. The Committee also expressed concern over reports that primary school governing bodies may have not been involved or consulted upon previous reviews and changes to the funding formula.</p> <p>The Committee therefore recommend that a full review of the financial scheme and funding formula for schools be undertaken, with full involvement of both primary and secondary governing bodies supported by training provision on this subject so that governors, who are, after all, volunteers, are suitably informed to participate fully in the review. (SOSC1)</p>	<p>happens through the Director's termly report to Governors.</p> <p>However, both of these proposals will be taken through the School Budget Forum for consideration. If taken forward this work will require resource and input from headteachers.</p>

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<u>Vulnerable People</u>		
34	<p>The Committee recommended that to protect our most vulnerable, given the better than expected settlement equating to an additional £1M and any other potential additional funding received by the Final Settlement, that Cabinet be asked to reassess the following Budget Reduction Proposals for the reasons stated for each:</p> <p>a. SSW16 - The Committee expressed concern regarding the removal of 50% of the budget to reduce or remove support for children and young people with additional needs and families to access community activities and opportunities, given the potential high impact upon the individual and their families and risks detailed in the report.</p> <p>b. SSW20 - The Committee expressed concern regarding the removal of the caseworker resource and efficiency savings from the third Sector Contracts - hospital discharge and that the loss of this service could impact negatively on timely support for people to return home from hospital. (SOSC2)</p>	<p>Whilst there has been some additional funding available, Cabinet has had to make some difficult decisions and it has not been possible to provide the funding required to maintain these services.</p>
<u>OOO Placements</u>		
35	<p>The Committee reflected on the high cost of Independent Residential Placements for Care Experienced Children and the cost of those placements that were Out of County and while recognising the complexities and difficulties and whilst supporting the plan in place and the work</p>	<p>Council and Cabinet have approved a 3 year sustainability plan for children and families which will be closely monitored by scrutiny and Cabinet and through the all-party Social Services Improvement Board. The measures in the plan include a reduction in the number of care experienced children and a shift in the balance</p>

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	ongoing, recommended that bringing those placements back into county provision where possible be emphasised as a priority, to meet needs and work towards reducing the cost over two to three years. (SOSC2)	of spend from high cost independent residential placements to evidence based targeted prevention services.
Engagement with Town and Community Councils		
36	COM6 In relation to Bereavement Services and potential future efficiency savings, Members recommended that the Local Authority engage with Town and Community Councils to consider where they might be able to assist and take on some future responsibilities for the maintenance of cemeteries within the County Borough. (SOSC3)	Noted – The team will consider the feasibility of this request and have discussions with Town & Community Councils as appropriate.
37	COM9 In relation to the cessation of the Shopmobility scheme, the Committee recommended that the Authority consider approaching Bridgend Town Council to explore if they had any interest in taking on and maintaining the service. (SOSC3)	Noted - See response to COSC point 3 above.
Bridgend Bus Station		
38	COM8 a Whilst acknowledging that the proposed closure of Bridgend Bus station relates to 2025-2026 budget savings, the Committee expressed strong concerns over the impact of this proposal including how it will affect the community, Bridgend town and its transport links. The Committee referred to other large bus stations in other Local Authorities where they have utilised wall space with advertising, thereby creating an income for the Authority. Given the amount of	Noted - See response to COSC point 3 above.

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	<p>potential advertising space that is available at Bridgend Bus Station, the Committee recommended that the Authority remove COM8 as a potential efficiency saving and instead replace it with a proposal for potential commercial income generation in order to protect the bus station for the future.</p> <p>b In addition to this, supporting what the Corporate Director, Communities stated about looking at the Council's assets and how they could be more energy efficient, the Committee recommend that the Directorate explore potential energy efficient initiatives that could be made on Bridgend bus station. Members suggested that solar panels, for example, could be installed on this facility which could assist in mitigating the station's associated costs. (SOSC3)</p>	Noted - See response to COSC point 3 above.
<u>Porthcawl Harbour</u>		
39	<p>COM10 The Committee supported the proposal to review berthing fees for Porthcawl Marina, with agreement that the Council should not be subsidising this. The Committee were of the view, and therefore recommended, that this could be considered further, if not this year, for future years, to explore if there was any potential to increase the berthing fees for the marina as a method of income generation for the Authority. (SOSC3)</p>	Noted – a further review of berthing fees at the Porthcawl Marina will be undertaken to look at whether full cost recovery is possible.
<u>Street Cleansing</u>		
40	<p>COM20 a The Committee had numerous concerns regarding COM 20 and the proposal to remove</p>	Noted - see response to COSC point 3 above.

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	<p>additional street cleansing resource given the potential visual and environmental impact this could have on communities across the Borough. Members recommended that if funding is provided via Central Government for teacher pensions, £125,000 of this be utilised to continue to fund street cleansing, thereby removing COM20 from the budget reductions. (SOSC 3)</p>	
41	<p>b In addition to this, as part of the need for transformational change within the Authority, the Committee recommend that the Council consider the potential for multi-skilled teams of staff who could cover a wider remit, such as grass-cutting and street cleaning as one example. The Committee propose that the Directorate look at what neighbouring Local Authorities are doing in this area, with the aim to provide a more effective, joined up service within Bridgend. (SOSC3)</p>	<p>Noted – Officers are currently developing an in-house grass cutting service and will be considering any further efficiencies that can be driven from this as a result.</p>
<u>Community Recycling Centres</u>		
42	<p>COM25</p> <p>a In relation to the proposal to close all Community Recycling Centres by an additional day per week on the weekend, the Committee felt this was not acceptable, particularly given the fact that it had not seen the impact of the first day of closure as this has yet to come into effect. In light of the impact this could have for the public and the Authority, including the visual impact and associated costs from a potential increase in fly-tipping, the Committee recommend that this proposal be removed. Members instead propose that some of this £60,000 be found by moving forward with the proposal to commercially let the</p>	<p>Noted – A public consultation will be undertaken on this proposed saving and ways to further minimise the impact be examined before any implementation.</p> <p>The possibility of bringing the savings proposal to let Pandy Depot forward into 2024/25 as recommended by Scrutiny Committee, is also being examined.</p>

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	<p>Pandy Depot, identified at COM24, bringing this into 2024-25 savings.</p> <p>b Members also recommend that if further savings are still required, the Authority look instead to potentially reduce the opening hours for the Centres, rather than closing for an additional full day. Finally, in a worst-case scenario, should the Centres have to close for a second additional day, the Committee recommend this be another weekday, not a weekend, when the majority of the public would be looking to utilise the Centres.</p> <p>c Linked to COM25, the Committee further recommend that the Authority consider potential ways the Community Recycling Centres could work smarter, such as the introduction of appointments to reduce queues. Members commented that some Local Authorities had introduced appointments during the pandemic and had continued with this method as it had proved to be effective. (SOSC3)</p>	<p>Noted – See comments above.</p> <p>Noted – The use of a booking system at CRCs during peak times will be considered, as recommended by the Scrutiny Committee, albeit there is no software in place to undertake this function currently.</p>
<u>Green Innovation Cost Benefits</u>		
43	<p>COM30 Members commented on the decision to revert back to diesel waste vehicles and agreed that this was a suitable saving given the view of Members that there was not enough evidence that Hydrotreated Vegetable Oil (HVO) fuel offered any greater fuel efficiency or air quality benefits as well as any benefits to local business. In light of the current and predicted future financial situation the Authority finds itself in, the Committee recommended that going forward no such 'green innovation' should be pursued</p>	Noted.

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	unless it either contributes to revenue savings, offers a direct and tangible benefit to residents or enables a consequential efficiency elsewhere in the Council budget. (SOSC3)	
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Corporate Risk Assessment

No.	IDENTIFIED RISK There is a risk that	Consequences of risk	Raw risk score			ACTION PLAN		How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Residual risk score			Well-Being Objective
			Lj	Im	Total	Control method	Date Risk score assigned						Lj	Im	Total	
COR-2019-02	The council is unable to deliver a balanced budget and sustain services into the medium term	The Council has been making budget reductions since 2010 and identified revenue savings of £75m in that time. Therefore it is harder each year to identify and deliver ongoing budget reductions. The more difficult decisions to cut or reduce service levels must be made or the Council will not deliver the changes necessary to achieve a balanced budget which will result in the council being in breach of its legal responsibilities. Careful planning and difficult choices will be key to ensuring that a balanced financial position is maintained. Due to funding shortages across the public sector, the longer term predictions with regards to funding received from Welsh Government are challenging. Continuing increases in inflationary pressure, most acutely in areas such as energy and pay awards, mean that there is inevitably a greater focus on the "here and now". The increased demand for services due to demographic pressures and increased levels of need in our communities also put pressure on the financial resources that the Council has. The Council has previously been able to make the identified budget savings but since 2021/2022 this has not been possible for all service areas. In recent years the Council has had to manage unprecedented in year financial pressures which has impacted on the financial resilience of the Council for future years. Ultimately if the Council fails to balance its budget or manage the increased pressures, the Section 151 Officer would have to issue a Section 114 notice which could result in the management of the council being undertaken by Commissioners appointed by the government.	5	5	25	Treat	Jan-24	The council manages this risk through existing budget and business planning processes which include early identification of savings targets and development of options for cabinet, challenge from scrutiny and formal and informal briefings of members and political groupings. The in year pressures during 2022/23 were unprecedented due to inflationary pressures on both pay and non pay costs and this has continued into 2023/2024 and a 5 point action plan was implemented in the third quarter of the year. Elected members were all briefed on this position during the year. In setting the 2023/2024 budget, difficult decisions had to be made re budget savings and limited growth across the budget.	Continuously review the assumptions built into the MTFS to promote multi year forecasting and longer term financial planning. Keep elected members informed of updated position and re-align MTFS as appropriate. Earlier discussion with members on possible scenarios to get early buy in to the direction of travel. For MTFS 2024-28, more focus on potential areas of saving, even if not currently proposed, rather than just proposed savings. Focus to be more deep dives into targeted areas, with the benchmarking report being used to identify possible service areas for review. MTFS to consider longer term pressures and ensure these are fully considered beyond the life of the 4 year MTFS. It is clear that in the short term there will need to be a concerted "One Council" approach to identify and agree the immediate priorities while continuing to try to put the right changes and measures in place to develop an effective and sustainable longer term financial plan for the organisation. The impact of grant fall out on individual services will be monitored to determine financial and service impact. In the longer term, difficult policy decisions will have to be made regarding future levels of service delivery to ensure that the Council is able to set a balanced budget going forward. Ensure that during the period of significant change, robust governance is maintained to ensure the all decisions are made on the basis of information, financial and service risk analysis and taking account of the long term impact of decisions made.	CMB	Jan-2024	May-2024	4	5	20	All Wellbeing Objectives
COR-2019-02	The council is unable to deliver transformation including projects and agreed financial savings	If the council is unable to change the way that staff work, including new roles, collaborations and the acquisition of new skills, it will be unsuccessful in delivering service transformation and capital projects, which will lead to it not meeting its commitments within available budgets. Of particular importance here is the actions required to tackle change service to meet financial pressures and external requirements such as the Climate Emergency, the delivery of the universal free school meal offer and the Sustainable Communities for Learning Programme, the consequences of which will have a detrimental impact on all areas of the Borough. Our ability to have the amount of resource and expertise to implement significant transformation programmes is compromise, eg Digital, by a lack of senior management strategic capacity, more limited back office corporate support, and insufficient specialist skilled resource, as well as an increased and large number of service change programme requirements.	4	5	20	Treat	Jan-24	The council has a number of programmes and strategies in place that either directly support specific proposals for service improvement, deliver large scale capital regeneration projects, provide wider transformation opportunities and/or financial savings. Further transformation opportunities will be required to support a 'One Council' culture and support staff and managers through transformation. The Council does have programme boards in place to shape and deliver these programmes.	The development of a 'One Council' culture and transformational change has progressed in recent years and accelerated resulting in a more corporate approach to service provision and transformation that has been driven by CMB. The Council has changed the way it operates in recent years. The new Service Delivery Programme and increased activity in areas such as "Grow Your own" together with helping to change the way the Council does its business and other strategically important projects such as our Digital Transformation Programme continue to progress. The current financial pressures will impact on priorities such as 2030 decarbonisation and areas where significant investment is required, so this will have to continue to be monitored and reviewed regularly. To ensure the key transformation priorities for the Council are delivered, the key priorities must be reviewed and agreed.	CMB	Jan-2024	May-2024	4	4	16	All Well-Being Objectives
COR-2019-01	The council is unable to identify and deliver infrastructure improvements required in the medium to longer term due to the cessation of external grants, the increased cost of borrowing and the increased costs of construction and building works	If the council does not have sufficient capital to maintain, improve and replace its infrastructure, including roads, street lights, school buildings and technology then they will deteriorate bringing financial and safety risks which could lead to adverse incidents, reports, publicity, fines and ultimately prosecution. There is an increased risk that the Council will no longer be able to deliver capital investment to the same level making it more difficult for the Council to afford all of its ambitions around investing in its infrastructure to improve and enhance service delivery due to the impact on the revenue budget. Due to reduced capital finance, the Council will have to prioritise more effectively and there is a risk of reduced investment in some important infrastructure moving forward.	5	5	25	Treat	Jan-24	The council has a ten year capital programme. The development of this programme and arrangements for its review and updating are well established. However the council has identified scope to improve upon this to ensure that these needs are balanced with other demands for capital (such as new schools) through the development of the Capital Board. The capital programme is regularly reviewed, updated and reported to Members but it is evident that the costs of projects have risen, sometimes significantly, and the availability of contractors has often become more limited reducing competition. The procurement process has been reviewed to reduce the number of returned tenders that exceed the budget available.	The Council will continue to seek external and match funding for projects where possible, in order to maximise its capital programme spending capability. Where feasible the capital earmarked reserve will be replenished on an annual basis to mitigate the decline in available and potential new capital receipts, although this will be challenging due to the financial pressures in the revenue budget. The Council will continue to operate a strategy where capital receipts are not ring-fenced, to ensure that maximum flexibility is available. All capital bids will be fully considered by CMB and CCMB in line with the Capital Strategy, before inclusion in the capital programme. Schemes must have been subject to a full feasibility assessment. These assessments will take account of the financial and supplier issues and manage the expectations of service users and managers at the planning stage. This should inform more accurate costings and profiling of spend to avoid potential overspends or delays in schemes. The procurement process will also be considered and qualification criteria updated to try and avoid supplier issues. The establishment of the capital programme board will enhance the monitoring of the programme.	CMB	Jan-2024	May-2024	4	5	20	All Wellbeing Objectives
SS-2019-01	The council fails to meet statutory responsibilities to respond to situations where individuals are at risk of neglect or abuse. This would include children, adults in need of social care, homeless individuals etc.	Risks to the safety and wellbeing of children and adults at risk of neglect or abuse are significant and require an effective, highly skilled response from the multi-agency safeguarding partnership with leadership from the local authority. There is a risk that, without adequate budgets and due to the lack of a sufficiently experienced workforce, the Council's safeguarding arrangements will not be effective, and that children and adults at risk will not be kept safe and will experience harm. The demand for services continues to increase which is particularly evident in referrals into MASH/Information Advice and Assistance and the level of assessment activity. Numbers on the Child Protection Register remains high indicating the level of concern of partners in respect of safeguarding risks to children. Whilst work has been done to strengthen staff teams, there is still an over reliance on agency staff in some areas. The Council has statutory duties to provide sufficient resources to safeguard children and adults as well as to set a balanced budget and could face intervention from Welsh Government if it fails in either duty.	5	5	25	Treat	Jan-19	The Council continues to prioritise this area of work. A number of different actions are being taken to address these concerns. In relation to staffing matters additional staff have been employed to ensure the service is able to meet the increasing demand for services, the Council's Market Supplement Policy has been invoked to support the recruitment of staff to the childcare teams, resource has been found to support increased numbers of staff accessing the social work training scheme and work has been done to establish an overseas recruitment programme. Working practices in the service are being reviewed and the Council continues to work effectively with key partners. There is a reporting structure in the service to monitor the work required to address the range of issues and this feeds up to Social Services Improvement Board which consists of senior officers, the Leader and Deputy Leader of the Council and other elected members. Council approved a sustainability plan for children services and resources were made available to support this.	A new Corporate Safeguarding Officer has been appointed to enhance the support to corporate safeguarding arrangements. The Regional Safeguarding Board is developing common quality and performance reporting via the steering group to include clear trigger points of escalated action. A reflective lessons learned exercise has been undertaken into the issues which led to the critical incident in IAA services to ensure lessons have been learned and sustainable improvements made to reduce the risk of such an escalated position being required again. Work is being undertaken to develop a sustainable model for the service which includes practice, workforce and funding issues.	CMB	Jan-2024	May-2024	4	5	20	A county Borough where we protect our most vulnerable
COR-2019-03	The council is unable to plan for and recover from major threats to service continuity such as civil emergencies, school failure, cyber attack and discontinuation of funding streams and major contracts	If the council does not have the capacity and expertise to plan for and protect itself against major threats such as cyber-attack, civil emergencies, fragility in our schools and significant financial variations there may lead to a failure to deliver services, both in the short and long term, and a balanced financial position which could harm citizens who rely on council services. The consequence of this risk would include a threat to business continuity due to lack of key resources such as ICT, the closure of a key building or asset due to structural damage, loss of confidence in the public regarding the ability of the council to manage in a time of emergency and increased demand for support from those affected.	4	4	16	Treat	Jan-19	The council has anti virus software installed which is regularly updated. All critical data is backed up and located offsite. Software update processes exist that includes the installation of patches. Security awareness training is provided to all employees. The council has established emergency planning arrangements including a Major Incident Plan and contributes to the South Wales Local Resilience Forum (SWLRF) and South Wales Resilience Team (SWRT). Contract conditions are included in relevant contracts. The terms of these conditions will vary depending on the nature of the contract, but will cover compliance with GDPR, security of personal information and general cyber security. Where contracts are awarded via a framework the necessary conditions will be imposed by the contracting agency for the framework. Training is being provided to staff who will be involved in any civil emergency activity and this is updated on a regular basis.	A review will be completed in relation to out of hours cover for the Council as a whole to ensure a timely and effective response can be made when required. The council has responded swiftly and appropriately to the increased risk posed by increased reliance on ICT and the network. A number of changes - some significant - were made during this period that has helped to mitigate the increased risk. Throughout the period the Council has stayed connected and resilient with many services being delivered remotely. The situation is being monitored on an ongoing basis. Ongoing work on resilience and business continuity will help mitigate the risks but keeping the Council services running effectively this winter and beyond becomes more challenging.	CMB	Jan-2024	May-2024	4	4	16	All Well-Being Objectives
COR-2019-04	The council is unable to attract, develop or retain a workforce with the necessary skills to meet the demands placed upon the authority and its services	If there is a continued reduction in the number of suitably skilled and experienced staff then there will not be the expertise in the workforce to deliver services and protect the interests of the council. This could lead to the wellbeing of citizens suffering, a reduction in service quality, a delay in service provision and a loss of morale amongst the remaining staff if they feel unsupported and therefore seek to work elsewhere. In some service areas a reduced workforce may result in the service being unable to meet all of its statutory duties.	4	5	20	Treat	Jan-19	The labour market remains very challenging in many disciplines, including social care and the communities directorate. Some measures have been implemented to seek to mitigate and treat the risks including use of the new market supplement policy, an enhanced grow your own programme for both apprentices and graduates and more innovative practise around things like international recruitment. However, out of necessity, while clearly undesirable, the use of agency staff remains high in some areas and vacancies impact on the capacity of the organisation to deliver all of its objectives and can lead to an impact on wellbeing and increased pressure on the depleted number of staff in work, and some frustration among the public and elected members about the pace of some responses and action.	There is a need to continue to seek alternative approaches to recruit to service areas, acknowledging that one size does not fit all. The benefits of working for the council will continue to be promoted alongside different methods of attracting staff. Consideration will also be given to how the council's agency provider can support this agenda. Different recruitment, advertising and selection methods are being introduced for recruiting Apprentices, to improve the level and quality of applicants and with the aim of developing a pool of Apprentices. Action plans are in place and being developed to address challenges in the Social Services and Wellbeing Directorate.	CMB	Jan-2024	May-2024	4	5	20	All Well-Being Objectives
COR-2019-05	Important council services are compromised due to the failure of a key supplier	If the suppliers of council services are not resilient there is a risk that they may fail to deliver those services leading to disruption for citizens and the council, which will be impacted as it seeks to restore provision and suffers a loss of reputation. There is increasing evidence that this risk is becoming more apparent and prevalent. In particular in areas such as Home to School Transport, but also in residential care and construction there are increasing numbers of cases of market failure, companies falling into administration and increased costs being demanded to provide services or contracts will be handed back, which are difficult to mitigate as often there are very limited options to provide services, some of which are statutory.	4	4	16	Treat or Transfer	Jan-19	The council's strongest defence against this is through its procurement strategy and procurement processes. When tendering for services the council requires contingency arrangements to be in place to allow for the eventuality of supplier failure (for example in the case of refuse and recycling collection contracts). The council also seeks to shape the market where possible to avoid over reliance on single suppliers (for example in social care). Where appropriate contract conditions are included to ensure the contractor has the appropriate level of security required for the service they provide. This will differ depending on the nature of the service and the legal requirements applicable. Services are also doing more to work with providers to ensure an early dialogue when services are under pressure to work towards an agreed outcome.	Social Services have quarterly forum meetings with providers where risks, issues and pressures are identified. There are regular contract monitoring visits to monitor performance and quality. Directorates to monitor the financial performance and stability of contractors on an ongoing basis. Dialogue with some major suppliers is required and contingency planning has been progressed. This has become increasingly important due to the fragility of the market and the current economic situation. Many suppliers are going through difficult times and we will need to monitor closely to ensure that critical services do not collapse.	CMB	Jan-2024	May-2024	4	4	16	All wellbeing objectives

No.	IDENTIFIED RISK There is a risk that	Consequences of risk	Raw risk score			ACTION PLAN			Control method	Date Risk score assigned	How is the council addressing this risk	Key actions to be established - NB business as usual activity not reflected here	who	Last Reviewed	Next Review	Residual risk score			Well-Being Objective
			Li	Im	Total	Li	Im	Total											
COM - 2020 - 01	Invigorating the economy and economic recovery following the Covid pandemic, the cost of living crisis, and local issues such as the closure of businesses in the area.	The ongoing cost of living crisis and political and market / financial uncertainty is impacting both individuals and local businesses. There has been increased demand for financial support with increased applications for Council Tax reduction requests, reduced payment of Council Tax and business rates and a corresponding increase for other relevant Council advice and support services . May local businesses are particularly impacted by the huge inflationary increases particularly in energy costs meaning it is inevitable that there will be increased fragility in this sector.	5	4	20	Treat	Sep-20	By seeking to support local businesses and individuals by signposting them to appropriate financial support, skills training and support services, and progressing schemes to develop opportunities to set up and establish new business. The Council continues to act on behalf of Welsh Government through the administration of small business rates relief.	Support the aims set out by local economic recovery taskforce and identify and implement the recommended actions through the development of a new Economic Strategy . Liaise closely with colleagues in the Cardiff Capital Region and Welsh Government to identify and target opportunities for investment to add to investment provided by BCBC to stimulate and invigorate the economy. Seek to signpost opportunities for training, support and new jobs by targeting the work of the Council's Employability teams. Administer and target financial grant schemes and provide support to local businesses to adapt to new circumstances . Progress existing economic development schemes to provide more opportunities for business 'start up' by developing enterprise hubs throughout the County Borough. Implement proposals for the UK Government's Levelling Up Fund and the Shared Prosperity Fund which can be used to fund Employability/ skills based initiatives.	CMB / Economic Recovery Panel	Jan-2024	May-2024	4	4	16	a County Borough with fair work, skilled, high quality jobs and thriving towns			
SS - 2023 - 01	Significant service pressures in the health and social care services could impact on the ability of services to support vulnerable individuals	The health and social care system is not able to meet the health and care needs of people in a timely way resulting in harm and excess deaths. The immediate risk is that there is not sufficient capacity in community health and social care services to prevent hospital admissions and support timely discharge from hospital.	5	5	25	Treat	Jan-23	There are very regular meetings at senior levels across Health and the Local Authority to understand the current position and to agree the joint actions required to try to address the issues.	The Cwm Taf Morgannwg health and social care partners have developed a range of immediate, short, medium and long term actions to enhance community capacity and review pathways of care. The most immediate actions are the enhancement of community beds through additional care home capacity and the implementation of Discharge to Recover and Assess pathways of care. There are timescales attached to the actions agreed. There is also a comprehensive plan to address the capacity issues in care and support at home services. The system has experienced significant pressures so despite the actions the residual risk remains at a very high level and the service continues to evaluate whether immediate actions have impacted.	CMB	Jan-2024	May-2024	5	5	25	A county Borough where we support people to live healthy and happy lives			
EDFS - 2024 - 01	There is an increase in the financial fragility of schools in the Borough	Whilst the council seeks to mitigate the impact of the overall financial positions for schools, current financial planning includes the need to reduce the level of support previously given to schools. The consequences of this include schools having to use their balances to fund activity with increased risk of schools going into deficit. It is a requirement that schools address a deficit within 3 years, 5 in exceptional circumstances. This will be more difficult as funding to schools reduces.	5	5	25	Treat	Jan-24	There are structures in place to escalate issues to senior officers and Members. There is a Schools Budget Forum in place that is a consultative body in relation to the schools funding formula and overall finance issues for schools. School governors are responsible for monitoring and reporting school finance positions. Schools are supported with the development and monitoring of individual school budgets by the central finance team.	Further work to be done with schools to understand the impact on any budget reductions on individual schools.	CMB	Jan-2024	May-2024	5	4	20	A county borough where we help people to meet their potential			

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Control Method Definition

Definition	Meaning
Treat	To continue with the activity, but at the same time take action to bring the risk to an acceptable level.
Transfer	Transferring the responsibility of the risk to outside the Council.

Risk Scores

- 1-9 - Green - Low
- 10-12 - Amber - Medium
- 15-25 - Red - High

Risk ID number follows the sequence Directorate - year identified - risk number

Directorate codes mentioned above are:
 SS - Social Service
 COR - Corporate
 COM - Communities
 CEX - Chief Executives
 EDFS - Education and Family Services

BUDGET PRESSURES 2024-25 TO 2027-28

			2024-25	2025-26	2026-27	2027-28
Ref	Directorate	Pressure	Recurring £000	£000	£000	£000
EFS1	Education and Family Support	Additional funding for learner support to meet the costs of increased demand for Bridgend pupils in out of county placements, as a result of insufficient space at Bridgend schools. Funding also for increased demand for additional learning needs support at schools, in particular complex medical needs, sensory support and communication and relationship support.	500			
EFS2	Education and Family Support	Increased costs for Home to School Transport as a result of higher costs being experienced following re-tenders, mainly as a consequence of shortage of drivers and increased fuel costs.	1,200			
EFS3	Education and Family Support	Revenue to support the Annual Service Payments for the Sustainable Communities for Learning (School Modernisation) Programme Band B Bridgend West Schemes under the Welsh Government's (WG) Mutual Investment Model, whereby 81% of the annual revenue cost is met by WG and 19% by the local authority over a period of 25 years. Indicative until scheme has been tendered and subject to WG funding approval.			601	429
EFS4	Education and Family Support	Balance of £3.5m budget pressure outlined in reports to Cabinet and Council in September 2023 to address the recommended levels of resourcing for children's services, outlined in the report to the Council by the Institute of Public Care (IPC), following a review of service provision and demand. The total cost of the recommended way forward was £3.5m and £1m of this was funded via the 2023-24 budget for social services. This funding is required to strengthen the Council's statutory safeguarding accountabilities, specifically for Early Help and Edge of Care.	500			
Total Education and Family Support			2,200	0	601	429
SSW1	Social Services & Wellbeing	Funding for pay and price pressures within social services commissioned services.	3,360			
SSW2	Social Services & Wellbeing	Balance of £3.5m budget pressure outlined in reports to Cabinet and Council in September 2023 to address the recommended levels of resourcing for children's services, outlined in the report to the Council by the Institute of Public Care (IPC), following a review of service provision and demand. The total cost of the recommended way forward was £3.5m and £1m of this was funded via the 2023-24 budget. This funding is required to strengthen the Council's statutory safeguarding accountabilities, particularly Information, Advice and Assistance (IAA) and locality social work teams .	2,000			

			2024-25	2025-26	2026-27	2027-28
Ref	Directorate	Pressure	Recurring £000	£000	£000	£000
SSW3	Social Services & Wellbeing	Increased costs of home care for adults with learning disabilities, as a consequence of an increase in the number of hours covered, and an increase in the complexity of need. £30k of the budget pressure included in the draft MTFS is now included within CEX2 to meet the costs of undertaking the Appointeeship role for the 'Shared Lives' Adult Placement Service and other Learning Disability clients, which have increased in number in recent years.	1,970			
SSW4	Social Services & Wellbeing	Additional residential / nursing placements costs due to new admissions for older people and older people with mental health needs. Staffing costs have increased to manage the more challenging needs of residents.	1,000			
Total Social Services and Wellbeing			8,330	0	0	0
CEX1	Chief Executive	Increase in legal fees for children's services due to increased numbers of cases requiring King's Counsel, increased complexity and costs of cases.	300			
CEX2	Chief Executive	In line with SSW3, this funding is required to meet the costs of undertaking the Appointeeship role for the Adult Placement Service (APS) and other Learning Disability clients. Under The Regulation and Inspection of Social Care (Wales) Act 2016 and S23 (3) of the Adult Placement Services (Service Providers and Responsible Individuals) (Wales) Regulations 2019 APS hosts are not eligible to provide this role, an independent Appointee is required.	30			
Total Chief Executive			330	0	0	0
CW1	Council Wide	Increase in Fire Service Precept to cover pay and price increases. The final budget is subject to approval by the Fire and Rescue Authority at its budget meeting in February 2024 so the final increase may change .	446			
CW2	Council Wide	To mitigate emerging pressures, details for which are yet to be finalised. To be allocated in line with need and reported through quarterly monitoring reports.	550			
Total Council Wide			996	0	0	0
Total Budget Pressures			11,856	0	601	429

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
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RAG STATUS KEY	
RED	Proposals not fully developed and include high delivery risk
AMBER	Proposal in development but includes delivery risk
GREEN	Proposal developed and deliverable

EDUCATION & FAMILY SUPPORT

CENTRAL EDUCATION & FAMILY SUPPORT

EDFS1	Reduction in staff mileage budgets	During the pandemic, most meetings were arranged virtually, instead of in person. This arrangement has continued in part with hybrid working, although there are clear cases where in-person meetings are essential. The result is that spend on mileage is less than pre-pandemic levels, and budgets can be reduced accordingly with limited impact on service provision, but positive benefits for achieving net carbon zero.	139	13%	0	18			
EDFS2	Directorate Vacancy Management Factor	The introduction of an average 3% vacancy factor across the directorate - excluding schools, front-line services and grant-funded and income-generating posts. Recruitment has been an issue across the Council in recent years and there have been underspends in many services which cannot recruit to vacant posts. This target will need to be managed carefully and reviewed to ensure it is achievable.	11,400	3%	0	342			
EDFS3	Cessation of the Meals-at-Home Service	While there could be a significant redundancy cost, redeployment options could be explored to mitigate this risk. A public consultation would be required prior to determination by Cabinet.	48	100%	0		48		
EDFS4	Reduction of Nursery provision	The current arrangements for Nursery provision in Bridgend are in excess of the statutory requirements and are above what many other local authorities across Wales provide. This budget reduction proposal would reduce nursery provision to the statutory minimum requirement and discontinue full-time provision for 'rising 4s'. There could be a negative impact on Welsh-medium education, particularly in relation to the development of the Welsh language in respect of rising three- and four-year-olds This could potentially have a detrimental impact on educational standards.	4,800	45%	0		1,254	896	
EDFS5	Merging of schools - closure of infants school and merging with a junior school to create primary school provision.	This will be challenging to achieve due to a range of operational and policy considerations. It is possible that this will result in redundancies.	£114.7m - ISB Budget	0.17%	0		113	80	

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
EDFS6	Proposed to close 'small schools' as they become more and more unviable.	This will be challenging to achieve due to a range of operational and policy considerations. It is possible that this will result in redundancies.	£114.7m - ISB Budget	0.36%	0		239	171	
EDFS7	Income generation opportunities within the Music Service	Interest in developing a training function for schools provided by the Bridgend Music Service but this has not been costed and at a time when schools are looking to manage their service level agreements (SLAs) very carefully, this might not be possible. The national music service grant is subsidising this at the moment.	N/a - new income budget proposal	N/a	0	3	2		
EDFS8	Increase price of school meals by 30p (saving is limited due to the roll out of the universal primary free school meals (UPFSM) initiative)	The cost of school meal in Bridgend is currently one of the lowest in Wales. It is anticipated that an increase of 30p per meal would still see Bridgend as being in the bottom quartile of school meal cost across Wales. It is worth noting that there may be a decline in the take-up of a school meal following previous price increases and this may negate any savings.	1,216	2%	0	30			
EDFS9	Cessation of Adult Community Learning (ACL) provision	This would result in staff redundancies. There could be alternative options available via external partners. This saving could lead to the partnership being weakened. There will also be a loss of presence felt within local communities.	149	100%	0	149			
EDFS10	Reduction in Education Welfare Service	If the Education Welfare Service were reduced, school attendance could reduce. Given the negative impact the pandemic has had on school attendance rates (a reduction of 6% across the county borough), it is important that this service is maintained should the local authority want to support improvements in school attendance and, in turn, improve outcomes for pupils.	575	24%	0		136		
EDFS11	Reduction in contribution to Central South Consortium	Welsh Government is currently reviewing school improvement arrangements in Wales. The review is due to report in late spring/early summer 2024. We would look to reduce some of the central administrative functions rather than frontline services (improvement partners/principal improvement partners).	535	7%	0	35			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
EDFS12	Educational Psychology Service - Reduction in equipment, mileage and staff	This may result in educational psychologists not using latest test materials for their assessments which may mean results are invalid. This could also result in a potential reduction in in-person visits to schools and an increase in online sessions. This could result in the local authority being unable to meet its statutory duties under legislation, as the statutory role of educational psychologists could not be met due to reduced capacity. The local authority could be open to legal and tribunal challenge due to missed timescales and failure to meet its statutory duties. Unidentified needs of learners and significant placement breakdowns could lead to an increase in out-of-county specialist placements requested at additional cost.	383	10%		38			
EDFS13	ALN Statutory Team - reduction to staffing structure	The local authority could be unable to meet its statutory duties. The local authority could be open to legal and tribunal challenge due to missed timescales.	184	9%		17			
EDFS14	Early Years ALN, Cognition and Learning and Complex Medical and Motor Impairment - review of pay grades, reduction in staffing numbers	There could be a reduction in training offered to schools. The team may be unable to oversee the Observation and Learning Resource Centres at the current level. The early identification of needs of pupils may not be identified as quickly as desired. Schools may not have expertise to support pupils and needs escalate.	528	9%		50			
EDFS15	The Bridge Alternative Provision - staffing reductions and charging schools for hospital education	The setting may be unable to offer pupils the option to continue their studies through the medium of Welsh (previous Estyn recommendation). There could be insufficient staff to pupil ratios which could have potential safeguarding risks and limit the number of pupils The Bridge is able to accommodate.	1,643	5%		81			
EDFS16	Learner Support - staffing reductions	There is a statutory requirement to support young people with additional learning needs up to the age of 25. This saving could result in schools being unable to effectively manage additional learning provision, therefore potentially causing more local authority individual development plans which could cost the local authority more. This could result in an increased risk of tribunals.	157	10%		16			
EDFS17	School Modernisation budgets - review of staffing and non-staffing budgets	This could result in challenges in respect of site maintenance. This could also impact on the delivery of some capital projects.	209	11%		22			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
Page 146 EDFS18	Sensory Team - Hearing and visual impairment - review of staffing and non staffing budgets	This could result in a failure to meet statutory duties for hearing impaired (HI) and visually impaired (VI) learners. Learners with a HI and VI may be unable to access visits and in class support, modified resources and the school curriculum. This could result in the Learning Resource Centre not being staffed fully.	734	5%		35			
EDFS19	Communication and Relationships Team - Referrals only accepted for pupils who are at risk of permanent exclusion and placement breaking down. No longer completing observations for the ND Pathway	This could result in schools not following the local authority graduated response due to waiting times of support being implemented. Pupils placed on reduced timetables while schools await action plans could increase. This could result in pupils not progressing on the Neurodevelopmental Pathway due to specialist teachers being unable to complete professional recommendations.	1,210	12%		142			
EDFS20	Welsh in Education Strategic Plan (WESP) - reduction in translation services and review of staffing	This could result in a less co-ordinated approach to increasing Welsh-medium education and seeking opportunities to engage in activities through the Welsh-medium. WESP Coordinator to translate which would impact the ability to meet targets set within the WESP and could lead to a failure in meeting Welsh Government targets to increase Welsh-medium education.	10	100%		10			
EDFS21	School Music Service - cease payments of all Four counties ensemble financial commitments, cease all hire of vehicles for concerts etc	No offer of collaborative Four Counties activities to learners.	85	8%		7			
EDFS22	Review of Home to School Transport	While transport for Nursery children is non-statutory, if this were to be removed, there could be negative impact on pupils attending Welsh-medium and faith school nursery settings in particular although numbers are relatively low (<100). Home-to-school transport for Post-16 students is non-statutory. This could result in an increased number of young people not in education, employment or training. These cuts could impact on school attendance.	8,625	9%			792		

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
EDFS23	Reduction in Catering Services maintenance budget	This could mean a reduction in the purchase of replacement equipment for kitchens and an inability to comply with new refuse legislation from April 2024 for food recycling. This could have an impact on the local authority's resilience to maintain school kitchens effectively.	2,195	7%		154			
EDFS24	Review of staffing structure within the Education Directorate Support Unit (EDSU)	This could result in several challenges within the directorate's business function arm including the ability to coordinate correspondence, respond to Welsh Government requests and support administrative activity.	661	10%		63			
EDFS25	Review of staffing structures and non-staffing budgets within the Corporate Health and Safety Unit (CHSU)	This could result in less specialist health and safety support available across the organisation and may require the local authority to purchase additional external support if required at a later date.	411	10%		40			
EDFS26	Review of staffing structure within Pupil Services	This could result in the directorate having less ability to discharge statutory functions (that is, school admissions, child performance licensing, chaperone licensing, child employment and the appointment of local authority governors).	197	9%		18			
EDFS27	Review of staffing structures within Early Help	This could result in increased referrals to statutory services such as Social Care, and Child and Adolescent Mental Health Services (CAMHS). This could result in reduced support for learners, parents and carers.	1,389	10%		132			
EDFS28	Youth Support - redistribution of resources including the provision of a mobile youth support facility	This could result in a lack of appropriate spaces for young people to socialise can lead to them becoming isolated which in turn has a negative impact on their emotional wellbeing and mental health. This impact could be mitigated by the use of the new mobile youth provision vehicle.	383	7%		26			
EDFS29	Early Years and Childcare Team - reduction to project delivery budget (for example, training and grants available to childcare settings)	This could result in reduced training opportunities for the sector and the possibility of the team being unable to meet statutory requirements.	550	3%		14			
EDFS30	Edge of Care Services - staffing restructure	This could result in a reduction of services to children and families.	907	9%		84			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
Page 148 DFS31	Youth Justice Service - review of staffing and non-staffing budgets	Loss of external provision could mean that the Bridgend Youth Justice Service would need to deploy an alternative operating model which may result in a decreased offer to young people.	373	9%		34			
Total Education and Family Support						1,560	2,584	1,147	0

SCHOOLS

SCH1	Efficiency savings against School Delegated Budgets - 3% in 2024-2025 then 2% for 2025-26 and 1% thereafter.	It is important to note that some of this impact may be mitigated by the financial support provided to schools from the local authority in assisting schools to meet cost pressures in relation to pay and pensions, and energy. Further to discussion with headteachers, the following potential impacts have been identified: 1. Risk of increased school deficit positions; 2. Potential to result in some teacher and other staff redundancies; 3. Increase in class sizes; 4. Loss of interventions; 5. Increase in staff absence; 6. Low staff morale; 7. Increased workload; 8. Reduced curriculum offer; 9. Reduced leadership/strategic thinking time; 10. Potential inability to meet statutory requirements; 11. Decrease in adult support in classrooms; 12. Increase in pupil exclusions; 13. Decline in standards; 14. Reduction in ability maintain school buildings; 15. Limited extra-curricular activity; 16. Increase in referrals for behaviour support; 17. Reduced support for learners with additional needs; 18. Reduction in professional learning opportunities; 19. Loss of expertise due to teachers and senior leaders leaving the profession.	£114.7m - ISB Budget	7% total (3% for 24-25, 2% for 25-26 and 1% per annum thereafter)	2,118	3,441	2,294	1,147	1,147
Total Schools						3,441	2,294	1,147	1,147

Total Education & Family Support Directorate						5,001	4,878	2,294	1,147
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Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
SOCIAL SERVICES AND WELLBEING									
SSW1	Reduction in staff mileage budgets	During the pandemic most meetings were arranged virtually, instead of in person. This arrangement has continued in the main since then with hybrid working, although there are clear cases where in-person meetings are essential, with the result that spend on mileage is less than pre-pandemic levels, and budgets can be reduced accordingly with no impact on service provision, but positive benefits for achieving net carbon zero.	585	22%	0	128			
SSW2	Directorate Vacancy Management Factor	The introduction of an average 3% vacancy factor across the directorate - excluding front line services and grant funded and income generating posts. Recruitment has been an issue across the Council in recent years and there have been underspends in many services which cannot recruit to vacant posts. This target will need to be managed carefully and reviewed to ensure it is achievable.	8,456	3%	0	255			
SSW3	Non Residential Charges Income Generation	Review of the service pricing model and increasing unit costs with a view to generating additional income. Based on unit cost increase of 7.5%. Services are provided to vulnerable adults following an assessment of need. There is risk that individuals will cancel care packages and not have their needs met which could result in higher packages of care required in the future cost and/or an increase in debt recovery. Welsh Government has set a maximum charge of £100 per week that can be charged to an individual for non-residential care, so for those people already paying the maximum amount no additional income will be generated. In terms of flat rate charges such as Transport and Meals, no additional income can be generated under the current regulations.	4,235	2%	0	75			
SSW4	Remodelling Day Opportunities	As part of the wider prevention and wellbeing agenda the service is reviewing all daytime opportunities to create environments in vibrant and compassionate communities that offer a wide and diverse opportunity. This will enable the department to review how the localised community hubs are operated and managed. This will include transport arrangements, management structures and overall operation and service that is delivered. The review will include a rebalance of who operate day time services in Bridgend but could reduce the numbers attending and /or a reduction in current service provision.	3,382	6%	0	200			
SSW5	Direct Payments Reimbursements	Invest to save proposal approved to fund a staff member to manage individual direct payment cases and action surplus fund reclaims to reduce overall spend. The savings target is net of the costs of implementing this proposal.	6,016	4%	0	250			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
Page 150 SSW6	Achieve better value for money by Cabinet considering a recommendation to extend the Healthy living partnership	Extending the contract by up to 5 years gives BCBC some certainty on service delivery and enables stability to rebuilt within the contract prior to determining any longer term plans in line with Bridgend's strategy for leisure and it's contribution to wellbeing. The longer period created allows for a reprofiling of related services and management fee. The base management fee is also included in a proposal for 2024 - see SSW21.	1,399 (Management Fee)	14%	0				200
SSW7	Review opportunities to amend the current energy payment arrangements for the leisure contract	A formal review and extension of contract could enable a change to how energy is paid for within the partnership with a positive impact on costs. Halo currently pay their energy bills directly but if BCBC were to pay there is greater economies of scale and potential tax savings. It would likely need a contract extension and review of the contract to justify such a change.	259	17%	0	45			
SSW8	Review the full repairing lease aspect of the Health Living Partnership Programme contract and opportunities to invest differently or less within the leisure estate	The poor condition and need for investment of the leisure assets was a key driver in the development of the healthy living partnership and there have been improvements and scheduled maintenance at all venues since 2012. Council may wish to review how much funding it wishes to be spent on asset repairs and maintenance and whether the full repairing lease can be reviewed. Some small reductions may be possible by reviewing options for investment. The impact would be increased pressure on the capital/minor works programme to cover repair and replacement requirements and potentially not all investment needs would be met. The contractual implications of the outcome of the review will need to be considered.	1,399 (Management Fee)	4%	0	50			
SSW9	Review the operating costs of leisure facilities	The operating costs of the leisure buildings have progressively improved since 2012 and as such the financial savings from building closures have reduced. A review of opening hours will deliver some efficiencies in 2024. A broader leisure strategy is being developed which will inform the remodelling of leisure in the county borough for future years.	1,399 (Management Fee)	2%	0	30			
SSW10	Redevelop the indoor bowls arena space and explore redevelopment for other purposes that offer increased income generation	The operation of the indoor bowls hall at Bridgend Life Centre generates operating costs that are difficult to cover based on the seasonal usage by the indoor bowls club. Any changes to indoor bowling would not be popular and may have a negative impact on the Council's wellbeing goals. The development of the wellbeing hub inside the bowls hall has improved usage by downsizing the number of bowling rinks already. With investment there may be possibilities for seasonal increased income generation. Potential need for alternative community venue for indoor bowls. Feasibility study would be required during 2024/25.	1,399 (Management Fee)	2%	0		10	10	10

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
SSW11	BCBC to waive protections on concessionary pricing and discounted rates for the more vulnerable in leisure settings	These categories of user have been developed in line with the terms of the leisure contract seeking to support our most vulnerable by reducing cost as a barrier to accessing services that support wellbeing. There has been success in this and large numbers of people benefit from concessions including the means tested access to leisure scheme. This subsidy could be removed but risks would include levels of participation reducing and also related income. Many of the beneficiaries in this category are means tested. This may challenge the socio economic duty. These individuals are part of communities which have the lowest mortality rates and the highest burden of chronic disease in the county borough.	1,399 (Management Fee)	1%	0	15			
SSW13	Council to reduce its investment into cultural services including the availability of buildings, services or resources relating to its libraries, supported employment, community venues and arts programmes	Will include consideration of a reduction in library opening hours, library resources, community centres, supported employment for people with disabilities, arts activity and resources (for BCBC to determine) and other services or venues managed on behalf of the Council. It will be for Council to determine the contractual changes it requires and the related changes to the partnership agreement. For some services there will potentially be the need for public engagement or consultation.	3,565	10%	0	360			
SSW14	Dual use facilities operated in partnership with schools to increase income generation in line with fees and charging policy	Sites are operated on a shared usage basis with management agreements. They benefit schools during the day and community beyond. In a number of instances external investment has developed facilities. An opportunity to increase charges and deliver a small saving. Operating costs have increased in recent times and no uplift. We would be looking to increase charges by a further 10%.	133	6%	0	8			
SSW15	BCBC to withdraw or reduce its commitment to older persons strategy, ageing well in Bridgend and becoming an age friendly community	This would see a reduction to the older persons strategy budget which would limit BCBC to lead on Age Friendly Communities workstreams going forward. This is currently in the corporate plan. If agreed, this would require the policy to be changed. The grant to Cruse is also currently funded from this cost centre so a £20k reduction applicable overall.	40	38%	0	15			
SSW17	BCBC consider efficiency savings from Third Sector Contracts - bereavement services	Annual grant payment which is a small contribution to larger scale service providing bereavement support for a range of circumstances. Will have been in demand during the pandemic period in particular. Would remove an important support service for those experiencing bereavement.	5	100%	0	5			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
Page 152 SSW18	BCBC consider efficiency savings from Third Sector Contracts - dementia services	Annual grant payment, for which we are currently reviewing the specification, its need and how services to support people awaiting or receiving diagnosis fit within overall support available locally and regionally. Numbers of people experiencing dementia predicted to grow and reducing the resource would create demand for alternative support or services.	57	100%	0	57			
SSW19	BCBC consider efficiency savings from Third Sector Contracts - stroke services	The service is commissioned by health, where BCBC made a 20% funding contribution. This reduction would impact directly on people who receive these services. The individual impact assessments are in development.	20	100%	0	20			
SSW21	Reduction to the Healthy Living Partnership Management Fee from 2024-25	The saving will be achieved due to re-profiling the management fee and successfully securing funding from other sources to undertake improvement works/maintenance works that HALO would have otherwise undertaken. Extending the contract would support further potential for savings (SSW6). £164k of this saving relates to Management Fee and £36k relates to Leisure Client budget.	1,399 (Management Fee)	14%	0	200			
SSW22	BCBC consider efficiency savings from Third Sector Contracts - substance misuse services	This is an annual grant payment, which has the potential to be ceased. An impact assessment will need to be completed as no new referrals from BCBC have been made this year, there is a potential that people receiving this service will need ongoing care and support and result in higher packages.	34	100%	0	34			
SSW23	Reduction of the BCBC contribution towards the regional Western Bay adoption service	Based on the recent levels of refunds experienced since 2020-21, a reduction appears reasonable. The main risk is that the service may have an increase in cases where children should be placed for adoption and this will increase the usage of the regional service and associated costs.	926	27%	0	250			
SSW24	SCWDWP Training Reductions 1. Reduction in use of external venues for training delivery. 2. Increase offer of hybrid learning opportunities e.g., on-line resources, e-learning and on-line training. 3. External training courses / conferences to be supported only where there is an identified need that cannot be met by in-house resources. 4. Use of internal staff to facilitate training workshops. 5. Reduce the impact of non-attendance at training by introducing a non-attendance charge.	Insufficient availability of internal venues suitable to hold training events. Certain training requires physical attendance and specialist resources. Requires ICT equipment and skills to access on-line activities. External trainers bring specialist knowledge and skills that internal trainers could not replicate.	512	10%	0	50			
SSW25	Review of support staffing structure	Redundancy costs would have to be paid, risks in service delivery and compliance agenda which could result in poor regulatory judgements.	787	7%	0	55			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
SSW26	Increasing Charges for in-house care homes	Aim for full cost recovery on in-house care home charges	1,291	11%	0	140			
SSW27	Reduction of contribution to BAVO SLA by 10%	Financial pressure on BAVO and reduced service provision for citizens of Bridgend	61	10%	0	6			
Total Social Services and Wellbeing						2,248	10	10	210

COMMUNITIES

COM1	Reduction in staff mileage budgets	During the pandemic most meetings were arranged virtually, instead of in person. This arrangement has continued in the main since then with hybrid working, although there are clear cases where in-person meetings are essential, with the result that spend on mileage is less than pre-pandemic levels, and budgets can be reduced accordingly with no impact on service provision, but positive benefits for achieving net carbon zero.	198	17%	0	34			
COM2	Directorate Vacancy Management Factor	The introduction of an average 5% vacancy factor across the directorate - excluding front line services and grant funded and income generating posts. Recruitment has been an issue across the Council in recent years and there have been underspends in many services which cannot recruit to vacant posts. This target will need to be managed carefully and reviewed to ensure it is achievable.	10,000	5%	0	500			
COM3	Increase garden waste subscription cost to £50 per household and £45 for pensioners (Currently £46 per household or £42 for pensioners)	Potential increase in fly tipping. Loss of subscribers especially as it is the second year the subscription has been increased. Increase would not result in full cost recovery under the current contract, but recyclable tonnages contribute to an improved recycling level against Welsh Government targets to reduce the likelihood of penalties.	Income budget £290k	4%	30	13			
COM4	Increase bulky waste charges from £25 for 3 items to £30	Potential increase in fly tipping especially as it is the second year the charge has been increased. Increase would not result in full cost recovery under the current contract, but recyclable tonnages contribute to an improved recycling level against Welsh Government targets to reduce the likelihood of penalties.	Income Budget £135k	7%	25	10			
COM5	Removal of revenue budget used to fund the Council's Cardiff Capital Region City Deal (CCRCD) capital contribution	When the CCRCD was approved by the Council it was agreed that the Council's capital contribution (circa £11.3m) would be funded from revenue contributions and a recurrent budget pressure of £598k was included in the 2017-18 revenue budget. The total funding required is now almost complete which will enable the revenue budget to be reduced accordingly.	598	100%	0	598			

Budget Reduction Proposals 2024-25 to 2027-28

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Page 154 COM6	Increase fees on Bereavement services, i.e. burial charges by 20%	Income target has been based on historic income levels achieved and the application of a 20% increase to current charges. There is a risk to achieving the income target if there is a reduction in burials compared with the last two years if they return to pre-pandemic levels, or if relatives seek alternative services from neighbouring authorities.	Income budget £483K	20%	0	96			
COM7	Review of charging mechanism for the Major Projects Team within Corporate Landlord (Architects) to ensure full cost-recovery	Fees to be aligned to industry standard charge out rates to ensure continued competitive rates reflective of the fair and reasonable costs of providing the service compared to an outsourced solution. Such charge out rates to factor in total costs of the major projects team as a whole. Schemes within the capital programme that are using the services of the Major Projects Team will see an increase in the rates charged to them.	97	100%	0	97			
COM9	Cessation of Shopmobility Scheme	Non statutory service and has ceased since October 2022 following the closure of Brackla 1 Car Park.	21	100%	0	21			
COM10	Review of Porthcawl Marina berthing fees with a view to it operating on a full cost recovery basis	This would involve a review of the berth fees and other operational costs to enable full cost recovery.	32	100%	0	32			
COM11	Cessation of the Parks & Playing Fields Development Fund	In the MTFS 2020-21 to 2023-24 Council approved £75,000 of funding, for a period of two financial years, to support voluntary sports clubs based within the county of Bridgend. This funding period has now come to an end so the funding will be removed.	75	100%	0	75			
COM12	Removal of non-staffing budget within Economic Development	Budget previously used to support delivery of events, pop up business schools e.g. "rebel business school". The reduction in budget will impact on the economic support able to be provided by BCBC for similar events in the future. Will now source external grant funding for this initiative.	76	17%	0	13			
COM13	Reduce the budget available for the Climate Emergency Response Programme, including ULEV implementation	The Climate Emergency Programme will have to be remodelled. This will impact on the Welsh Government's net zero 2030 target and will now require additional grant funding from external sources or joint working with partners to achieve our ambitious targets.	455	12%	0	55			
COM14	Office Rationalisation to include closing Raven's Court and the Innovation Centre and sharing accommodation in Civic Offices with the MASH and SWP.	Opportunity to close underused buildings & save running costs. Also to increase close working relations with South Wales Police and MASH and utilise largely unused area of the Civic Offices. Will also be an opportunity to cover 190K of unrealised savings on accommodation from previous years.	N/a - new income target	N/a	0	73			
COM15	Reduce weed spray from 3 times to 2 times a year, reversal to former MTFS cut.	Will impact on the perceived visual amenity of the Borough, need to look at this with grass cutting and through biodiversity measures.	20	60%	0	12			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
COM17	Removal of Sponsorship for Major Events Fund	Removal of ability to sponsor major Event in 2024/2025 & receive the benefits that accrue from the global marketing opportunities that events provides. Will need to focus increased marketing activities through partnerships in future years.	25	100%	0	25			
COM18	Reduction in County Wide Strategic Regeneration Funds	Will significantly impact regeneration initiatives & remove the ability to match fund external grants and undertake feasibility studies, parking studies etc. Will impact on both by restricting the ability to match fund external grant schemes and provide regeneration opportunities in our towns centres and valleys. No town centre management activities funded in the future, including summer fayres & events.	560	54%	0	300			
COM19	Reduction in size of strategic regeneration team to release core funding	Redundancy and restructure required. Will reduce the capacity of the team to deliver regeneration schemes, will involve cessation/ omitting of projects and reprioritisation of work. Corporate Plan Obj's 2 & 3 will be impacted by the reduced resourcing so a reduction in the regeneration that can be achieved and the resulting economic benefits. Following commitment will be at risk of not be realised: 1. Deliver a regeneration strategy for the Ogmores and Garw Valleys. 2. Develop funding bids for our valleys, to enhance the economy and stimulate new job opportunities 3. Deliver a commercial property enhancement grant for all valleys high streets, to make them look better and bring properties back into commercial use. 4. Redevelop Bridgend Central Station, including improving the front public area with a transport interchange at the rear, providing links between bus services and trains, in partnership with Welsh Government and Network Rail.	220	19%	0	42			
COM22	Removal of Trainee Surveyor Post (Currently Vacant)	Reduction in number of posts within the structure will impact on the effectiveness and efficiency of the service area. Removal of succession planning. Will impact posts around it who will have to pick up functions of this role. Possible impact on line manager grade and partial service restructure required	33	100%	0	33			
COM23	Reduce available property maintenance budgets in Corporate Landlord by up to 10% per asset	Risk to safety and statutory building compliance. Reduction of maintenance activity counter productive for long term asset operation. This reduction would be limited to assets where non essential maintenance items can be removed. Will have a resulting negative affect on teams delivering maintenance functions with reduction in volume of orders, but these reductions have been taken previously and could be taken again if required	1,049	10%	0	100			

Budget Reduction Proposals 2024-25 to 2027-28

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COM24	Commercially let Pandy Depot	Would require existing BCBC archive storage to be condensed or relocated to other location and take time to ready for commercial letting. Reduce the amount of depot facilities for BCBC operations. Will require capital to ready for letting. Full savings unlikely until 2025-26, but partial savings are a possibility in 2024-25.	N/a - new income target	N/a	0		50		
COM26	Cessation of provision of hard copy recycling calendar to all residents	Item is non-provisional so negotiation would be required with the contractor. Portal allows residents to check their collection day online but may cause some issues for those without access to internet.	45	100%	0	45			
COM27	Stop bi-annual supply of blue refuse sacks to all residents.	This saving could not be realised until 2025 due to orders already being placed for the next financial year due to delivery timescales. This would mean residents would have to provide their own bags for containment of refuse. Likely to be an unpopular change for residents who currently have these delivered with food waste liners.	257	100%	0		257		
COM28	Letting of former Woodmat Property, Brynmenyn Estate	Would maximise income but result in loss of use of asset for future depot or CRC relocation. Also, Loss of significant power supply at site for future ULEV charging facilities	N/a - new income target	N/a	0	35			
COM29	Removal of Estimator & Cost Control Manager – DLO (Currently Vacant)	Removal of post would require supervisor to undertake duties of cost control.	45	100%	0	45			
COM30	Switch Waste collection vehicles from HVO fuel to Diesel	Green deliverability as implementation is straightforward. But would represent a backwards step environmentally switching from green vegetable derived fuel back to a fossil fuel, albeit in WG Co2 reporting mechanisms minor variance.	136	100%	0	136			
COM31	Release of 2 x vacant strategic transport planning posts	No further work on statutory active travel programme and on development of active travel network and other highway infrastructure improvements impacting viability and future development. Council will not be able to fulfil the Local Development Plan policy requirements and loss of S106 contributions Inability to commit to planning performance agreements for large scale schemes/development resulting in a loss of financial contributions No submission of bids for future transport funding under Levelling Up Fund or Shared Prosperity Fund No further work on current Bridgend strategic transport priorities Failure to comply with statutory duties under the Active Travel Act and national planning policy.	202	35%	0	70			
Total Communities Directorate						2,460	307	0	0

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
CHIEF EXECUTIVES									
CEX1	Reduction in staff mileage budgets	During the pandemic most meetings were arranged virtually, instead of in person. This arrangement has continued in the main since then with hybrid working, although there are clear cases where in-person meetings are essential, with the result that spend on mileage is less than pre-pandemic levels, and budgets can be reduced accordingly with no impact on service provision, but positive benefits for achieving net carbon zero.	38	47%	0	18			
CEX2	Directorate Vacancy Management Factor	The introduction of an average 3% vacancy factor across the directorate - excluding front line services and grant funded and income generating posts. Recruitment has been an issue across the Council in recent years and there have been underspends in many services which cannot recruit to vacant posts. This target will need to be managed carefully and reviewed to ensure it is achievable.	16,968	3%	0	510			
CEX3	Removal of the security patrols at Brynmenyn House - Homelessness hostel	There have been significant challenges since Covid-19. Numerous Community Safety Partnership meetings have been held with ward Councillors and local residents. The security, alongside additional CCTV cameras and lighting, have been part of a package of measures to support the community cohesion. The removal / reduction of the service, would reduce visibility and ability to react to situations, and potentially increase police presence, as these were reduced due to the presence of the security.	150	100%	0	150			
CEX4	Efficiency saving target targeting supplies and services budgets within Housing Solutions	Limited impact as review has identified small historic under spends against this budget category	142	25%	0	35			
CEX5	Increase Rental income budget at Brynmenyn House - Homelessness hostel	Limited impact as proposal reflects income levels consistently achieved since the Covid-19 pandemic.	£37K income budget	170%	0	63			
CEX6	Staffing saving in Finance Section	Staff saving in finance section achieved through removal of vacant posts and potential restructuring. This will place additional pressure on remaining staff, putting deadlines for grant returns and accounts closure at risk, impacting on levels of grant income achievable.	5,176	1%	0	71			
CEX7	Reduced contribution to the Regional Internal Audit Service (RIAS)	Requirement for Head of Internal Audit to provide an annual audit opinion on the Council's control environment in relation to governance, risk management and internal control, which may be more difficult if less audit work undertaken. Consultation on the budget also required with other RIAS partners.	270	10%	0	27			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
CEX8	Charging the public for Pest Control Services	Look to implement a full cost recovery model for this service	67	100%	0	67			
CEX9	Reduction of ICT Printing costs	Due to the increase in working from home across the authority, savings can be explored in the ICT Print Strategy areas when the printing framework contract is considered for renewal in January 2024. The tender will be designed to be in line with the cultural shifts towards the paperless office agenda.	35	14%	40	5			
CEX10	Amend the Disclosure and Barring Service (DBS) Policy to only recheck every three years for employees governed by the Care Standards Act 2000, not for all employees who require a DBS.	This approach is being followed in neighbouring authorities, but the impact will be that the employees (outside the Care Standards Act 2000) will only have a DBS on appointment.	49	61%	0	30			
CEX11	Increase in various Registrars income budgets	Limited impact as proposal reflects income levels consistently achieved since the Covid-19 pandemic.	£291K income budget	17%	0	50			
CEX12	Increased income from Registrars' Ceremonies	Increasing the fees charged for Marriages and other ceremonies by 15%. We are currently charging below the Welsh average. The increased cost could potentially reduce demand, however the Registrar's fee is a small percentage of the overall cost of the average wedding budget. It is also an essential requirement for a wedding and it is therefore anticipated that this increase in fee will have minimal impact on demand.	£291K income budget	15%	0	43			
CEX13	Restructure of Legal Services	Reduction in capacity, reduction in service delivery, and impact on staffing levels. If the whole saving is agreed this will be the equivalent of 4 posts.	2,153	7%	0	154			
CEX14	Reconfiguration of Business Support	Significant reduction in business support management and resilience, creating a single point of failure. Business Support is pivotal to managing the central business support to the Chief Executive, Communities and Education and Family Support Directorates. It will create a significant capacity risk in day-to-day management and add to workload pressure and stress down through the structure. The reconfiguration will look at making additional savings across the teams, but this will impact on such things as providing management information to services, particularly Corporate Landlord, supporting Legal Services accreditation to LEXEL, the ability to support minute taking of HR disciplinary and other such investigations, family support services, Youth Justice Services and performance management.	1,323	12%	0	160			
CEX15	Increase income generated from legal fees for property transactions, S106 Agreements and Highway Agreements	Currently the Service charge a set fee of £2k for the S106 process and highway agreements are based on a percentage of the estimated cost of the works for a highway scheme which is currently 1%. An estimate figure of potential increase in income has been given but this is subject to take up of the service and could be more or less.	£76K income budget	26%	0	20			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
CEX16	Restructure of HR Service	Reduction in capacity, reduction in service delivery, and impact on staffing levels. If the whole saving is agreed this will be the equivalent of 7 posts.	2,378	12%	0	289			
CEX17	Household Canvas - Reduction / Limited Canvass Door Knocking	Will focus on poor response areas but will draw criticism from Electoral Commission.	20	45%		9			
CEX18	Restructure of Procurement Team	Reduction in capacity, reduction in service delivery, and impact on staffing levels. If the whole saving is agreed this will be the equivalent of 2 posts.	352	18%		62			
CEX19	Restructure of Democratic Services	Reduction in capacity, reduction in service delivery, and impact on staffing levels. If the whole saving is agreed this will be the equivalent of 2 posts.	536	18%		96			
CEX20	Restructure of Corporate Policy and Public Affairs Team	Service could not expand and develop as proposed. Graduates could assist until their contract expires (Nov 2024)	342	13%		45			
CEX21	Review of provision of Homelessness Service	Review the options for providing accommodation to those who are homeless by reducing reliance on hotel and private provision	4,177	10%		397			
CEX22	Review of ICT Services	Review the contract for telephony services to commence from April 2024. Review the use of teams in the Authority to reduce software costs. Consider partnership working to support and enhance the ICT provision	4,367	9%		398			
CEX23	Review the provision of Partnerships and Customer Services	Reduction in capacity, reduction in service delivery, and impact on staffing levels. Review input from partners where appropriate	2,377	9%		216			
CEX24	Reduce subsidy to Citizens Advice Bureau by 10%	Financial pressure on CAB and reduced service provision for citizens of Bridgend	216	10%		22			
CEX25	Staff savings from Finance senior management team	This will require a restructure of the Finance senior management team, and potential redundancies, reducing senior leadership capacity and knowledge and experience, at a time of increasing focus and pressure on council finances. This will place additional pressure on remaining staff.	523	13%		70			
CEX26	Increase in Finance income budgets	Increase in charges to the Finance Section's clients, including schools and other services / organisations where the finance team provide support eg Consortium of Local Authorities in Wales (CLAW).	Income budget £150K	19%		28			

Budget Reduction Proposals 2024-25 to 2027-28

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2023-24 £'000	Total Budget Reduction 2024-2028 as % of 2023-24 Budget	2023-24 Budget Reductions £'000	Indicative 2024-25 £'000	Indicative 2025-26 £'000	Indicative 2026-27 £'000	Indicative 2027-28 £'000
Page 160 CEX27	Restructure of the Council's Benefits and Assessment Team	This will require a restructure and potential redundancies. This would be exacerbated by annual reductions to the Housing Benefits Administration Grant, which is £20k in 2024-25. The impact will be longer times taken to process housing benefits and council tax reduction claims, and undertake assessments, and more likelihood of error and fraud.	1,050	9%		90			
CEX28	Reduction of staffing in the Council Tax section	This proposal will mean the reduction of staffing, resulting in additional pressure on remaining staff, delays in processing council tax queries, and the real likelihood of reductions in the amount of council tax income being collected. The team is already dealing with additional work as a result of the introduction of council tax premiums for empty properties and the forthcoming introduction of premiums for second homes.	702	9%		63			
CEX29	Reduction to the Shared Regulatory Service budget	Reduction in capacity, reduction in service delivery, and impact on staffing levels. Service has been asked to identify savings by three partner Councils and decision will be made by Joint Committee.	£1.453m Core Services budget	4%		58			
Total Chief Executive's Directorate						3,246	0	0	0

CORPORATE / COUNCIL WIDE

CW1	Increased income receivable from investments and loans	No impact in the short term as current income is significantly higher than budget. However, if interest rates fall below pre-pandemic levels then the level of income will fall. The council's cashflow is managed carefully to ensure security, liquidity and yield, so funding is not placed at risk. As reserves are drawn down there will be less funding available for investing and this level of income may not be achievable.	Income budget £943K	10%		90			
Total Corporate / Council Wide						90	0	0	0

GRAND TOTAL REDUCTIONS						13,045	5,195	2,304	1,357
ESTIMATED BUDGET REDUCTION REQUIREMENT (MOST LIKELY)						13,045	10,822	10,615	10,400
REDUCTION SHORTFALL						0	5,627	8,311	9,043

6,415	443	0	0
2,243	2	0	0
4,387	4,750	2,304	1,357
13,045	5,195	2,304	1,357

FEES AND CHARGES PROPOSALS 2024-25

APPENDIX E

1. FEES AND CHARGES INCREASING BY HIGHER THAN THE STATUTORY MINIMUM OR CPI		
Type of Charge	Comment	Detail of Revised / New Fee or Charge
School meals	EDFS8 – Medium Term Financial Strategy Budget Reduction proposal – increase price of school meals by 30p	Primary - £2.50 Secondary - £2.80 Adults - £3.90
In-house care home charges	SSW26 – Medium Term Financial Strategy Budget Reduction proposal – increasing charges for in-house care homes to aim for full cost recovery	11% increase
Garden Waste subscription	COM3 – Medium Term Financial Strategy Budget Reduction proposal – to increase garden waste subscriptions to £50 per household and £45 for pensioners (currently £46 per household and £42 for pensioners)	£50 per household £45 for pensioners
Bulky Waste subscription	COM4 – Medium Term Financial Strategy Budget Reduction proposal – to increase bulky waste charges (currently £25 for 3 items)	£30 for 3 items
Bereavement Services	COM6 – Medium Term Financial Strategy Budget Reduction proposal – to increase fees on Bereavement services, i.e. burial charges by 20%	20% increase across all categories of burial/internment charges
Registrars – Marriage and other ceremonies	CEX12 – Medium Term Financial Strategy Budget Reduction proposal – to increase fees charged for Marriages and other ceremonies by 15%	15% increase across all categories of registrar attendance at ceremonies
2. NEW FEES AND CHARGES		
Type of Charge	Comment	Detail of Revised / New Fee or Charge
Registrars – Production Fee	Postage fee for all certificates	£2.00
Registrars – Booking Fee	'Save the Date' ceremony booking fee	£25.00

FEES AND CHARGES PROPOSALS 2024-25

APPENDIX E

<p>Electric Vehicle Charging</p>	<p>Use of Council Electrical Vehicle Charging points</p>	<p>£0.50 per KWH</p>
<p>Music Service – Training function for schools provided by Bridgend Music Service</p>	<p>EDFS7 – Medium Term Financial Strategy Budget Reduction proposal - income generation opportunities within the Music Service</p>	<p>Rates to be agreed with schools</p>
<p>Pest Control Services</p>	<p>CEX8 – Medium Term Financial Strategy Budget Reduction proposal – charging the public for Pest Control Services to implement a full cost recovery model for this service. There is currently no charge for the treatment of bedbugs, cockroaches, mice or rats.</p>	<p>Per Treatment: Rats £59 Mice £61 Bedbugs £110 Cockroaches £95</p>

DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

Page 163 BASE BUDGET BY SERVICE AREA	Revised Budget 2023-24	Adjustments for virements within Directorates	Inter-Directorate Transfers	Pay/Prices	Budget Pressures 2024-25	Budget Reduction Proposals 2024-25	Revenue Budget 2024-25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Central Education & Family Support</u>							
LEARNER SUPPORT	6,937	-16	0	106	500	-697	6,830
FAMILY SUPPORT	3,602	102	0	5	500	-376	3,833
BUSINESS SUPPORT	11,703	45	0	36	1,200	-380	12,604
SCHOOLS SUPPORT	702	-124	0	30	0	-47	561
SCHOOL MODERNISATION	3,890	12	0	0	0	-28	3,874
VULNERABLE GROUPS SUPPORT	786	0	0	0	0	-23	763
OTHER EDUCATION AND FAMILY SUPPORT	1,780	-19	0	0	0	-9	1,752
	29,400	0	0	177	2,200	-1,560	30,217
<u>Schools</u>							
SCHOOL DELEGATED BUDGETS	114,740	0	0	1,969	0	-3,441	113,268
	114,740	0	0	1,969	0	-3,441	113,268
<u>Social Services & Wellbeing</u>							
OLDER PEOPLE	27,407	0	0	15	2,480	-359	29,543
ADULT PHYSICAL DISABILITIES/SENSORY IMPAIRMENT	5,767	0	0	0	216	-39	5,944
ADULTS LEARNING DISABILITIES	22,292	0	0	0	3,186	-395	25,083
ADULTS MENTAL HEALTH NEEDS	5,040	0	0	1	381	-23	5,399
OTHER ADULT SERVICES	244	0	0	0	0	-34	210
ADULT SERVICES MANAGEMENT & ADMIN	5,199	0	0	1	0	-307	4,893
PREVENTION AND WELLBEING	6,556	0	0	0	0	-736	5,820
CHILDREN'S SOCIAL CARE	25,931	0	0	0	2,067	-355	27,643
	98,436	0	0	17	8,330	-2,248	104,535
<u>Communities</u>							
CORPORATE LANDLORD	3,290	-171	0	102	0	-474	2,747
STRATEGIC MANAGEMENT	291	0	0	0	0	-11	280
PLANNING & DEVELOPMENT SERVICES	753	36	0	0	0	-157	632
STRATEGIC REGENERATION	1,725	20	0	0	0	-812	933
ECONOMY, NATURAL RESOURCES & SUSTAINABILTY	1,679	0	0	1	0	-267	1,413
CLEANER STREETS & WASTE MANAGEMENT	12,526	167	300	212	0	-274	12,931
HIGHWAYS & GREEN SPACES	12,019	(52)	0	9	0	-465	11,511
	32,283	0	300	324	0	-2,460	30,447

DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

Page 104 BASE BUDGET BY SERVICE AREA	Revised Budget 2023-24	Adjustments for virements within Directorates	Inter-Directorate Transfers	Pay/Prices	Budget Pressures 2024-25	Budget Reduction Proposals 2024-25	Revenue Budget 2024-25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's							
CHIEF EXECUTIVE UNIT	517	0	0	0	0	-28	489
FINANCE	4,237	13	0	0	30	-498	3,782
HR & ORGANISATIONAL DEVELOPMENT	2,237	9	0	0	0	-377	1,869
PARTNERSHIPS	2,377	6	0	0	0	-280	2,103
LEGAL, DEMOCRATIC, AND REGULATORY	6,074	17	0	0	300	-686	5,705
ELECTIONS	185	2	0	1	0	-12	176
ICT	4,296	-53	0	1	0	-477	3,767
HOUSING & HOMELESSNESS	4,177	2	0	0	0	-691	3,488
BUSINESS SUPPORT	1,238	4	0	1	0	-197	1,046
	25,338	0	0	3	330	-3,246	22,425
TOTAL SERVICE BASE BUDGETS	300,197	0	300	2,490	10,860	-12,955	300,892
Council Wide Budgets							
CAPITAL FINANCING	7,142	0	0	0	0	-90	7,052
LEVIES	9,189	0	0	0	446	0	9,635
REPAIRS & MAINTENANCE	670	0	0	0	0	0	670
COUNCIL TAX REDUCTION SCHEME	16,054	0	0	0	0	0	16,054
APPENTICESHIP LEVY	750	0	0	0	0	0	750
PENSION RELATED COSTS	430	0	0	0	0	0	430
INSURANCE PREMIUMS	1,363	0	0	0	0	0	1,363
OTHER COUNCIL WIDE BUDGETS	6,539	0	-300	16,090	550	0	22,879
TOTAL COUNCIL WIDE BUDGETS	42,137	0	-300	16,090	996	-90	58,833
TOTAL BUDGETS	342,334	0	0	18,580	11,856	-13,045	359,725

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RESERVES AND BALANCES PROTOCOL

1. Background

- 1.1 Bridgend County Borough Council is required to maintain adequate financial reserves to meet the needs of the organisation. The purpose of this protocol is to set out how the Council will determine and review the level of its Council Fund Balance and Earmarked Reserves. The protocol has regard to CIPFA Bulletin 13 – Local Authority Reserves and Balances (Updated) issued March 2023, which replaces LAAP Bulletin 99 ‘Local Authority Reserves and Balances’, issued in July 2014.
- 1.2 The requirement for local authorities to hold financial reserves is acknowledged in statute. Reserves are one component of an authority's medium-term financial planning - other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. These decisions are inter-linked. This means that, to ensure prudent financial management, some authorities will need to maintain reserves at higher levels than others.
- 1.3 Section 32 and 43 of the Local Government Finance Act 1992 require local authorities in Wales to have regard to the level of reserves needed to meet estimated spending when calculating the budget requirement. Section 25 of the Local Government Act 2003 requires:
- the Chief Finance Officer to report to Members on the budget including the adequacy of reserves; and
 - Members to have regard to the Chief Finance Officer's report in making their decisions.
- 1.4 The Chief Finance Officer is required to make a statement in the budget report on the robustness of the estimates and the adequacy of the proposed financial reserves. This should be on the adequacy of reserves over the lifetime of the MTFs and should also take into account the expected need for reserves in the longer term.
- 1.5 In November 2018 the then Cabinet Secretary for Local Government and Public Services issued a Statement which said “it is prudent to build up and hold reserves for specific purposes, including transforming services to meet the continuing financial pressures, which I recognise Councils face...I believe that local authorities in Wales will wish to use their reserves strategically to drive forward the change required to deliver essential services to communities. They will need to consider how to use available funds to work with others to deliver longer term efficiencies”.

2. Types of Reserve

- 2.1 The Council will maintain the following usable reserves:

Nature of Reserve	Description
Council Fund	This is a working balance to help cushion the impact of uneven cash flows to avoid unnecessary temporary borrowing and to provide a contingency to cushion the impact of unexpected events or emergencies.
Earmarked Reserves	These reserves are a means of building up funds to meet known or predicted requirements. Earmarked reserves are accounted for separately but remain legally part of the General Council Fund. Earmarked reserves will be established on a “needs” basis, in line with planned or anticipated requirements.
Delegated School Balances	These are unspent balances of budgets delegated by the local authority to individual schools. There are specific regulations to deal with school balances, and these balances are ring-fenced and cannot be used for other purposes.

Equalisation & Grant Reserves	These reserves are held to facilitate the carry forward of grants, where permitted, or to spread the costs incurred in a particular future year over the period of the Medium Term Financial Strategy (MTFS). In respect of grants the funding is held either to meet the terms and conditions of the grant or to repay the funding body. They cannot be used for other purposes.
Capital Receipts Reserve	This account holds the proceeds from the sale of assets and in accordance with regulations; these funds can only be used for capital purposes.
Capital Grants Unapplied	This account holds the grants and contributions received towards capital projects for which the authority has met the conditions set by the grant funding body. The funds will remain in this account until the expenditure to be funded by that grant has been incurred. This cannot be used for other purposes.

2.2 The Council will also maintain a number of other reserves that arise out of the interaction between legislation and proper accounting practices. These reserves, which are not resource-backed, will be specified in the annual Statement of Accounts. These are called Unusable Reserves. The Council's unusable reserves are the Capital Adjustment Account, Revaluation Reserve, Pension Reserve, Short-term Accumulating Compensated Absence Account and the Financial Instruments Adjustment Account. These will not be referenced within this Protocol.

3. Regulatory Framework

3.1 It is the responsibility of the CFO to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. CIPFA do not accept the case for introducing a generally applicable minimum level of reserves either as an absolute amount or a percentage of budget. It is for the local authority to make their own judgements based on relevant local circumstances.

3.2 For each earmarked reserve there needs to be a clear protocol setting out:

- the reason for / purpose of the Reserve
- how and when the Reserve can be used
- procedures for the management and control of the Reserve
- a process and timescale for review.

4. Principles to Assess the Adequacy of Reserves

4.1 The CFO will advise the Council on the adequacy of reserves. In considering the general reserve, or Council Fund, the CFO will have regard to:

- the strategic financial context within which the Council will be operating through the medium-term;
- the overall effectiveness of governance arrangements and the system of internal control;
- the robustness of the financial planning and budget-setting process;
- the effectiveness of the budget monitoring and management process.

4.2 CIPFA guidance on Local Authority Reserves and Balances advises that a statement reporting on the annual review of earmarked reserves should be made to Council, at the same time as the budget is approved. Within the Council's Medium Term Financial Strategy (MTFS), there are a number of main principles that relate to reserves. These are detailed below:

MTFS Principle 4

The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities

The Council holds a number of earmarked reserves to cover potential liabilities or for unforeseen events and these include the Insurance Earmarked Reserve. These are reviewed throughout the year and the balances are adjusted at the end of the financial year based on the most up to date information of potential outstanding liabilities. This process includes analysis of external assessments or actuary reports on the levels needed for the insurance or pension funds. The Council also holds an Insurance Provision to meet the estimated cost to the Council of outstanding liabilities for employer's liability, public liability and property.

MTFS Principle 7

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

The Council has a Change Management Programme Earmarked Reserve specifically to support delivery of the Corporate Plan and MTFS. There are also some other earmarked reserves which are supporting service reconfiguration and digital transformation.

The current financial landscape demands that significant savings need to be made in order to deliver a sustainable budget. It is therefore prudent to have reserve levels to provide a buffer or a safeguard during uncertain times. A MTFS Budget Reduction Contingency Reserve is established and is set at a level determined annually following an assessment of budget reductions categorised as 'red' and deemed material within the MTFS. This will provide additional capacity for discretionary use by the CFO to manage inescapable challenges with delivery.

MTFS Principle 8

Balances are not used to fund recurrent budget pressures or to keep down Council Tax rises unless an equivalent budget reduction or increase in Council Tax is made in the following year in recognition that balances are a one-off resource

The principle allows for the use of balances to meet budget pressures, where the costs are on a one-off basis or there is to be an equivalent saving in the following year. There are a number of Earmarked Reserves that have been established specifically relating to this principle. For example, the funding of new Information Technology to make services more efficient in the future.

MTFS Principle 9

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

The Council Fund balance provides resources for purposes such as general contingencies and cash flow management. It acts as a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. It acts as a contingency to cushion the impact of unexpected events or emergencies. This is in accordance with CIPFA's Guidance Note on Local Authority Reserves and Balances. The Council Fund balance at 31 March 2023 was £9.832 million (£10.110 million at 31 March 2022). This represents 3.95% of the 2024-25 net budget excluding school delegated budgets. It also equates to 2.39% of the 2022-23 Gross Revenue Expenditure (GRE). As a comparison the

Welsh average was approximately 2.80% (based on available published information).

MTFS Principle 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

In order to support sound option appraisals the Council maintains a Capital Feasibility earmarked reserve. Capital investment is intrinsic in the MTFS and as a result there are also earmarked reserves that support asset management planning, fund capital minor works in relation to health and safety and one specifically to support major schemes within the capital programme of the Council. Additions have been made during 2023-24 to provide for significant capital pressures over the MTFS period.

5. Establishment and Monitoring of Reserves

- 5.1 In considering specific reserves, the CFO will have regard to matters relevant in respect of each reserve and will advise the Council accordingly. The process for the determination of Directorate reserves will be based upon the principles of effective financial management. The agreement of business cases will be determined by the CFO, having considered the recommendations of the Corporate Management Board.
- 5.2 Directorate Finance Officers are issued with details of how to apply for earmarked reserves within the Closing of Accounts pack for the financial year. The requested amount must be material and should be restricted in number to those considered to be of key importance. The establishment of reserves will be subject to sufficient resources being available. Subject to these criteria being met, the Directorate will be informed of whether the requests have been approved.
- 5.3 The Finance Senior Management Team will review the establishment, monitoring and the level of Corporate Reserves. These include specific Contingency Reserves, Capital Development or Asset Related Reserves and MTFS Reserves. The meetings will examine evidence from external information such as actuary reports or insurance and risk management assessments; changes in legislation; new emerging risks or capital initiatives. The establishment of earmarked reserves, both Directorate and Corporate, is authorised by the CFO and reported to Cabinet through the quarterly revenue forecast reports during the financial year and within the Statement of Accounts for any set up at the end of the financial year. The draft accounts are presented to Governance and Audit Committee following the end of the financial year. They are then scrutinised by the Council's external auditors – Audit Wales - and a revised post-audit Statement of Accounts is reported to Governance and Audit Committee and Council and published on the Council's website in accordance with the Accounts and Audit (Wales) Regulations.
- 5.4 The CFO will monitor the drawdown of specific reserves in accordance with the agreed policy, and keep Members advised, through normal monitoring reports. Reserves can only be used once and should not be held to fund ongoing expenditure (MTFS Principle 8). This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.
- 5.5 All earmarked reserves are recorded on a central schedule held in the Finance Section which lists the various earmarked reserves and the purpose for which they are held. The schedule sets out the opening balances for the year, additions/withdrawals and the closing balance. Any appropriations to or from earmarked reserves are controlled in the section. Evidence of expenditure incurred at period 6, period 9 and year-end will be required from Directorate Finance Officers. The drawdown from reserves will be included within the quarterly revenue forecast reports to Cabinet. Appropriate working papers for each reserve are produced at year-end and provided to the external auditor to support the disclosures within the Statement of Accounts.

6. Summary of Specific Provisions and Balances

6.1 As well as the Council Fund and Earmarked Reserves, there are a number of specific provisions and balances as follows:

a) Delegated School Balances

These balances represent the cumulative effect of over and under-spending on school delegated budgets and are not available to the Council. School balances were £6.898 million at 31 March 2023.

b) Specific Provisions

The Council holds provisions for unforeseen events, with the major one being to meet the total outstanding liability of Bridgend's self-insurance fund based on a professional analysis of the claims outstanding for employer's liability, public liability and property. The current level of provisions is £5.244 million.

7. Summary of Earmarked Reserves

7.1 A summary of the Earmarked Reserves are detailed below:

a) Corporate Reserves

These reserves include Change Fund, Feasibility and Capital reserves and are for planned developments in the forthcoming years, such as Sustainable Communities for Learning, ICT improvements and upgrades to Financial Systems. These reserves will be reviewed and adjusted at year-end as appropriate to fund any new developments going forward. Any reserves that are no longer required will be released back into the general revenue budget. Some of these reserves are used over a number of financial years.

b) Directorate Earmarked Reserves

These reserves have been created for specific pressures or priorities, such as pressures within Children's Social Services.

c) Equalisation and Grant Earmarked Reserves

These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFs. These include the costs of elections, Building Control costs and the preparation of the Local Development Plan. In addition, where carry forward of grant funding has been approved, the income is recognised in the Council's Income and Expenditure statement but the unused funds are held within these earmarked reserves.

7.2 The table below sets out the Council's earmarked reserves position at the end of January 2024. It is anticipated that there will be further draw-down of reserves by 31 March 2024. The table does not include any potential new or increase of reserves over the final two months of the year.

Opening Balance 01 Apr 23 £'000	Reserve	Movement as at Period 10			Closing Balance 31 Dec 23 £'000
		Net Additions/ Reclassification £'000	Draw-down £'000	Unwound £'000	
	Corporate Reserves:				
50,531,437	Capital Programme Contribution	3,013,538	-	(4,598,609)	48,946,366
3,794,440	Asset Management Reserves	426,270	(420,892)	(514,815)	3,285,003
4,629,715	Major Claims & Insurance Reserves	1,000,000	(2,263,267)	(921,953)	2,444,495
2,892,509	Service Reconfiguration	-	-	-	2,892,509
3,422,660	Change Management/Digital Transformation	(141,609)	(196,367)	(184,000)	2,900,684
1,093,789	Economic and Future Resilience Fund	-	-	(293,789)	800,000
906,000	Other Corporate Reserves	1,500,000	-	-	2,406,000
67,270,549	Total Corporate Reserves	5,798,199	(2,880,525)	(6,513,166)	63,675,057
	Directorate Reserves:				
692,947	Education & Family Support	113,061	(184,536)	(133,388)	488,084
6,076,249	Social Services & Wellbeing	2,545,996	(1,830,605)	(145,996)	6,645,643
2,752,891	Communities	130,324	(105,744)	(337,571)	2,439,900
3,101,860	Chief Executives	303,401	(747,259)	(679,982)	1,978,019
12,623,946	Total Directorate Reserves	3,092,781	(2,868,144)	(1,296,937)	11,551,646
	Equalisation & Grant Reserves:				
2,074,399	Education & Family Support	(78,363)	(50,000)	(735,634)	1,210,402
436,379	Social Services & Wellbeing	-	-	(350,379)	86,000
2,845,917	Communities	-	-	(593,953)	2,251,964
346,055	Chief Executives	(153,401)	-	-	192,654
5,702,750	Equalisation & Grant Reserves:	(231,764)	(50,000)	(1,679,967)	3,741,020
6,898,038	School Balances	-	-	-	6,898,038
92,495,283	TOTAL RESERVES	8,659,216	(5,798,669)	(9,490,069)	85,865,761

Meeting of:	CABINET
Date of Meeting:	20 FEBRUARY 2024
Report Title:	CAPITAL STRATEGY 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	<p>The Council’s Financial Procedure Rules (para 3.5.1) requires the Chief Finance Officer to prepare a Capital Strategy for submission to the Council for approval prior to the start of the financial year. The Strategy must demonstrate 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.</p> <p>The Capital Strategy must comply with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities.</p>
Executive Summary:	<ul style="list-style-type: none"> • The purpose of the report is to present to Cabinet the Capital Strategy 2024-25 to 2033-34, which includes the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2024-25. • Control on capital expenditure is governed by legislation. • The Capital Strategy has been produced in accordance with CIPFA’s Prudential Code for Capital Finance in Local Authorities. • The Capital Strategy sets guiding principles for capital expenditure, and a framework for the management of capital finance. • The Capital Strategy is currently based on financial information as reported in the Medium Term Financial Strategy.

1. Purpose of Report

- 1.1 The purpose of this report is to present to Cabinet the Capital Strategy 2024-25 to 2033-34 (**Appendix A**), which includes the Prudential Indicators against which the Council measures itself during the financial year and the Annual Minimum Revenue

Provision Statement 2024-25 (**Section 7 of Appendix A**), before submitting to Council for approval.

2. Background

2.1 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.

2.2 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.

2.3 The Capital Strategy should demonstrate how the Council ensures that all 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

3. Current situation / proposal

3.1 The Capital Strategy at **Appendix A** gives 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. In doing so, it includes the prescribed Prudential Indicators for a three-year rolling period.

3.2 The principles within the 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.

3.2 The Strategy emphasises the pressures currently being faced by the Council. Pressures on the capital programme include:

- 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;
- Supply chain difficulties leading to higher prices and delays in scheme being completed;
- Recruitment challenges, both within the Council and in companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government's Net Zero commitment, which includes an aim of collectively achieving net zero across the Welsh public sector, which will lead to changes in the way assets are designed and managed, which will likely result in increased costs.

Welsh Government capital funding to local authorities has remained at the same level as recent years and is not expected to increase in the near future. With the Council's capital receipts largely committed to schemes within the capital programme, funding any new schemes is challenging. It may be possible to secure specific grant and other funding to deliver schemes. Whilst the Council is able to borrow to fund capital expenditure, this places a long-term liability on the Council as well as a revenue cost in terms of interest payable. The Council also has to set aside revenue resources to repay the debt, which is a further cost to revenue budgets.

3.3 The 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.

3.4 The 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.

- 3.5 Whilst much of the content of the Strategy is similar to last year, changes to Accounting for Leases under International Financial Reporting Standard 16 (IFRS16) will have an impact on the Capital Strategy as current operating leases, where costs are 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. It will also increase the Council's liabilities equal to the value of the right of use asset. It is important to note that this is a change to how these assets are accounted for and the net impact of recognising the asset and liability will be at nil cost to the Council. The underlying need to borrow, or Capital Financing Requirement, will increase by the amount of the right to use asset liability, as will the requirement to put aside revenue to repay the debt, known as Minimum Revenue Provision (MRP). However, the MRP will be regarded as having been met by the annual lease payment, therefore there is no additional cost to the Council of this change in accounting treatment. The implementation of these changes is from the 2024-25 financial year and work is ongoing to fully evaluate the impact of these changes. Indicative figures are included in the Capital Strategy and these will be refined as the impacts are fully understood. Further information is included within the Capital Strategy Framework section of the Capital Strategy.
- 3.6 The Council has strengthened its processes to approve, manage and monitor capital projects. During 2023 the Council established a Capital Programme Board, whose purpose is to ensure close oversight of key projects within the approved capital programme. The Board consists of the Leader, Cabinet Member – Resources, and members of the Corporate Management Board, and is chaired by the Chief Officer – Finance, Housing and Change. Further detail is included within the Capital Strategy at section 3.0 – Governance and Decision Making.
- 3.7 Section 4.0 of the Capital Strategy summarises the 10-year Capital Programme by Council Directorates and identifies some of the key schemes. Key indicators are 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.
- 3.8 The detailed Capital Programme is provided and reported to Cabinet and Council as part of the Medium Term Financial Strategy report, and regular updates are provided throughout the financial year.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 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.

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

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 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.

5.2 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.

6. Climate Change Implications

6.1 The Climate Change implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

7. Safeguarding and Corporate Parent Implications

7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

8. Financial Implications

8.1 The financial implications are included in the report.

9. Recommendation

9.1 It is recommended that Cabinet:

- Consider the report and recommend that the Capital Strategy 2024-25 to 2033-34, including the Prudential Indicators 2024-25 to 2033-34 and the Annual Minimum Revenue Provision (MRP) Statement 2024-25 at **Appendix A** be presented to Council for approval.

Background documents

None



Capital Strategy

2024-25 to 2033-34



INTRODUCTION

Welcome to the Council's 2024-25 to 2033-34 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 supports the Council's ambition for the County Borough to invest in the right things, the things that make the biggest difference and are most valued whilst recognising that the Council is faced with difficult choices about how to prioritise spending given limited budgets and demands for services such as social care, housing and homelessness keep rising, meaning that the Council won't be able to do everything it may want to.

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 difficult 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. Councils continue to have to make real-terms savings as the rising costs of goods and services, particularly within the construction sector, are outstripping the incremental cash budget allocated. This inevitably means that the Council has to prioritise its capital programmes in the future, to ensure expenditure – and any that is funded through borrowing – is prudent and affordable. Borrowing has a revenue cost implication which must be taken into account when considering any scheme which will require debt finance, given the constraints being faced on the Council's resources.



Cllr Huw David
Leader of the Council



Mark Shephard
Chief Executive

Image front page: Civic Offices, Bridgend

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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 around 100 square miles and is home to nearly 146,000 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 an ageing population, an increasing number of young people with complex disabilities living into adulthood and requiring care and support, an increasing demand for appropriate housing options across the area, the need for the public sector to decarbonise by 2030 as well as the current cost of living crisis. In addition to this there are inflationary pressures arising from specific contractual commitments as well as the significant impact of high inflation on costs particularly related to capital contracts. With a predicted increase in pressure on both revenue and capital budgets the Council will need to ensure it focuses on delivering key services, supporting communities, particularly the most vulnerable in our society, as well as doing all we can to help our local economy thrive.

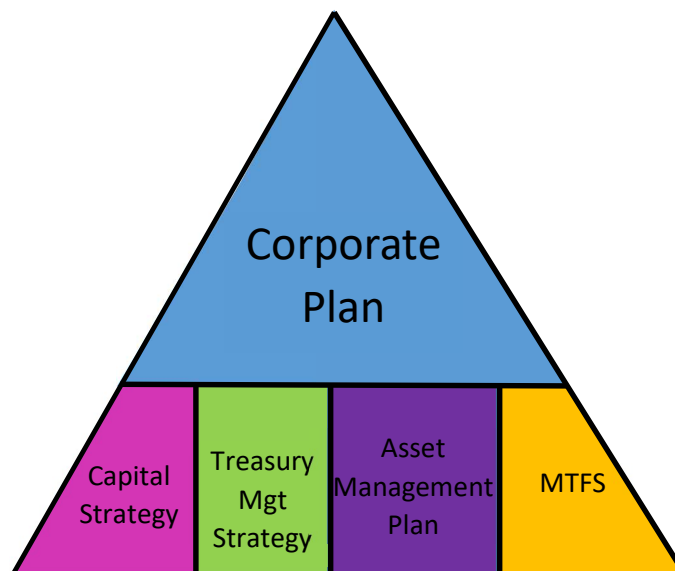
Where capital investment is needed to deliver the Council's priorities, the Capital Strategy is the framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

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 2024-25 and indicatively to 2033-34
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:

12. 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 • Ensure that the ongoing revenue implications of any capital scheme are fully identified, and funding has been identified to cover these costs
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

IFRS 16 – International Financial Reporting Standard 16 – Leases

The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. The standard requires a lessee (the Council) to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Council will need to recognise a ‘right-of-use’ asset, representing the Council’s right to use the underlying leased asset, and an equivalent lease liability, which represents the Council’s obligation to make lease payments.

This change will affect the Council’s Capital Financing Requirement (CFR), minimum revenue provisions and potentially future borrowing limits that Council approve as part of this strategy, as there will be an increase in the total asset value of the Council and an increase in the value of debt (outstanding lease amounts). It is estimated that the value of the increase for the Council is approximately £6 million.

A further impact of the new standard will be to recognise the interest element of the lease separate to the debt repayment, so the interest cost will be recognised as a capital financing cost rather than absorbed within the total charge to Directorate revenue budgets. This does not increase the cost, but changes where that cost is shown both in budgetary terms and also within the annual Statement of Accounts.



Porthcawl Seafront

1.0 ASSET MANAGEMENT PLANNING

The Council's Asset Management Plan (AMP) vision is:

“To have a lean sustainable estate that enables Bridgend County Borough Council (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.

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. Unforeseen future liabilities may also arise during the year, which would need to be considered as part of the Capital Programme. 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. Consideration may be given

to capped procurement exercises, setting the maximum budget available for works. In addition, delays in suppliers' ability to source and deliver materials for capital schemes needs to be considered. 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 Public Works Loan Board (PWLB) loan finance.

Within the Accounting Policies of 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 2014-15 the Council spent £520,000 acquiring an income-generating leased property. This investment generates a rental income of £56,250 per year or just over 10.8% return on investment. Changes to the CIPFA Prudential Code for Capital Finance and the Public Works Loan Board make it unlikely the Council will purchase any further investment assets.

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 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 £5.845 million at 31 March 2023. This would be expected to generate a rental income of £458,500 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 to the code. 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 'disproportionate' 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

	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Net Revenue Budget*	320.289	342.334	359.725	359.725	359.725	359.725
Income from Commercial Investments	0.459	0.459	0.459	0.459	0.459	0.459
% Ratio	0.14%	0.13%	0.13%	0.13%	0.13%	0.13%

**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.

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. During 2023 the Council established a Capital Programme Board, whose purpose is to ensure close oversight of key projects within the approved capital programme. The Board consists of the Leader, Cabinet Member – Resources, and members of the Corporate Management Board, and is chaired by the Chief Officer – Finance, Performance and Change. Additional officers or Cabinet Members will attend as appropriate and agreed in advance of the meeting, with meetings held bi-monthly. The Board has been established to provide support, help and advice in relation to the Capital Programme and schemes within. Whilst not responsible for delivering capital projects and managing expenditure, it aims to support projects are completed on time, within approved budget and to the agreed quality; ensuring that work is properly resourced; assessing risks and ensuring appropriate mitigating actions are in place; and to understand changes impacting on the project, including major milestones, scope of deliverables, costs and benefits.

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 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 the Council's 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 within existing budgets 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.
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.
Low	Low risk to BCBC in terms of service delivery and/or meeting MTFS savings e.g. identified works desirable.

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** (see Principles on pages 7 and 8).

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** (page 7).

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 Procedure 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 is 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. It 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 Continuous Professional Development (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 August 2024. A tender will be undertaken to appoint Treasury Management Advisors from that date.

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 there 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 Council has been successful in applying for monies from various sources such as Welsh Government, Heritage Lottery, European funding and has secured significant UK Shared Prosperity Funding (SPF) and Levelling Up Funding (LUF).

4.0 CAPITAL INVESTMENT PROGRAMME 2024-25 TO 2033-34

The ten-year rolling programme has been initially set for 2024-25, 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 2024-25, the Council is planning capital expenditure of £110.537 million as summarised below.

Table 2: Prudential Indicator: Estimates of Capital Expenditure

Directorate	2022-23 actual £'000	2023-24 projection £'000	2024-25 budget £'000	2025-26 budget £'000	2026-27 budget £'000	2027-28 budget £'000
Education and Family Support	5,037	13,756	58,564	17,188	1,437	-
Social Services and Well-being	2,901	1,983	503	-	-	-
Communities	17,807	25,152	48,138	13,073	3,510	2,570
Chief Executive's	3,485	8,250	2,881	2,755	2,820	2,558
Council Wide Capital Budgets	0	573	451	200	1,403	1,634
TOTAL Capital Programme	29,230	49,714	110,537	33,216	9,170	6,762
Right of use assets*			3,149			
TOTAL	29,230	49,714	113,686	33,216	9,170	6,762

*In addition to the above identified capital expenditure, the Council will need to recognise as a right of use asset, and an equal liability, the value of finance leases on its balance sheet. This is currently estimated at £3.149 million.

The main capital projects in this period include:

- Sustainable Communities for Learning (Band B). Forecast expenditure of £61.317 million is included in the above table for 2024-25 to 2026-27
- Porthcawl Grand Pavilion – Forecast expenditure of £19.461 million is included above for 2024-25 to 2025-26 for the redevelopment of the building.
- Annual commitments to Disabled Facilities Grants and other housing adaptation schemes of £1.950 million per annum.
- Shared Prosperity Fund - £4.614 million to support local investment.
- Playgrounds Refurbishments - £2.800 million for 2024-25.
- Highways Refurbishments - £1.000 million for 2024-25

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

Whilst there are no schemes currently included within the capital programme, the Council is committed to supporting the Housing with Care Fund (HCF) Welsh Government programme. This is a 4-year capital programme up to 31 March 2026, with indicative funding (for Wales) of £181.5 million for the first 3 years. Schemes that are proposed for inclusion in the Capital Programme will need to demonstrate all funding is in place and the scheme is deliverable within the funding timescale.

The approved capital programme will be subject to ongoing scrutiny and amendment. Of particular concern will be the continued pressure on costs, particularly within the construction sector, and the level of price increases for works and the impact on project costs. The estimates of capital expenditure shown above (and throughout the Strategy) are based on both known cost forecasts (for schemes already underway) as well as estimated future costs for those schemes not yet progressed through the procurement stages. As the procurement progresses it may become evident that the costs to undertake schemes are in excess of the available budget, and schemes within the capital programme may need to be reprioritised based on the available funding.

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 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 the 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 (under Section 106 of the Town and Country Planning Act 1990).
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 and cannot be used to fund revenue budgets.

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 limited capital resources, however these are earmarked to existing schemes within the Capital Programme.

- The Council anticipates it will receive resources in the future with an annual capital allocation from Welsh Government, potential s106 monies or new grant approvals.
- The Council does have a Disposal Strategy though has limited 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% and £2.92 million of interest free Salix loans, giving a total loan debt of £99.79 million.
- 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.
- Any new schemes that are not funded by capital receipts, earmarked reserves, revenue contributions or grants, will have a requirement for borrowing to enable the scheme to progress. Such borrowing will be at a cost and is repayable with interest, and the cost of any new borrowing will place an additional pressure on the revenue budget.
- Careful scrutiny of any new proposed capital schemes will be required, to assess the affordability of delivering those schemes given the current difficult financial climate the Council is facing.

Allocation of capital funding

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.

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 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.

Any borrowing will result in a cost to revenue as borrowing must be repaid, and the majority of borrowing will incur costs in the form of interest payments. This will be factored into any decision to include a scheme within the Capital Programme which requires any level of borrowing.

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 specifically 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, RSG/share of Non Domestic Rates (not ringfenced for supported borrowing), rent, additional income or sale of assets.

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

Table 3: Capital financing

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Budget £m	2025-26 Budget* £m	2026-27 Budget £m	2027-28 Budget £m
External sources	22.192	22.435	62.595	25.023	3.780	2.833
Own resources	0.227	21.691	36.289	4.264	1.461	-
Net Financing Requirement	6.811	5.588	14.802	3.929	3.929	3.929
TOTAL	29.230	49.714	113.686	33.216	9.170	6.762

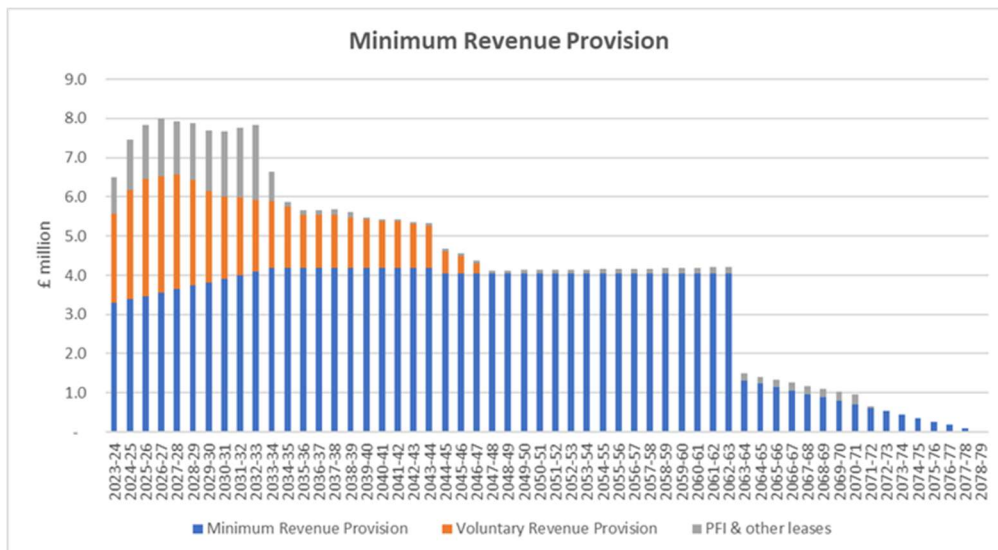
**The table above takes into account the impact of IFRS 16 accounting for leases in 2024-25*

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

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Budget £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m
Minimum Revenue Provision (MRP)	3.529	3.298	3.385	3.473	3.560	3.648
Additional Voluntary Revenue Provision	2.132	2.273	2.788	2.975	2.957	2.930
Total MRP & VRP	5.661	5.571	6.173	6.448	6.517	6.578
Other MRP on Long term Liabilities	0.863	0.929	1.148	1.232	1.323	1.295
Total Own Resources	6.524	6.500	7.321	7.680	7.840	7.873

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 increase by £7.628 million during 2024-25, and then decrease in 2025-26 by £3.597 million. The forecast MRP over the long term is shown in the graph below.



This shows that MRP is expected to increase over the period to 2032-33 based on the current capital programme.

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

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Budget £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m
Opening Capital Financing Requirement	176.217	176.504	179.592	183.220	179.623	175.874
Movement in Financing Requirement	0.287	(0.912)	7.628	(3.597)	(3.749)	(3.900)
Closing Capital Financing Requirement	176.504	175.592	183.220	179.623	175.874	174.974

*The table above does take into account the impact of IFRS 16 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 such assets itself.

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's forecast use of capital receipts are set out in Table 6.

Table 6: Forecast capital receipts

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Budget £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m
Opening balance	21.773	25.301	17.563	3.737	2.275	1.754
Asset sales	3.500	0.236	-	-	-	-
Applied in capital programme	0.028	(7.974)	(13.826)	(1.462)	(0.521)	-
Closing balance	25.301	17.563	3.737	2.275	1.754	1.754

As can be seen from the above table, the majority of capital receipts from asset sales are already allocated to the capital programme.

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 totals £99.79 million as at 31 December 2023. The majority (£77.62 million) of borrowing 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 average interest rate on these loans is 4.69%. The Council has a number of energy schemes which are funded via Salix interest free loans, totalling £2.92 million. These loans are required to be repaid between 5 and 20 years.

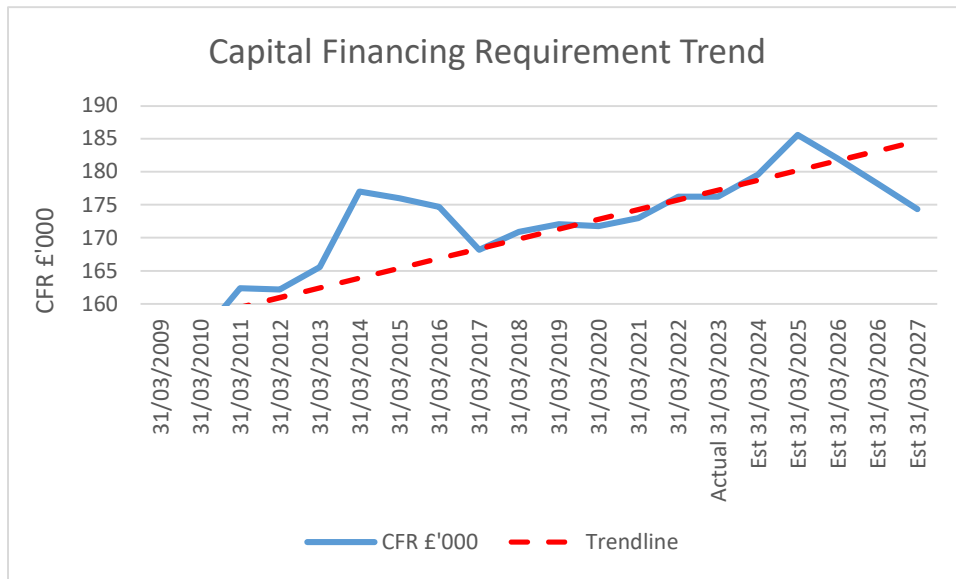
External borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated Treasury Management Strategy there is no association made between individual loans and particular types of expenditure. The Council makes use of internal borrowing 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

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Debt (incl. PFI & leases)	114.840	112.611	109.884	101.658	97.475	94.605
Capital Financing Requirement	176.504	175.592	183.220	179.623	175.874	171.974

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 funded by internal borrowing.



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 £26.12 million in 2024-25 and a further £34.24 million in 2025-26 based on the current assumptions within the Capital Programme and the use of Capital Receipts and Reserves. However, this forecast could change significantly should schemes within the capital programme and use of reserves be delayed. Further details of the Liability Benchmark can be found within the Treasury Management Strategy 2024-25. The actual amount will be monitored and assumptions challenged and external borrowing will only be taken out if there is no opportunity to use Internal Borrowing.

Table 8: Borrowing and the Liability Benchmark

	2022-23 Actual £m	2023-24 Projection £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Outstanding Borrowing (excl. PFI & Leases)	99.925	99.608	93.711	89.685	86.581	84.872
Liability Benchmark	34.152	65.916	119.575	123.690	123.210	122.207

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

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Authorised limit – borrowing	170.000	170.000	170.000	170.000
Authorised limit – other long term liabilities	30.000	25.000	25.000	25.000
Authorised Limit Total	200.000	195.000	195.000	195.000
Operational boundary – borrowing	130.000	120.000	120.000	120.000
Operational boundary – other long term liabilities	25.000	20.000	20.000	20.000
Operational Boundary Limit Total	155.000	140.000	140.000	140.000
Total Borrowing and Long Term Liabilities	113.611	109.884	101.658	97.475

The impact of changes to lease accounting under IFRS16, which requires that operating leases are brought onto the balance sheet as a right of use asset and equivalent lease liability, 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 there will be a borrowing requirement of £14.86 million for 2024-25 £25.92 million in 2025-26 and £29.32 million in 2026-27 compared with the current level of borrowing. 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 eleven years remaining on the term) which will be £12.974 million at 31 March 2024 including the short term liability of £1.001 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 2024-25.

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 public assets, in Bridgend's case, 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 under this model;

- **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 plus Additional Learning Needs observation class (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 £1 million 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 capital 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 Town Centre

7.0 PRUDENT MINIMUM REVENUE PROVISION POLICY STATEMENT 2024-25

The annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2024-25 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 2024-25 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 31/03/24 £m	2024-25 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)	128.830	3.253
Supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008 (Supported)	(ii)	2.631	0.132
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		31.156	2.788
PFI, Finance Leases and other arrangements	(iii)	12.974	1.001
TOTAL COUNCIL FUND		175.591	7.174

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 it will be increasingly difficult to secure revenue funding to meet the costs of any new borrowing. Within the current climate tender prices are being received that are higher than expected, with costs potentially exceeding available budgets. Given the uncertainty over future capital receipts, limited uncommitted earmarked reserves and reduced capital budget allocations from Welsh Government, this will mean that there is limited scope for new capital projects unless fully funded from grants and external contributions. This must be a factor considered by elected 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

	2022-23 Actual %	2023-24 Estimate %	2024-25 Estimate %	2025-26 Estimate %	2026-27 Estimate %	2027-28 Estimate %
General Fund - Net Capital Financing Budget	2.74%	2.68%	2.70%	2.72%	2.74%	2.77%
General Fund - Gross Capital Financing Budget	3.52%	3.39%	2.70%	2.72%	2.74%	2.77%

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 its well-being 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 used to fund revenue costs.

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

Under S106 of the Town and Country Planning Act 1990 (as amended), contributions can be sought from developers towards the costs of providing community and social infrastructure, the need for which has arisen as a result of a new development taking place. This funding is commonly known as Section 106 (S106) contributions. Section 106 Agreements are legal agreements between Local Authorities and developers, which 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, whilst government funding to the Council has seen a modest increase, as a result of competing revenue budget pressures and the impact of the inflationary and cost of living pressures, which have placed significant pressure on the revenue budget, the Council is unable to use revenue or new reserves to directly fund capital projects, unless funding has already been set aside.



Grand Pavilion, Porthcawl

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Meeting of:	CABINET
Date of Meeting:	20 FEBRUARY 2024
Report Title:	TREASURY MANAGEMENT STRATEGY 2024-25
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	<p>Paragraph 22.2 of the Finance Procedure Rules (FPRs) requires that the Chief Finance Officer is responsible for preparing and presenting an annual Treasury Management Strategy to Cabinet prior to submission to Council for approval, in advance of the start of each financial year. Paragraph 22.3 of the FPRs within the Council’s Constitution requires that all investments and borrowing transactions shall be undertaken in accordance with the Council’s Treasury Management Strategy as approved by Council.</p>
Executive Summary:	<ul style="list-style-type: none"> • The Treasury Management Strategy 2024-25 (TMS) incorporates the Borrowing Strategy, Investment Strategy and Treasury Management Indicators. • The Council’s treasury activities are regulated by legislation and the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice. The Council operates within these requirements. • Council is required to approve the TMS in advance of the financial year. The TMS will be presented to Council on 28 February 2024.

1. Purpose of Report

1.1 The purpose of this report is to present to Cabinet the Treasury Management Strategy (TMS) 2024-25, which includes the:

- Borrowing Strategy 2024-25
- Treasury Investment Strategy 2024-25
- Treasury Management Indicators for the period 2024-25 to 2026-27.

The proposed Treasury Management Strategy is attached at **Appendix A** and will be presented to Council for approval on 28 February 2024.

2. Background

- 2.1 The Council's treasury management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (2021) and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (2021) (TM Code). This includes a requirement for the Council to approve a TMS before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements.
- 2.2 In addition the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019, which requires the Council to approve an Investment Strategy prior to the start of each financial year.
- 2.3 Treasury investments covers all of the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 2021 includes a requirement for local authorities to provide a Capital Strategy, which is a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and Treasury Management Strategy will be presented for approval to Council on 28 February 2024. The Capital Strategy and Treasury Management Strategy are interlinked as borrowing and investments are directly impacted by capital plans.

3. Current situation / proposal

- 3.1 The Treasury Management Strategy 2024-25 at **Appendix A** confirms the Council's compliance with the CIPFA Treasury Management in the Public Services: Code of Practice (2021), which requires that formal and comprehensive objectives, policies and practices, strategies and reporting arrangements are in place for the effective management and control of treasury management activities, and that the effective management and control of risk are the prime objectives of these activities.
- 3.2 The Treasury Management Strategy has been updated to reflect the current economic context, including the impact of higher inflation and interest rates which remained at 5.25% following the Bank of England's Monetary Policy Committee meeting of 1 February 2024.
- 3.3 The maturity of long-term debt has been included, and the forecast is that the Council may need to borrow over the next 3 years to support the capital programme based on the position reported as part of the Medium Term Financial Strategy. It is possible that schemes within the capital programme may change, both in terms of cost and timing, and as a result, the timing of when there is a need to borrow will also change. To date the Council has been able to use reserves to support its capital expenditure, known as internal borrowing. As the capital programme includes a number of schemes that are still in development stages, it is likely that forecast expenditure will

slip as will the forecast use of reserves. The use of reserves to fund capital expenditure is a short-term position and as reserves are used and balances reduced, it will be necessary to borrow. This will be closely monitored during the year as changes to the capital programme influence the use of reserves.

- 3.4 The Prudential Code states 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. The Council's investment properties are valued annually, to ensure that their values are reflected fairly within the Statement of Accounts. It is considered that the level of these investments is reasonable, and the Council does not intend to invest further purely for financial return.
- 3.5 The Treasury Management Strategy 2024-25 will be presented to Council for approval on 28 February 2024.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 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.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 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 treasury management activities in both the short and long-term. The Prudential Indicators are forward looking and are set to support future sustainability.
- **Prevention:** ensuring the Council has in place an approved Treasury Management Strategy will ensure that the Council manages its cash flows appropriately.
- **Integration:** the report supports all the well-being objectives.
- **Collaboration:** the Treasury Management Strategy ensures that funding is available to deliver services across the Council, including those jointly with other organisations. Ensuring effective cash management is crucial to the delivery of services.

- **Involvement:** publication of the report ensures that the public and stakeholders can review the strategy. The Treasury Management Strategy is scrutinised by the Governance and Audit Committee as part of its role of the scrutiny of Treasury Management activities.

6. Climate Change Implications

- 6.1 The Climate Change implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the environment because of this report.

7. Safeguarding and Corporate Parent Implications

- 7.1 The Safeguarding and Corporate Parenting implications were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

8. Financial Implications

- 8.1 The financial implications are reflected within the report.

9. Recommendation

- 9.1 It is recommended that Cabinet:
- Consider the Treasury Management Strategy for 2024-25; and
 - Recommend that the Treasury Management Strategy be presented to Council for approval on 28 February 2024.

Background documents

None



Treasury Management Strategy 2024-25



1.0 INTRODUCTION

The Council carries out its treasury management activities in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services: Code of Practice (2021) (the 'Code')*. The Code was first adopted in full for the financial year 2023-24 and continues to require the Council to set out the policies and objectives of its treasury management activities and to manage its treasury risks in accordance with the Code.

CIPFA has adopted the following as its definition of treasury management activities:

'The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.'

The definition of 'Investments' above includes:

- Treasury Management investments (held for the prudent management of financial affairs), and
- non-Treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services; or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity.

The Treasury Management Strategy (TMS) has also been written with the Welsh Government (WG) Guidance on Local Authority Investments in mind which was first released in November 2019. It requires the Authority to approve an investment strategy before the start of each financial year. This Strategy fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance. In accordance with the WG Guidance, Council would be asked to approve a revised TMS should the assumptions on which it is based change significantly. This might be for example, a large and unexpected change in interest rates, the level of its investment balances, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process, or a change in Accounting Standards.

Local authorities are required to separately approve a Capital Strategy for capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy includes the Prudential Indicators along with details regarding the Council's non-treasury investments. The CIPFA Code requires the Council to set a number of Treasury Management Indicators, which are forward looking parameters and enable the Council to measure and manage its exposure to treasury management risks, which are integral to the TMS. The Capital Strategy and TMS should be read in conjunction with each other as borrowing and investments are directly impacted upon by capital plans.

The Council has an integrated TMS where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council will look to borrow money if needed to either meet short-term cash flow needs or to fund expenditure within the approved capital programme. Any actual loans taken are not generally associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the Council's TMS. Should any of these factors change significantly, a revised TMS will be presented to Council for approval. A half year review of treasury management performance will also be presented to Council for approval as will an annual report for the financial year.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's TMS, Treasury Management Practices (TMPs) and CIPFA's *Standard of Professional Practice on Treasury Management*. Quarterly reports will be presented to Cabinet. The Council nominates the Governance and Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies and regular reports will be presented to the committee for their consideration.

2.0 ECONOMIC CONTEXT

Economic background:

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will all likely have a major influence on the Authority's Treasury Management Strategy for 2024-25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023 and maintained this level through the period and confirmed the rate again at their February 2024 meeting. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. Those voting against wanted to increase rates by another 0.25% with one member seeking a reduction by 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the UK Government's 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

The Office for National Statistics (ONS) figures showed CPI inflation was 4.0% in the 12 months to December 2023, slightly up from a 3.9% rate in the previous month. Core CPI (excluding energy, food, alcohol and tobacco) rose by 5.2% in the 12 months to

December 2023, the same rate as November. Looking ahead, using the interest rate path implied by financial markets the Bank of England expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% in the quarter to September 2023. The Bank of England forecasts GDP will likely stagnate through 2024. The Bank of England forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The unemployment rate for the quarter to November 2023 was unchanged from the previous quarter at 4.2%. Earnings growth remained strong, but has lessened over the last quarter; regular pay (excluding bonuses) up 6.6% over the period and total pay (including bonuses) up 6.5%. Adjusted for inflation, the growth in regular pay was 1.4% and total pay 1.3%. Looking forward, the Monetary Policy Report showed the unemployment rate is expected to be around 4.25% in the second half of the 2023 calendar year, but then rising steadily over the forecast horizon to around 5% by the end of 2026.

Credit outlook:

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recession that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast:

Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. It believes the Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round inflation effects. Arlingclose predicts rate cuts from Quarter 3 2024 (July – September) to a low of around 3% by early-mid 2026.

Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events. A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1**.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

At 31 December 2023, the Council held £99.79 million of Long Term Borrowing comprising Public Works Loan Board (central government) at fixed rates and duration, Lender's Option Borrower's Option which may be rescheduled ahead of their maturity of 22 January 2054, and £2.92 million of Salix interest-free loans on a repayment basis. In addition, the Council had £85.50 million of investments. The external debt and investment position is shown in Table 1 below and more detail is provided in sections 4.0 Borrowing Strategy and 5.0 Treasury Investment Strategy.

Table 1: Council's external debt and investment position as at 30 September 2023

	Principal as at 31 December 2023 £m	Average Rate 31 December 2023 %
External Long Term Borrowing		
Public Works Loan Board	77.62	4.70
Lender's Option Borrower's Option	19.25	4.65
Salix Loan's (interest Free)	2.92	NIL
Total External Long Term Borrowing	99.79	4.69*
Other Long Term Liabilities		
Private Finance Initiative**	13.20	
Other Long Term Liabilities	0.13	
Total Other Long Term Liabilities	13.33	
Total Gross Debt	113.12	
Treasury Investments		
Debt Management Office	12.00	5.22
Local Authorities	43.00	4.16
Banks	18.50	5.32
Money Market Funds (instant access)	12.00	3.19
Total Treasury Investments	85.50	4.42
Net Debt	27.62	

* Excludes Salix loans which are interest free

** the provision of a Secondary School in Maesteg 10.75 years remaining term

The current profile of repayment for the Council's long-term debt is set out in Chart 1 below. The table assumes that the Public Works Loan Board and Lender's Option Borrower's Option loans will be repayable on their maturity date. However, although

shown as maturing in 2054 the £19.25 million of Lender’s Option Borrower’s Option loans may be rescheduled ahead of their maturity date of 22 January 2054.

Chart 1: Maturity Profile of long term debt

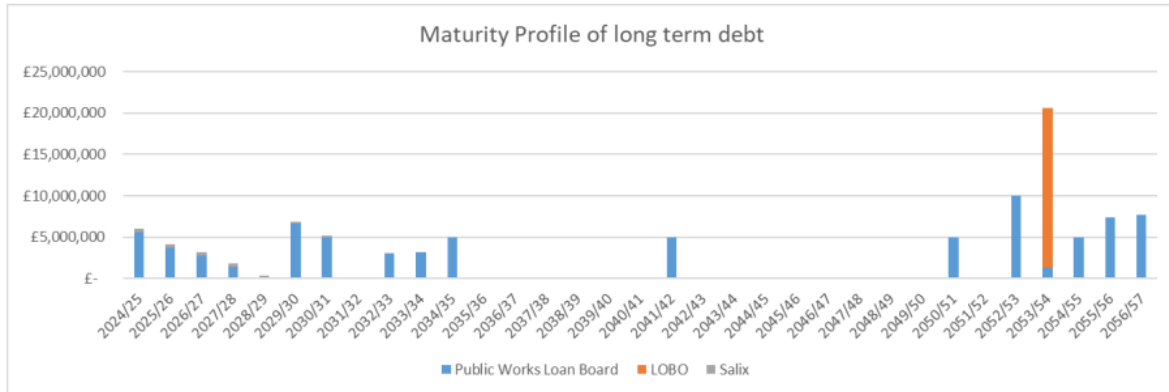


Table 2 below shows forecast changes in borrowing and investments and has been produced using estimates of capital spend and forecasts on usable reserves for the current and next three financial years. The Table shows that the Loans Capital Financing Requirement (CFR), which is the Council’s need to borrow to fund capital expenditure, is anticipated to increase from current levels moving forward.

Table 2: Balance sheet summary and forecast

	31 March 2023 Actual £m	31 March 2024 Estimate £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m
Capital Financing Requirement	176.50	175.59	183.22	179.62	175.87
Less: Other Debt Liabilities	(13.90)	(12.97)	(15.12)	(13.90)	(12.58)
Loans Capital Finance Requirement	162.60	162.62	168.10	165.72	163.29
Less: External Borrowing*	(99.93)	(99.61)	(93.71)	(89.69)	(86.58)
Internal Borrowing	62.67	63.01	74.39	76.03	76.71
Less: Balance Sheet Resources	(138.45)	(106.70)	(58.52)	(52.04)	(49.08)
(Investments)/New Borrowing Requirement**	(75.78)	(43.69)	15.87	23.99	27.63

*The accounting practice followed by the Council requires financial instruments in the accounts (debt and investments) to be measured in a method compliant with International Financial Reporting Standards (IFRS) so these figures will differ from other figures in the TMS which are based on the actual amounts borrowed and invested. £6.04 million of the movement to 31 March 2025 relates to the recognition of operating leases as a right of use asset and an associated liability. It shows only loans to which the Authority is committed and excludes optional refinancing.

** Any surplus borrowing requirement will be invested in line with the investment strategy

Where a Council finances capital expenditure by borrowing it must put aside revenue resources to repay that debt in later years, known as ‘Minimum Revenue Provision’ or MRP. The *Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008* requires the Council to produce and approve an Annual Minimum Revenue Provision (MRP) Statement before the start of the financial year that details the methodology for the charge as detailed in the Council’s Capital Strategy. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This is the amount of capital expenditure which is not funded via grants, capital receipts or contributions from revenue and earmarked reserves, so represents the need to borrow. Usable reserves and working capital are the underlying

resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are relatively low and the Council has resources in the short-term it can use and can delay borrowing until necessary. The Council is forecasting an increased CFR from current levels due to the increased level of prudential borrowing in the capital programme and due to a change to the method for accounting for leases under International Financial Reporting Standard (IFRS) 16, which must be implemented by all Councils from April 2024. This new standard requires that operating leases are brought onto the balance sheet as a 'right of use' asset and a lease liability created. Whilst the asset and liability values will be equal, the impact of this is that it will increase the Council's reported liabilities. It is also currently anticipated that the Council may need to consider borrowing long-term during 2024-25, however, this is based on the current forecast expenditure within the Capital Programme and the use of capital receipts and earmarked reserves set aside to fund significant schemes. Based on the MTF5 Capital Programme report, the forecast use of capital receipts and reserves during 2023-24 is £20.747 million with a further amount of £36.179 million in 2024-25. Capital receipts and earmarked reserves, in addition to the brought forward commitment of capital grants, have been set aside for schemes including Sustainable Communities for Learning, City Deal and Waterton Depot upgrade. A number of these schemes are still in development stages and therefore expenditure is likely to slip. Furthermore, due to significant cost increases in many capital programmes at tender stages there is likely to be a significant impact on the delivery of schemes within the Capital Programme.

The need to borrow will also be affected by the addition of any new capital schemes to the Capital Programme that are not fully funded by grant or revenue contributions and requiring debt financing. If any of these change and long-term borrowing is not required during 2024-25, it may be necessary to borrow short term to manage the Council's day-to-day cash flow requirements. A further impact of the change to the treatment of leases will be that interest charges will be recognised as a financing cost in the comprehensive income and expenditure statement rather than as lease payments within directorate budgets. The overall interest charge will not change, only its presentation within the financial statements.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast Capital Financing Requirement (CFR) over the next three years. Table 2 above shows that the Authority expects to comply with this recommendation over this period.

Liability Benchmark

The liability benchmark is a measure of how well the existing loans portfolio matches the council's planned borrowing needs. The council's liability benchmark is shown at Chart 2 below. The purpose of the liability benchmark is to compare the Council's existing loans outstanding (the sum of the blue and orange coloured sections) against its future need for loan debt – the liability benchmark, which is the brown line on the chart. Where the line is above the blue and orange coloured sections, this identifies a need for the Council to borrow to fund its capital expenditure, and where the brown

line falls below the blue and orange sections, the Council holds more debt than it needs, and will be able to invest surplus funds. This assumes the same forecasts as Table 2 above, but that cash and investment balances are kept at a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 3 and the Chart 2 below shows that the Council anticipates its borrowing will be below the liability benchmark as a result of using reserves in the short-term to fund capital expenditure, known as internal borrowing. It should be noted that this is a short-term position and as reserves are used for the purpose they were set aside, the need to borrow will become necessary. More detail is provided in the Capital Strategy.

Table 3: Liability benchmark

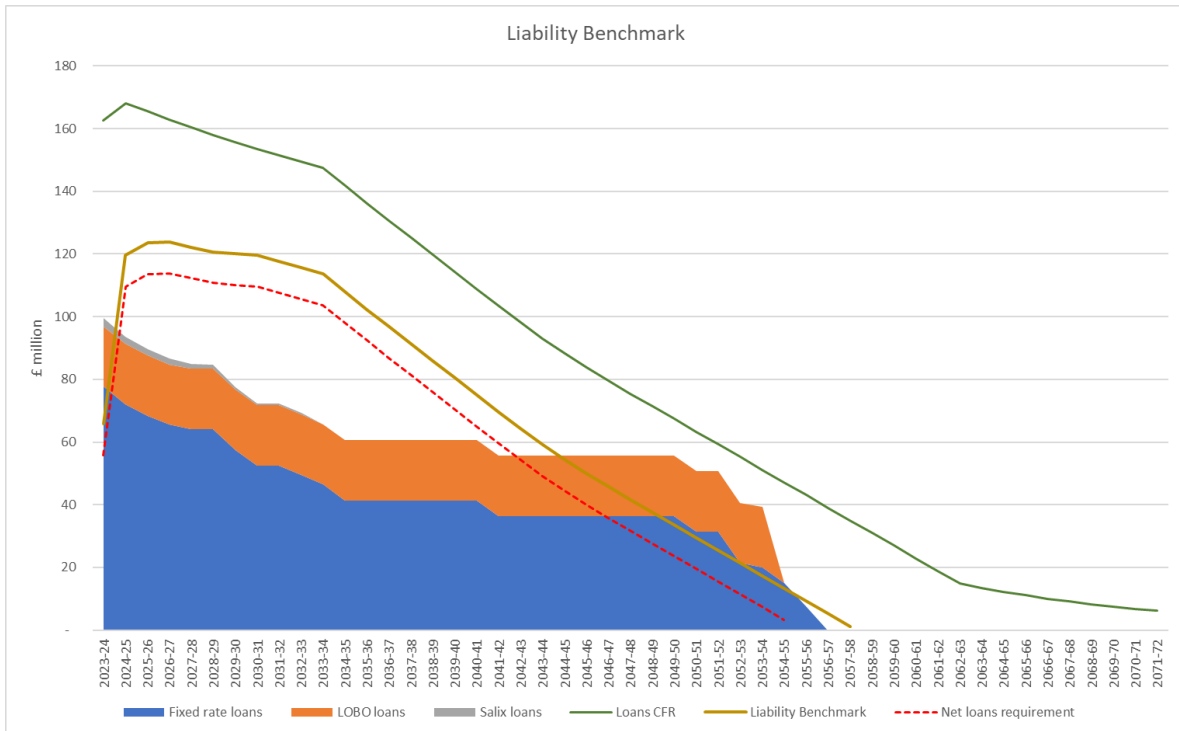
	31 March 2023 Actual £m	31 March 2024 Estimate £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m
Loans Capital Financing Requirement	162.60	162.62	168.10	165.73	163.29
Less: Balance Sheet resources	(138.45)	(106.70)	(58.52)	(52.04)	(49.08)
Net Loans Requirement	24.15	55.92	109.58	113.69	114.21
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	34.15	65.92	119.58	123.69	124.21

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shapes its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

The forecasts in Table 3 above are on the basis that the long-term liability benchmark assumes capital expenditure funded by existing borrowing of £99.93 million and minimum revenue provision on new capital expenditure over a 45-year basis.

The information shown in Table 3 is shown in chart format below over the period of the current debt maturity.

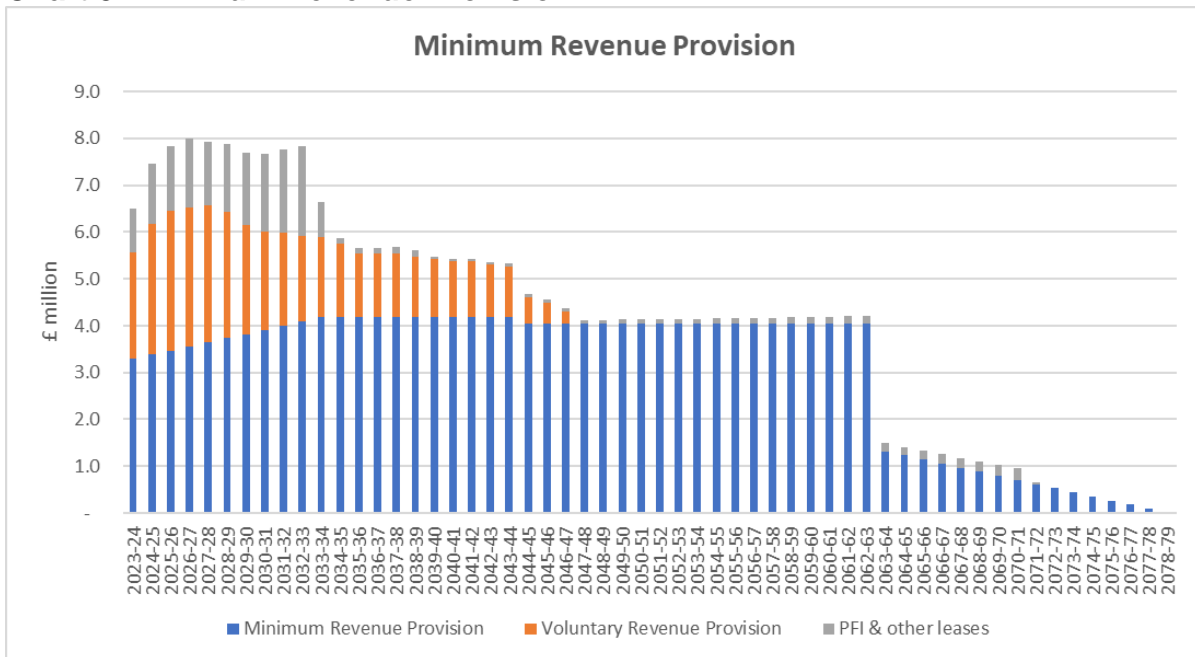
Chart 2: Liability Benchmark



The liability benchmark above is based on current **known** borrowing as set out in the latest Capital Programme. Adding any new debt-financed schemes will result in **increasing** the loans Capital Financing Requirement, and therefore the net loans requirement and so the need to borrow. This will have the effect of moving the curves in the above graph to the right, and increasing their height, the result of which would be to increase borrowing and therefore increasing the cost of borrowing, which has to be funded via revenue budgets.

Revenue resources are set aside to fund the repayment of debt, known as Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP). Based on existing schemes within the Capital Programme cumulative MRP and VRP is forecast to increase on average each year until 2032-33. This includes the repayment of debt on the Maesteg School PFI scheme, which finishes in 2033-34, and other leases. Any new capital schemes funded by debt added during the year will result in additional MRP. The current forecast MRP, VRP, PFI and other leases provision is shown in Chart 3 below. Further information can be found in the Capital Strategy.

Chart 3: Minimum Revenue Provision



4.0 BORROWING STRATEGY

At 30 September the Council held £99.79 million of Long-Term Borrowing, £96.87 million of which is fixed long term loans as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in Table 2 above shows that the Council is **currently** expected to have a new borrowing requirement in 2024-25 of £15.87 million with a further requirement in the next two years as detailed in Table 4, however this should be considered in light of the balance sheet forecast narrative in the section above.

Table 4: New Borrowing

	31 March 23 Actual £m	31 March 24 Estimate £m	31 March 25 Estimate £m	31 March 26 Actual £m	31 March 27 Actual £m
New Borrowing	0.00	0.00	15.87	23.99	27.63

The requirement to borrow will need will be monitored on an on-going basis and any new borrowing will be considered alongside any changes in the Capital Programme that may affect the level of borrowing required, and the impact on revenue budgets in line with the Medium Term Financial Strategy, as any new borrowing will have a revenue impact.

The Section 151 officer will monitor and update the liability benchmark assumptions on an on-going basis and report any significant changes within the treasury management monitoring reports to Cabinet, Governance and Audit Committee and Council as appropriate. This could be as a result of changes in the level of usable reserves at year

end, slippage within the Capital Programme or changes within the working capital assumptions.

The Council's **primary objective** when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the Council's long-term plans change, is a secondary objective.

Therefore, the major **objectives** to be followed in 2024-25 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, if required, in any one year at the cheapest cost commensurate with future risk
- 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

The **strategy** that will be adopted in 2024-25 will give regard to the key issues below.

Given the significant challenges to public sector budgets and in particular to local government funding to meet service expectations, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to take out short-term loans instead, if necessary.

By doing so, the Council is able to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with any assessment of the need to borrow.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLb). This was the source used the last time the Council took long term borrowing of £5 million in March 2012. The Council will however consider long term loans from other sources including banks, pension funds and other local authorities if appropriate. The Council will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

The Council has loans from PWLB maturing within the next 3 years that it will need to repay. Depending on the level of reserves available these could be repaid or, if insufficient reserves are available, there will be a need to refinance these loans. The value of the loans over the next 3 years are:

	2024-25 £ million	2025-26 £ million	2026-27 £ million
Value of maturing debt	5.897	4.026	3.104

HM Treasury issued revised lending terms for PWLB borrowing by local authorities in November 2020. As a condition of accessing the PWLB, local authorities will be asked to confirm that there is no intention to buy investment assets primarily for yield in the current **or next two** financial years. Local authorities' Section 151 Officers, or equivalent, will be required to confirm that capital expenditure plans are current and that the plans are within acceptable use of the PWLB. In practice, the Council will not seek to invest in any investment assets due to the need to borrow to finance the Capital Programme. 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 held for commercial purposes. Further information regarding the Council's investment assets is included at section 7.

The Council can arrange forward starting loans during 2024-25 where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short-term (which can be up to 12 months) to cover unexpected cash flow shortages.

Sources of borrowing: The approved sources of long term and short-term borrowing are:

- HM Treasury PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see Investment Strategy below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Council's Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency and other special purpose companies created to enable local authority bond issues.

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase

- Private Finance Initiative
- sale and leaseback
- similar asset based finance

The Council has previously raised the majority of its long-term borrowing from the PWLB (currently representing 80.13% of long term debt (excluding Salix Loans)) but will consider long-term loans from other sources such as Welsh Government and local authority loans and bank loans, which may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

LOBOs: The £19.25 million (currently representing 19.87%) shown in Table 1 above, relates to Lender's Option Borrower's Option (LOBO) loans which have a maturity date of 2054, however, these may be re-scheduled in advance of this maturity date. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points and therefore the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The current interest rate of these loans is 4.65%. There are two trigger points in 2024-25 being in July and January each year. With interest rates having risen recently, there is now an increasing chance that lenders will exercise their options, therefore an element of refinancing risk remains. In this case the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. At present total borrowing via LOBO loans will be limited to the £19.25 million which has currently been accrued.

Short-term and variable rate loans: These loans expose the Council to the risk of short-term interest rate rises should interest rates change.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some older, higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. Rises in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Management Prudential Indicators: The local authority measures and manages its exposures to treasury management risks using the following indicators:

- Maturity Structure of Borrowing (Table 5)

- Principal sums invested for periods longer than a year (Table 8)
- Interest Rate exposures (Table 10)

Maturity structure of borrowing indicator: This indicator is set for the forthcoming financial year to control the Council’s exposure to refinancing risk with respect to the maturity of the Council’s external borrowing and has been set to allow for the possible restructuring of long-term debt where this is expected to lead to an overall saving or reduction in risk. The indicator is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. Only long-term fixed maturity debt has been included as the Salix loans are subject to repayments throughout the duration of the loans. The upper and lower limits on the maturity structure of borrowing are:

Table 5: Treasury Management Indicator Maturity Structure of Borrowing 2024-25

Refinancing rate risk indicator Maturity structure of borrowing 2024-25	Upper limit	Lower limit	Actual amount at 31 December 2023 £'M	At 31 December 2023 %
Under 12 months	50%	0%	19.7	19.69%
12 months and within 24 months	25%	0%	8.8	8.77%
24 months and within 5 years	25%	0%	6.2	6.24%
5 years and within 10 years	40%	0%	15.8	15.66%
10 years and within 20 years	50%	0%	13.1	13.17%
20 years and above	60%	25%	36.4	36.47%

5.0 TREASURY INVESTMENT STRATEGY

The preparation each year of a Treasury Investment Strategy is central to the Welsh Government Statutory Guidance on Local Authority Investments and the CIPFA code. It encourages the formulation of policies for the prudent investment of the surplus funds that authorities hold on behalf of their communities. In addition, the need for the Strategy to be approved by full Council ensures that these policies are subject to the scrutiny of elected Members.

The Council holds surplus funds representing income received in advance of expenditure plus balances and reserves as shown in Table 1 in Section 3 above. Surplus funds are invested in order to achieve a return whilst ensuring the security of the invested amounts. During 2023-24 the Council’s investment balances were £74.50 million at the start of the year and were £85.50 million at 31 December 2023, and it is expected to be around this level at 31 March 2024. This is based on an assumption regarding the use of earmarked reserves and capital receipts in the final quarter of 2023-24 and does not make any provision for any additional funding received from Welsh Government to 31 March 2024. It is anticipated that the Council’s investment balances in 2024-25 will range between £40 million to £80 million with an average investment rate of between 4.0% and 6.0%, depending on the Bank Rate and

investment types, based on Arlingclose's interest rate forecast at **Appendix 1**, which will be reviewed at the half year stage and reported to Council as part of the half-year review report. The actual balance varies because of the cash flow during the year in respect of when income is received (such as specific grant income, housing benefits subsidy and Revenue Support Grant) and when payments are made (such as salaries and wages, major capital expenditure and loan repayments).

The Council holds investment properties with a view to securing a financial return, such as rental income. The Council has held these for a number of years and given recent changes to the rules for accessing PWLB borrowing, the Council is unlikely to consider any further investment opportunities. As at 31 December 2023, the Council held investment properties valued at £5.845 million, with an expected return of £0.46 million per annum excluding any vacant or rent-free periods, providing a return of approximately 7.87%. This is a slightly lower percentage return than 2022-23 which was 8.13%, but this is due to the total property fair value - or the estimated current market value of the assets - having increased from £5.585 to £5.845 million (see Table 11). The lessees are responsible for maintenance of these assets.

Both the CIPFA Treasury Management in the Public Services: Code of Practice (2021) and the Welsh Government Guidance require the Council to invest its funds prudently, have regard to the security and liquidity of its investments whilst also seeking the highest rate of return, or yield. The Council's main objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. However, this may not always be possible.

The objectives of the Council in order of priority are:

- to maintain capital **security**
- to maintain portfolio **liquidity** so funds are available when expenditure is needed
- to achieve the **yield** on investments commensurate with the proper levels of security and liquidity

Strategy: The Council's investments have historically been placed in mainly short-term bank unsecured deposits and with local and central government. Investments can also be made with any building society or public or private sector organisations that meet the credit criteria detailed below.

Whilst the Council will need to repay some of its long-term debt at the end of 2024-25, there may be a need to take out new debt for the longer term to support the expenditure within the Capital Programme. However, this is very much dependent on the forecast spend therein. Short-term borrowing may be appropriate to manage day-to-day cash flow until such time as longer-term borrowing is needed to finance capital expenditure. In the short-term, should the Council have available cash resources, these will be invested primarily to manage day-to-day cash flow.

Given the increasing risk and relatively low returns of short-term unsecured bank investments, the Council will consider further diversifying into more secure and/or higher yielding asset classes as appropriate, in consultation with the Council's treasury management advisers. The majority of the Council's surplus cash invested as at 31 December 2023 was with Local Authorities (LAs), Banks, Debt Management Office (DMO) and Money Market Funds (MMF), but the Council will continue to look at investment options in line with the limits detailed below.

Short-term interest rates have risen during 2022-23 and 2023-24, and although long term rates are lower, the variation between long-term rates has reduced, especially since Bank rate is forecast to be at or close to its peak. Due consideration will also be given to using surplus funds to make early repayments of long-term borrowing if appropriate opportunities become available as referred to in section 4.0 Borrowing Strategy.

ESG Policy: ESG stands for Environmental, Social and Governance. In investing terms, it means the consideration of ESG factors alongside financial factors in the investment decision-making process. An organisation with a high carbon footprint would not score well on environmental impact; one that negatively affects people's health would not score well for social impact; and one without appropriate structures and processes to ensure good corporate decision-making behaviour would not rate highly for governance.

When considering investing its available resources (short-term cash flows), the Council needs to consider the Environmental, Social and Governance implications of decisions to invest. Treasury Management Practice note 1 in the CIPFA Code sets out the following:

'The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.'
(Emphasis applied)

Many local authorities have declared a climate emergency and Councils are taking steps to reduce their own carbon emissions within their area. The target for the UK is to achieve net-zero by 2050. Some Councils consider 2050 too long and are working towards achieving zero net carbon well ahead of 2050. The Welsh Government published its [Net Zero Strategic Plan](#) in September 2022 setting out the Welsh Ministers' ambition for the public sector to be collectively net zero by 2030. Local authorities have a huge role to play in terms of alleviating the climate crisis by encouraging greener infrastructure, increased cycle to work schemes, more flexible working and home working to reduce home to work commuting and implementing a range of energy efficiency measures such as solar panels and low carbon heating.

Local authorities are significant providers of social value in their services. The provision of social housing and social care to those in need are key services. Councils are also providers of recreational services such as parks, playgrounds, community land and provide opportunities for healthy living and exercise.

Local Authorities, as public bodies, are accountable for the actions they take and, being in the public eye, look very much to uphold the highest standards of conduct and behaviour, therefore demonstrating strong governance. Decisions must be lawful and based on objectivity and reliable advice where needed. Meeting agendas and minutes are posted to websites and meetings of Council, Cabinet and Scrutiny are now webcast, increasing transparency and scrutiny of their decision making.

The Council's Treasury Advisors, Arlingclose, provide some information as regards organisations that have signed up to some major ESG-related initiatives, their latest update being October 2023. The Council will consider these organisations when lending monies, though would not limit its decisions to solely these organisations. Local authorities are included as appropriate organisations for ESG purposes. The Council's current bankers, Barclays Group, have signed up to UN Principles for Responsible Banking. The UN Principles support banks to take action to align their core strategy, decision-making, lending and investment within the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement. The Principles for Responsible Banking include the Net-Zero Banking Alliance, which is the climate-focussed initiative of this global framework. Other banks also signed up that the Council use include: Handelsbanken (through Svenska Handelsbanken) and Lloyds Banking Group (including Bank of Scotland).

Arlingclose have also provided information regarding investment bodies. The Council uses Money Market Funds and the four funds it uses have signed up to the UN Principles for Responsible Investment, UK Stewardship Code 2020 and the Net-Zero Asset Managers Initiative. The UN Principles for Responsible Investment provides possible actions for incorporating ESG issues into investment practice. In implementing the Principles, organisations contribute to developing a more sustainable global financial system.

The UK Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code applies to asset managers who manage assets on behalf of UK clients or invest in UK assets. The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

The Council is committed to being a responsible investor. This means recognising the importance of long-term financial health and stability of the financial markets, and to understand that external non-financial factors, such as the environment, social stability and strong governance are key factors to consider.

The Council has recognised climate change as a long-term and material risk. The Council declared a climate emergency in June 2020 and set up its Climate Emergency Response programme, which has a commitment to achieve Net Zero carbon emissions by 2030 across its operations. The Council developed its 2030 Net Zero

Carbon Strategy, approved by Council on 13 December 2022. It is recognised that the resource challenge faced by all public bodies in Wales to achieve net zero carbon by 2030 is significant.

In terms of its Treasury Management activities, the Council adopts the following commitments:

- Ensure, as far as possible, that its investment parties are committed to the principles of ESG,
- The Council and its counterparties will seek to act with integrity at all times in their dealings,
- The Council will seek to encourage positive ESG behaviour,
- The Council will comply with any industry standard ESG guidelines that may arise and always seek to ensure best practice in managing its treasury investments.

As noted above, local authorities will, by their very nature, meet ESG requirements. The Council **does not invest in any specific schemes** of any other local authority to which it lends money but lends purely for short-term cash flow purposes. As such it is not intended that any further checking of other local authorities will be undertaken (other than if the advice from our Treasury Advisors is to not invest due to specific financial concerns).

The Money Market Funds that the Council use have also signed up to relevant ESG commitments and so no further checks will be undertaken when using these funds.

The Council will continue to review any updated guidance received from the Council's Treasury Advisors in relation to ESG considerations. This is a developing area for Treasury Management and the Council will continue to monitor progress and develop its policies in line with guidance from both CIPFA and the Council's Treasury Management Advisors.

Business Models: Under IFRS 9 (Financial Instruments), the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types shown in Table 6 below, subject to the cash limits and the time limits shown. These cash/time limits are per counterparty and relate to principal only and exclude any accrued interest.

Table 6: Approved investment counterparties and limits

These limits must be read in conjunction with the notes immediately below the Table. The combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Other government entities	25 years	£12,000,000	Unlimited
Local Authorities	2 years	£10,000,000	Unlimited
Secured investments *	25 years	£6,000,000	Unlimited
Banks (unsecured) *	13 months	£3,000,000	Unlimited
Building societies (unsecured) *	13 months	£3,000,000	£6,000,000
Registered providers (unsecured) *	5 years	£5,000,000	£5,000,000
Money market funds *	n/a	£6,000,000	Unlimited
Strategic pooled funds	n/a	£6,000,000	£6,000,000
Real estate investment trusts	n/a	£3,000,000	£6,000,000
Other investments *	5 years	£3,000,000	£6,000,000

This table must be read in conjunction with the notes below.

***Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than (A-). Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. **Schedule A** shows the equivalence Table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Where additional amounts received into our accounts with our own bankers are received too late in the day to make an investment the same day, the limit in Table 6 will not apply as this does not count as an investment.

Secured Investments: These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency. The amount and quality

of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Government: Loans to, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in a method which rescues a failing financial institution by cancelling some of its deposits and bonds, the impact of which could result in a reduction in the amount of the deposit and a loss to the investor. Investors may suffer a reduction in their investment but may be given shares in the bank as part compensation. There is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local Authority to Local Authority: These are loans made to other Local Authorities throughout the UK normally for a duration of less than a year, although they can be for longer. Despite concern over the volatility of funding such organisations receive, the level of risk associated with default is thought to be extremely low. However, where an authority issues a section 114 notice, or our Treasury Advisors advise against a loan to a particular local authority, the Council will comply with that advice. Any existing loans will continue to maturity with the expectation of repayment on the due date. Town and Community Councils have the ability to borrow from PWLB subject to Welsh Government borrowing approval and further guidance is available for Town and Community Councils here:

<https://www.gov.wales/sites/default/files/pdf-versions/2021/1/1/1610959727/borrowing-approvals-guidance-community-and-town-councils.pdf>

Other Investments: These are loans, bonds and commercial paper issued by companies that are not covered above. These investments cannot be bailed-in but are exposed to the risk of the company going insolvent, placing any investment in them at risk. Loans to unrated companies will only be made following an external credit assessment and consultation with the Council's treasury management advisers.

Registered providers (Unsecured): Loans to and bonds issued or guaranteed by registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Welsh Government and as providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. These funds have the advantage over bank accounts of providing wide diversification of investment

risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short-term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to a minimum. As set out in Table 6 - Approved investment counterparties and limits - the maximum we would hold in our operational bank account is £3 million. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify the Council of changes as they occur.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is very unlikely the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn immediately or the next day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Bank of England UK Money Markets Code: The UK Money Markets Code's fundamental purpose is to ensure trust exists in the UK money markets. The Code establishes high-level principles of appropriate standards in the UK Markets. The

overriding principle is always to act in a manner to promote the integrity and effective functioning of the markets. The Code is intended to promote an open, fair, effective and transparent market. One of the practical aspects of this code is in relation to concluding a deal. The Code notes that principles (those agreeing an investment) are bound to a deal once the price and any other key commercial terms have been agreed, barring any breach of other contractual provisions. All form of agreement, including both oral and via electronic messaging, are considered binding. However, holding UK Market Participants unreasonably to an erroneous price is viewed as unprofessional and against the over-arching principle of the Code.

Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

The authority is aware that investments with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations as happened in 2008, 2020 and 2022, it is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will likely cause a reduction in the level of investment income earned but will protect the principal sum invested.

Specified investments: The *Welsh Government Statutory Guidance on Local Government Investments* defines specified investments as those:

- denominated in pound sterling
- due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:

- the UK Government
- a UK local authority
- a district, town or community council, or
- body or investment scheme of “high credit quality”

The Council defines “**high credit quality**” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment that does not meet the definition of a specified investment or a loan. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. The Council does not intend to make any investments denominated in foreign currencies.

The *Welsh Government Statutory Guidance on Local Government Investments* requires the Council’s Investment Strategy to set an overall limit for non-specified investments. Table 7 below shows the limits on non-specified categories. .

Table 7: Non-specified investment limits

	Category Cash limit
Total units in pooled funds without credit ratings or rated below the Council’s definition of “high credit quality” (A-) (Except the UK Government and UK local authorities)	£10m
Total other investments	£5m
Total Non-Specified Investments Outstanding	£15m

Principal sums invested for periods longer than a year: All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from the Council’s treasury management advisers will be sought as necessary.

Where the Council invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of long-term investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be as shown in Table 8 below.

Table 8: Treasury Management Indicator Principal sums invested for periods longer than a year

Price risk indicator	2024-25 £m	2025-26 £m	2026-27 £m	No fixed date £m
Limit on principal invested beyond financial year end	15	10	10	NIL

Investment Limits: In addition to the above limits, the combined values of specified and non-specified investments with any one organisation are subject to the approved investment limits detailed in Table 9 below.

Table 9: Investments limits

	Category Cash limit
Any single organisation, except the UK Central and Local Government	£6m
UK Central Government	unlimited
UK Local Authorities (per Authority)	£10m
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£6m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with Building Societies	£6m in total
Money market funds (MMF)	Unlimited

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

The combined secured and unsecured investments in any one bank must not exceed the cash limit for secured investments.

Liquidity Management: The Council forecasts on a prudent basis the maximum period for which funds may be committed therefore minimising the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. A limit of £15 million (Table 8 above) has been set for long term investments and this has been set with reference to the Medium Term Financial Strategy and cash flow forecast as shown in the principal sums invested for periods longer than a year indicator in Table 7 above. This represents just under 18.75% of the maximum average amount of investments that the Council anticipates having at any one point in time in 2024-25 of £80 million. However, if it was in line with the lowest average amount of investments it expects would be held, it would be 37.5%.

The Council will seek to spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6.0 INTEREST RATE EXPOSURES BORROWING AND INVESTMENTS

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest charged to revenue within the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the investment (asset) will fall.

An indicator has been set in Table 10 below to measure the net impact over one year on the revenue account of both a 1% rise and a 1% fall in all interest rates for borrowing net of treasury investments. This is calculated on the assumption that maturing loans and investments will be replaced at rates 1% higher or lower than they would otherwise have been on their maturity dates and that the treasury investment and borrowing portfolios remain unchanged over the coming year. Interest rates can move by more than 1% over the course of a year.

Table 10: Treasury Management Indicator Interest Rate Exposures

The following Table is based on investments at 31 December 2023.

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(637)
One year revenue impact of a 1% fall in interest rates	830

The figure for the 1% fall in interest rates indicator is not the same figure as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would only exercise their option if there was an increase in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

7.0 NON-TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include investments in subsidiaries and investments in property.

A schedule of the Council's existing non-treasury investments (currently limited to owned property) is set out in Table 11 below:

Table 11: Non-treasury investments

This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. These assets are valued on an annual basis, which provides security of their value and continued benefit to the Council.

Non-treasury investments	Fair Value £'000
Bridgend Science Park - Units 1 & 2	3,985
Waterton Cross Land	600
Brynmenyn Industrial Estate Plot 53	675
Village Farm Plots 32,119 & 120	385
Tyrewise Bridgend	200
Total	5,845

The Council considers that the scale of its investment properties is proportionate to the resources of the Council, since such investment represents less than 1% of its total long-term assets. In addition, the value of these investments has increased from £5.585 million at 31 March 2022 to £5.845 million as at 31 March 2023. In accordance with Welsh Government Investment Guidance, these will be classified as non-treasury investments.

8.0 LOANS TO THIRD PARTIES

The Council may borrow to make grants or loans to third parties for the purpose of capital expenditure. Welsh Government Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority. Loans are only made after the Council's formal decision-making process has been followed. This includes formal approval by Council following advice from the Chief Finance Officer. As part of the formal decision to make the loan, the security for the loan will be assessed as to its adequacy in the event of the third party defaulting on repayment. The Council can demonstrate that its financial exposure to loans is proportionate by setting the limit as set out in Table 12 below.

Table 12: Loan Limits

Borrower	£'000
Wholly owned companies	3,000
Joint ventures	3,000
Treasury management investments meeting the definition of a loan	Unlimited

9.0 IFRS9 – LOCAL AUTHORITY OVERRIDE

The Welsh Government legislated in the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2020 for a statutory override for fair value gains and losses on most pooled investment funds not to be funded via the Comprehensive Income and Expenditure Statement. This ended 31 March 2023 and any unrealised capital gains or losses arising from qualifying investments held as at 31 March will be charged to the Comprehensive Income and Expenditure. As the Council does not hold any pooled funds, this change will not affect it.

10.0 REPORTING ARRANGEMENTS

Council will receive the following reports for 2024-25 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy
- Mid-Year Treasury Monitoring Report
- Annual Treasury Outturn Report

The Chief Officer – Finance, Housing and Change (the Council's s151 Officer) will inform the Cabinet Member with responsibility for finance of any long-term borrowing or repayment undertaken or any significant events that may affect the Council's treasury management activities. They will maintain a list of staff authorised to undertake treasury management transactions on behalf of the Council.

The Chief Officer – Finance, Housing and Change is authorised to approve any movement between borrowing and other long-term liabilities within the Authorised Limit. Any such change will be reported to the next meeting of the Council.

11.0 OTHER ITEMS

In line with the CIPFA Code and Welsh Government guidance the following also forms part of the Council's TMS.

Financial Derivatives: Derivatives embedded into loans and investments including pooled funds and forward starting transactions may be used both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 24 of the Local Government and Elections (Wales) Act 2021 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when

determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Climate Change: The Council is working to reduce its impact on the climate and to reduce its carbon footprint.

Markets in Financial Instruments Directive II (MIFID II): From January 2018, MIFID II changed the classification of local authority investors. It reclassified local and public authorities as retail investors. The Council has opted up to professional client status with its providers of financial services, including treasury management advisers, banks, building societies and brokers, allowing it access to a greater range of services but without the greater regulatory protection afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Officer – Finance, Performance and Change believes this to be the most appropriate status.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process and also if the responsibilities of individual members of staff change.

Training is received from the Council's treasury management advisers, CIPFA and other bodies in the form of training courses and seminars. The Council also supports personal development so individuals enhance their own knowledge through reading CIPFA guidance, publications and research on the internet.

Investment advisers: The Council's current treasury management advisers are Arlingclose Ltd who provide advice and information relating to the Council's borrowing and investment activities and capital finance issues. The contract is reviewed annually and either party may at any time terminate this agreement on 3 months prior written notice. The current contract runs until 31 August 2024. The Council will be required to retender the service during the first quarter of 2024-25. The quality of this service is controlled by having regular meetings with the advisers and regularly reviewing the service provided. Arlingclose was incorporated in 1993 and is regulated by the Financial Conduct Authority, reference number 417722.

Investment of money borrowed in advance of need: CIPFA’s Prudential Code sets out that authorities should never borrow for the explicit purpose of making an investment return. Therefore, borrowing in advance of need purely to profit from the investment of the extra sums borrowed is against the principles, however, the Council could potentially borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council’s overall management of its treasury risks.

As the Council has an integrated TMS, borrowing is not linked to the financing of specific items of expenditure. The Council’s forecast Capital Financing Requirement (CFR) projected as at 31 March 2024, is in excess of the actual debt of the Council as shown in Table 2 above indicating there is no borrowing in advance of need. More detail is provided in the Prudential Indicators in the Council’s Capital Strategy 2024-25.

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Officer – Finance, Housing and Change, having consulted the Cabinet Member with responsibility for finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and / or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Deb interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest cost will initially be lower	Increases in debt interest cost will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Schedule A

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA		Aaa		AAA	
	Very strong	AA+	F1+	Aa1	P-1	AA+	A-1+
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1	P-2	A+	A-1
		A		A2		A	
		A-		A3		A-	
	Adequate	BBB+	F2	Baa1	P-3	BBB+	A-2
		BBB		Baa2		BBB	
		BBB-		Baa3		BBB-	
SPECULATIVE GRADE	Speculative	B	Ba1	Not Prime (NP)	BB+	B	
			Ba2		BB		
			Ba3		BB-		
	Very speculative	B+	B1		B+		
		B	B2		B		
		B-	B3		B-		
	Vulnerable	C	Caa1		C	CCC+	C
			Caa2			CCC	
			Caa3			CCC-	
			Ca			CC	
			C				
Defaulting	D	D	C		D	D	

GLOSSARY

Amortised Cost	Amortised cost is the amount at which some financial assets or liabilities are measured and consists of: initial recognition amount, subsequent recognition of interest income/expense using the effective interest method, repayments and credit losses.
Annuity	A method of repaying a loan where the cash payment remains constant over the life of the loan, but the proportion of interest reduces and the proportion of principal repayment increases over time. Repayment mortgages and personal loans tend to be repaid by the annuity method.
Asset Management	The stewardship of capital assets, including decisions around on-going maintenance and eventual disposal.
Authorised limit	The maximum amount of debt that a local authority may legally hold, set annually in advance by the Council itself. One of the <i>Prudential Indicators</i> .
BACS	Bankers' automated payment system. UK bulk payments system allowing transfers between bank accounts with two days' notice, for a small charge.
Bail-in	A method of rescuing a failing <i>financial institution</i> by cancelling some of its <i>deposits</i> and <i>bonds</i> . Investors may suffer a reduction in their investment but may be given shares in the bank as part compensation.
Bail-out	A method of rescuing a failing <i>financial institution</i> by the injection of public money. This protects investors at the expense of taxpayers.
Bank	Regulated firm that provides financial services to customers.
Bank of England	The <i>central bank</i> of the UK, based in London, sometimes just called 'the bank'.
Bank Rate	The official interest rate set by the <i>Monetary Policy Committee</i> , and the rate of interest paid by the <i>Bank of England</i> on commercial bank deposits. Colloquially termed the 'base rate'.
Bond	A certificate of <i>long-term</i> debt issued by a company, government, or other institution, which is tradable on financial markets.
Borrowing	Usually refers to the outstanding loans owed and <i>bonds</i> issued.
Broker	Regulated firm that matches either borrowers and lenders (a money broker) or buyers and sellers of <i>securities</i> (a stockbroker) with each other in order to facilitate transactions.
Brokerage	Fee charged by a <i>broker</i> , normally paid by the borrower.

Building Society	A mutual organisation that performs similar functions to a <i>retail bank</i> but is owned by its customers.
Capital	(1) Long-term, as in capital expenditure and capital receipts, (2) Principal, as in capital gain and capital value, (3) Investments in financial institutions that will absorb losses, before senior unsecured creditors.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of fixed asset that are expected to provide value for longer than one year, such as property and equipment, plus expenditure defined as capital in legislation such as the purchase of certain investments.
Capital Finance	Arranging and managing the cash required to finance <i>capital expenditure</i> , and the associated accounting.
Capital Financing Requirement (CFR)	A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital Receipt	Cash obtained from the sale of an item whose purchase would be capital expenditure. The law only allows local authorities to spend capital receipts on certain items, such as new capital expenditure. They are therefore held in a capital receipts reserve until spent.
Capital strategy	An annual policy document required by the Prudential Code that sets out a local authorities' high-level plans for capital expenditure, debt and investments and its Prudential Indicators for the forthcoming financial year.
CIPFA	The Chartered Institute of Public Finance and Accountancy – the professional body for accountants working in the public sector. CIPFA also sets various standards for local government – e.g. Treasury Management Code and Prudential Code.
Cost of Carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Credit Default Swap	A credit default swap (CDS) is a financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor.

Credit rating	Formal opinion by a credit rating agency of a counterparty's future ability to meet its financial obligations. As it is only an opinion, there is no guarantee that a highly rated organisation will not default.
Credit rating agency	An organisation that publishes credit ratings. The three largest agencies are Fitch, Moody's and Standard & Poor's but there are many smaller ones.
Credit risk	The risk that a counterparty will default on its financial obligations.
Debt	(1) A contract where one party owes money to another party, such as a loan, deposit, or bond. (2) In the Prudential Code, the total outstanding borrowing plus other long-term liabilities.
Default	Failure to meet an obligation under a debt contract, including the repayment of cash, usually as a result of being in financial difficulty.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Fair value	IFRS term for the price that would be obtained by selling an investment, or paid to transfer debt, in a market transaction.
FCA	Financial Conduct Authority – UK agency responsible for regulating financial markets and the conduct of financial institutions, brokers, custodians, fund managers and treasury management advisors.
Financial institution	A bank, building society or credit union. Sometimes the term also includes insurance companies.
Financial instrument	IFRS term for investments, borrowing and other cash payable and receivable.
Financing costs	In the Prudential Code, interest payable on debt less investment income plus premiums less discounts plus MRP.
Forward deal	An arrangement where a loan or deposit is made in advance of the cash being transferred, with the advance period being longer than the standard period (if any) for such a transaction.
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
General Fund	A local authority reserve that holds the accumulated surplus or deficit on revenue income and expenditure, except on council housing.

Gilt	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010.
Impairment	A reduction in the value of an investment caused by the counterparty being in financial difficulty.
Inflation risk	The risk that unexpected changes in inflation rates cause an unplanned loss, for example by costs rising faster than income.
Interest	Compensation for the use of cash paid by borrowers to lenders on debt instruments.
Interest rate risk	The risk that unexpected changes in interest rates cause an unplanned loss, for example by increased payments on borrowing or lower income on investments.
Internal borrowing	A local government term for when actual “external” debt is below the capital financing requirement, indicating that difference has been borrowed from internal resources instead; in reality this is not a form of borrowing.
Investment property	Land and buildings that are held purely for rental income and/or capital growth. Investment properties are not owner-occupied and provide no direct service benefit.
Investment strategy	A document required by investment guidance that sets out a local authority’s investment plans and parameters for the coming year. Sometimes forms part of the authority’s treasury management strategy.
Lease	A contract where one party permits another to make use of an asset in return for a series of payments. It is economically similar to buying the asset and borrowing a loan, and therefore leases are often counted as a type of debt.
Lessee	Party to a lease contract that uses an asset owned by the lessor.
Lessor	Party to a lease contract that own an asset but permits another (the lessee) to use it.
Liability benchmark	Term in CIPFA’s Risk Management Toolkit which refers to the minimum amount of borrowing required to keep investments at a minimum liquidity level. Used to compare against the actual and forecast level of borrowing.
Liquidity risk	The risk that cash will not be available to meet financial obligations, for example when investments cannot be recalled and new loans cannot be borrowed.

Loan	Contract where the lender provides a sum of money (the principal) to a borrower, who agrees to repay it in the future together with interest. Loans are not normally tradable on financial markets. There are specific definitions in government investment guidance.
Loans CFR	The capital financing requirement less the amount met by other long-term liabilities, i.e. the amount to be met by borrowing.
LOBO	Lender's option borrower's option – a long-term loan where the lender has the option to propose an increase in the interest rate on pre-determined dates. The borrower then has the option to either accept the new rate or repay the loan without penalty. LOBOs increase the borrower's interest rate risk and the loan should therefore attract a lower rate of interest initially.
Long-term	Usually means longer than one year.
Market risk	The risk that movements in market variables will have an unexpected impact. Usually split into interest rate risk, price risk and foreign exchange risk.
Maturity	(1) The date when an investment or borrowing is scheduled to be repaid. (2) A type of loan where the principal is only repaid on the maturity date.
MiFID II	The second Markets in Financial Instruments Directive - a legislative framework instituted by the European Union to regulate financial markets in the bloc and improve protections for investors.
Monetary policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
Monetary Policy Committee (MPC)	Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
Money market fund (MMF)	A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds.

Money markets	The markets for short-term finance, including deposits and T-bills. See also capital markets.
MRP	Minimum revenue provision - an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP.
Net borrowing	Borrowing minus treasury investments.
Net revenue stream	In the Prudential Code, income from general government grants, Council Tax and rates.
Non-specified investments	Government term for investments not meeting the definition of a specified investment or a loan upon which limits must be set. Since 2018, the term does not apply to treasury investments in England. Not applicable in Scotland.
Other long-term liabilities	Prudential Code term for credit arrangements.
Operational boundary	A prudential indicator showing the most likely, prudent, estimated level of external debt, but not the worst-case scenario. Regular breaches of the operational boundary should prompt management action.
Operational risk	The risk that fraud, error or system failure leads to an unexpected loss.
Pension Fund	Ringfenced account for the income, expenditure and investments of the local government pension scheme. Pension fund investments are not considered to be part of treasury management.
Private Finance Initiative (PFI)	A government scheme where a private company designs, builds, finances and operates assets on behalf of the public sector, in exchange for a series of payments, typically over 30 years. Counts as a credit arrangement and debt.
Property fund	A collective investment scheme that mainly invests in property. Due to the costs of buying and selling property, including stamp duty land tax, there is usually a significant fee charged on initial investment, or a significant difference between the bid and offer price.
Prudential borrowing	Another term for unsupported borrowing.
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code.

Prudential indicators	Indicators required by the Prudential Code and determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable.
PWLB	Public Works Loans Board - a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments.
Refinancing risk	The risk that maturing loans cannot, be refinanced, or only at higher than expected interest rates leading to an unplanned loss. Managed by maintaining a smooth maturity profile.
SONIA	Sterling Overnight Index Average – SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
Supported borrowing	Borrowing for which the repayment costs are supported by government grant.
T-bill	Treasury bill - a bill issued by a government.
TMS	(1) Treasury management strategy. (2) Treasury management system.
Treasury bill	See T-bill.
Treasury investments	Investments made for treasury management purposes, as opposed to commercial investments and service investments.
Treasury management	The management of an organisation's cash flows, investment and borrowing, with a particular focus on the identification, control and management of risk. Specifically excludes the management of pension fund investments.
Treasury management advisor	Regulated firm providing advice on treasury management, capital finance and related issues.
Treasury Management Code (TM Code)	CIPFA's Code of Practice for Treasury Management in the Public Services and Cross-Sectoral Guidance Notes, to which local authorities are required by law to have regard.
Treasury management indicators	Indicators required by the Treasury Management Code to assist in the management of credit risk, interest rate risk, refinancing risk and price risk.
Treasury management policy statement	Document required by the Treasury Management Code setting out a local authority's definition of and objectives for treasury management.

Treasury management practices (TMPs)	Document required by the Treasury Management Code setting out a local authority's detailed processes and procedures for treasury management.
Treasury management strategy	Annual report required by the Treasury Management Code covering the local authority's treasury management plans for the forthcoming year.
Unsupported borrowing	Borrowing where the cost is self-financed by the local authority. Sometimes called prudential borrowing since it was not permitted until the introduction of the Prudential Code in 2004. See also supported borrowing.
Working capital	The cash surplus or deficit arising from the timing differences between income/expenditure in accounting terms and receipts/payments in cash terms.

APPENDIX 1

Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managers Index (PMI) figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

